

Dairy Policy Action Coalition (DPAC) Board Meeting Minutes
December 22, 2011—3:00 p.m. – 4:45 p.m.

At the Ephrata, PA office and by teleconference

Board Members present (* = by phone): **Pennsylvania**—Cliff Hawbaker (chair), Rob Barley (vice-chair), Duane Hertzler, Dale Hoffman*, Paul Horning*, Zach Meck, Rita Kennedy* (for Jim Kennedy), **Ohio**—Alan Kozak. **Wisconsin**—Sue Schultz*. **Indiana**—Dave Forgey.

Ad hoc Producer Members present (* = by phone): **Minnesota**—Joe Borgerding*. **Michigan**—Howard Straub. **Wisconsin**—Ken Wunderlin*. **Ohio**—Ryan Buschur*.

Professional Team present: **Recording Treasurer** - Bernard C. Morrissey. **Correspondence Secretary** - Sherry Bunting, Ag Writing Services. **Gov. Relations/Advocacy:** Dennis Wolff, Versant Strategies.

Guests present: **Tennessee**—Julie Walker, Southeast Dairy Coalition*.

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order at 3:08 p.m. with 10 board members present; four ad hoc producer members present; all three members of the professional team present, and one guest on the call.

Approval of Minutes and Treasurer's Report:

- Alan Kozak motioned to approve the November 2011 Minutes. The motion was seconded by Rob Barley and passed 10-0.
- Duane Hertzler motioned to approve the December 15, 2011 Treasurer's report. The motion was seconded by Dave Forgey and passed 10-0.

- **December 15, 2011 Treasurer's Report:**

- **The beginning balance on November 10, 2011 was \$4250.12**
- Contributions from Nov. 11 through Dec. 15, 2011 totaled \$9,100.37 from 8 agribusinesses and organizations (\$8,100.00), and 21 dairy producers (\$1000.37).
- Expenses paid November 11 through December 15, 2011 totaled \$10,446.51, itemized as follows:

1) \$ 408.00	11/21/11Paige Eshelman services 11/3/11 through 11/10/11
2) \$2,862.50	11/21/11 Versant Strategies – 1 st 1/2 of Inv #1319 Relation Services & expenses Nov. 2011
3) \$ 83.36	11/22/11Morrissey Insurance Postage 9/29/11–11/21/11
4) \$ 246.00	11/29/11Paige Eshelman services 11/15/11 through 11/23/11
5) \$ 3122.51	11/29/11Ag Writing & Photo Srvcs./Corresp. Secy services & expenses for November 2011
6) \$ 50.00	12/01/11Geisinger Health System Foundation – donation in memory of Rob Barley's father-in-law
7) \$ 474.00	12/13/11Paige Eshelman services 11/29/11 through 12/9/11
8) \$2,862.50	12/13/11 Versant Strategies – 2 nd 1/2 of Inv #1319 Relation Services & expenses Nov. 2011
9) \$ 278.05	12/13/11 Premier Global Services – Conference Calls
10) \$ 59.59	12/15/11Staples / Reimburse Paige Eshelman for purchased Ink cartridges (2 HP-XL)
- **This left an ending balance on December 15, 2011 of \$ 2,903.98**

- Treasurer Bernie Morrissey said there are a couple outstanding invoices at this time: 1) Versant Strategies' December invoice totaling \$5,725 and due by the end of December, and 2) Bernie Morrissey's November and December office rents totaling \$200 due "whenever." Current funds available of \$2,903.98 leave the DPAC account short by of \$3,021.02 as of December 15, 2011.
- Bernie thanked everyone who has helped gain agribusiness donations, and he noted that Sue Schultz recently helped Bernie contact companies that are headquartered in Wisconsin and do business with dairy producers nationwide.
- Bernie noted that he and his assistant, Paige, have worked on a fundraising plan to show the executive board. He said the money situation is DPAC's only real problem at this time. He has worked passionately to keep bringing dollars in to keep the DPAC effort going, and he has deposited his own money recently as well as continuing to use his own funds to further DPAC's agenda politically. He said that if every agribusiness simply gave \$100 a month, DPAC can absolutely make it, and increase the coalition's long term influence. He said it is tough to keep going with only six or 10 agribusinesses giving monthly contributions. Bernie felt strongly that the agribusinesses have much to gain from policy that strengthens the dairy farmers. He asked the board members to press their vendors for assistance to this worthwhile cause. He said the businesses respond when their farmer-customers ask them to help, more so than when Bernie contacts them independently. He urged farmers to talk to their vendors as soon as possible. If everyone joins in, it will be easy, he said.
- Board member Duane Hertzler noted there is so much value in what DPAC is doing. After being in Washington, D.C. the day before, it was obvious we are making a difference per the feedback from members of the House and Senate and from other sectors of the industry.
- Bernie reiterated the importance of getting more widespread agribusiness support to augment the producer contributions of one penny per hundredweight.
- Chairman Hawbaker said the executive board and finance committee will continue to work on this issue and take up Bernie's suggestions for improving the funding situation.
- Bernie also noted that he and Sherry will be speaking at the International Silo Association meeting in Bird-in-Hand on Jan. 6.

Executive Board and Activities Report:

- Chairman Hawbaker noted that the Secretary has sent updates throughout the month between board meetings.

Federal Legislative Update – Dairy Advancement Act:

- Denny Wolff updated the board on the visits in Washington D.C.
- Denny, along with producer board members from four states -- Cliff, Duane, Dave, Alan, and Howard – traveled to the nation's capitol on Wed., Dec. 21.
- We see some new direction in where the Farm Bill is heading after the super committee disbanded, Denny reported. We learned that the 2012 Farm Bill will take a more normal process going forward, which creates thoughts on where to go with our Dairy Advancement Act legislation (Senate bill 1682); and how those thoughts fit into having a companion bill in the House.

- Part of the focus for the meetings in D.C. on Dec. 21 was to gauge the attitudes and appetite for sponsoring the legislation on the House side.
- The DPAC group met with folks at Congressman Tim Holden's office and Congressman Glenn "G.T." Thompson's office. Both are well-respected members of the House Agriculture Committee.
- Between those two meetings, the DPAC group also met with the International Dairy Foods Association (IDFA) to talk about DPAC's proposed Dairy Advancement Act legislation.
- The main concern from both Congressmen's offices is that S. 1682 does not have a CBO score. Specifically, the cost of LGM-Dairy is the big question. Denny followed up with Liz Hermsen at Sen. Casey's office to see if they have a CBO score yet. He reported we are waiting on that number, and there is no question about it: both members of Congress are at least interested in the bill; but the price tag is crucial. We need numbers.
- In the meeting with IDFA, there was agreement on eliminating the dairy product price support program. The two-class system is not exactly where IDFA is at, but it's close. The reporting language was discussed. Denny noted that our reporting language in the Dairy Advancement Act is extremely extensive. It includes daily, weekly and monthly reporting and an array of additional products being reported. It also expands the number of plants reporting.
- One thing to come out of that meeting with IDFA is we learned that USDA received a \$4 million grant to issue dollars for projects. It appears that we could submit a project for grant dollars to have FAPRI or another group of economists do some analysis and modeling of the two-class milk pricing system.
- Denny reported that we would work with the offices of Congressman Holden and/or Thompson to apply for the funds to model the milk pricing details.
- In all the D.C. visits, people were aware that the LGM-Dairy insurance product has picked up in popularity like no other product has. Denny met with Jason Morrissey before the board meeting to look at ways to amend LGM to meet Congress' baseline for dairy, and still be a reasonable product for dairy producers to use.
- Denny reported that IDFA brought up the issue of the dairy baseline at \$70 million being a joke. He said when you look at \$70 million a year for dairy, the number seems to have been cut far below what has actually been spent over the past 10 years, which is already much smaller than other commodities. He noted that in 2009, the government paid out \$882 million in MILC payments. Somehow, that was not part of the equation in how dairy's baseline was established for the 2012 Farm Bill. Going forward, that baseline is \$700 million over 10 years or \$70 million per year. That's the number we are working with and trying to package some sort of risk management tool into. It's a tall order, and National Milk accomplished it by using supply management penalties on farmers to help pay for it.
- Denny noted that IDFA suggested we try to get that dairy baseline increased. None of the other commodities have had the experiences and the difficulties that dairy has, and yet dairy is such a tiny number already, and has been whittled down even further. They noted that other segments of agriculture had champions in Congress who went in there and increased the baselines for those commodities (i.e. fruit), thus it's possible dairy could find a champion to do that instead of accepting NMPF's Dairy Security Act on the basis of it's low scoring number. Question is ... do we want to pursue that? And who could be that champion to find a reasonable baseline for dairy? If we pursue that, how does that reflect on DPAC when our goal was to improve the system not seek government dollars?

- In summary, Denny reported the visits in Washington were very worthwhile and brought home good information for Board deliberation.
- He said that there is no question that the Congressional staffers – and the folks at IDFA – were impressed by the level of understanding and the detailed conversation engaged by the producers who went to Washington on December 21. He thanked Cliff, Duane, Alan, Dave, and Howard for their efforts.
- Howard Straub noted that he and Alan and Dave also met with a Congressman from Michigan and opened a door there.
- Dave Forgey noted that now is the time to reach out to members of Congress who are not involved in dairy policy, but have dairy in their home regions. It's time to make them more aware – in much the same way that Congressman Joe Pitts of PA is aware and engaged even though he's not on the Ag Committee but he represents 3 PA counties with lots of dairy farms.
- Alan Kozak and Dave Forgey said the math on the \$70 million/year dairy baseline comes out to roughly \$7 per cow per year. Dave mentioned that we might be better off throwing it out altogether and coming up with a program that is fully self-funded by producers – without using supply management -- because the \$70 million baseline is really not going to make any difference at all on any dairy farm. An example: If dairy farmers lost \$100/cow/month in 2009, what good is \$7/cow/year in dairy baseline safety net? It's useless.
- Alan said part of the process is that this is another reason NMPF has failed producers in conceding to such a small piece of the pie that has been cut even more dramatically than for other sectors. He noted that if margin insurance is subsidized, more money will be needed. But maybe the LGM can be offered without subsidy on a totally self-pay basis for those who need that assurance for their bankers and for new young dairymen who don't have the equity to withstand the volatility.
- Alan also reported that Peterson's Dairy Security Act is still the frontrunner – way ahead of the pack. DPAC can't change that by themselves. We have to find a way to lock arms with other groups as we move forward. Alan said we should make a concerted effort to talk with Wisconsin Dairy Business Association and the co-ops that agree with us and are opposed to supply management. We need to identify the state producer groups and co-ops that are not in full agreement with the Dairy Security Act.
- Alan noted that current funding for LGM is under a different umbrella as a pilot program under RMA. The way we are proposing it in the Dairy Advancement Act, LGM would come under that small dairy baseline as a choice if producers give up MILC. Alan noted that we could develop another kind of margin insurance and let LGM off in the separate umbrella and develop it separately because \$70 million just won't go very far.
- Duane Hertzler said his take home message from Washington is that we need to gain other groups in our camp to be more effective. So far, our voice is being heard and they are looking to us for information. DPAC is respected and they like our position. But we have to step it up by working with additional groups.
- Alan Kozak observed the atmosphere on this trip to D.C. was completely different from previous visits. He has participated in all the visits since April of 2010, and he said this time the staffers are saying they like what we've done and are asking us to further refine it and push it ahead. In the beginning, the attitude was more like: who are you, why are you here and what do you want?

- He said there has been a whole switch from defense to offense, and it reminded him of his daughter's soccer story. And so he reminded everyone that now we have an opening to take our shot on goal. He said it's a completely different game now.
- Chairman Hawbaker asked for discussion and action on developing a House companion bill, and to define three things within the bill (DPAC's homework):
 - **#1 - Further define the reporting – the purpose and end result expected:**
 - Denny said IDFA has its reasons they are not excited about expanded reporting. They prefer a smaller amount of product, if the reporting is daily. The question is what would the menu look like to get a better picture of what the market is doing?
 - The feedback they got from IDFA is that maybe they would support an increase in the number of plants and products reporting if the frequency didn't change. In essence: weekly reporting of more plants and products or daily reporting of the same number of products. Confidentiality in the trades is the issue. If Kraft does 80% of the sales, then no data is released because it's obvious who did the trade and what the amount was so releasing the information would be a violation of confidentiality. In that case, USDA would release no price data. That's how it is currently done in livestock: if one entity has too large a share of the sales, then the price does not get reported.
 - Alan noted that even if that happened, wouldn't it be interesting to know that the day's trade was so heavily from one pocket that a price could not be released? Still, the amount would get included in the weekly compilation even if a daily price was omitted for confidentiality on that day. Alan also said the processors continue to state that these additional prices don't mean anything and that it is difficult to report mozzarella because there are so many product variations. Alan's point in defense of reporting more products was that this reporting would be looking at the trends, not tying a value to a milk pricing formula, and the reporting would include volume. It's still valuable information from a trend perspective. We need more information, not just to decide what the manufacturing class price or mover will be.
 - Chairman Hawbaker asked for this to be defined through action group or email discussion.
 - Rob Barley gave his opinion that we should not back down one iota. If IDFA agrees with most of what we have, let's go in with the kitchen sink because we won't get it all. He questioned why capitulate or back off right now?
 - Denny said we have a menu this big, maybe to show we were listening to what they were saying we go back with a slightly shorter menu, but not give up our position.

- Chairman Hawbaker said he wants this discussion to continue and the comment was made that maybe the experts to help us define these sort of things.
- They would be a resource to find out what key products are most important to help DPAC solidify its position.
- **#2 - Further define the margin insurance to conform to the baseline and have a CBO score (below \$700 million over 10 yrs or \$70 mil per year)**
 - Dave said the biggest thing we have to work on is to put a bill together that has a low CBO score. He said farmers have to realize that \$70 million baseline doesn't do anything for us, so we have to understand and accept that, but find a way to get stability in our markets and competitive pricing.
 - Choice: if can't get more funding, just say don't want any, want to concentrate on a better system.
 - It was mentioned that there are other margin programs out there besides LGM. If we can get something in place to fit the CBO score, we can move on these other things forward. Dave said getting the things that have the most value may mean keeping the government limited or out.
- **#3 - Further define the two-class system so that farmers and infrastructure know how it can work**
 - Dave stated how important it is to build relationships and not be weakened.
 - Ken Wunderlin from Wisconsin echoed the belief that we should try to get as much as we can on the reporting and we should not back away on that.
 - Alan said we need to work on the reasons why and have a better list of written information and real-life examples as to why we need the reporting and how it would be used.
 - Joe Borgerding said we need to look for ways to delve into the details of the Dairy Security Act and show that it won't really cost what CBO says it will cost.
 - Dave emphasized the importance of the CBO score. If nothing else is developed that scores lower, then NMPF holds its ground with the Dairy Security Act. CBO is all that matters in D.C.

Board Action on Refining the DPAC legislation in a House companion bill

- After the preceding discussion, Chairman Hawbaker opened the floor for a motion.
- Alan Kozak moved that the board develop a House companion bill to the Senate Dairy Advancement Act, specifically refining the reporting, LGM, and two-class system.
- Rob Barley seconded the motion.
- Chairman Hawbaker asked if board members had any further questions or discussion.
- Hearing none, he called for the question and the motion passed 10-0.

Feedback from guests and regions:

New York

- No one attended from New York to give a report.

Southeastern States

- Julie Walker was not available on the call at this point to give a report.

Midwestern States

- Howard Straub of Michigan reported he received a note from a key staffer for Sen. Stabenow saying the Senate would not be working on the Farm Bill again until Spring and that staffer wanted to visit some more with us about our bill. Howard also noted that if something doesn't get done on the Farm Bill by June, then it won't get done until 2013 due to the elections.
- Sue Schultz reported that Family Dairies had a board meeting and read through the five points from the December 1st DPAC discussion, and they totally support the five points.
- Sue also noted that California dairy producer and industry leader Doug Maddox passed away and as a DPAC member she wanted to pay tribute to him for all that he has done for the dairy industry.
- Ken Wunderlin noted that at the last Family Dairies Board meeting, they talked about the Midwest Dairy Coalition report. They believe the supply management part of the Dairy Security Act would eventually get thrown out.
- Sherry noted that if they throw out the stabilization piece, it would change the CBO score.
- Alan said in D.C., staffers were asking if any of us actually saw the Dairy Security Act legislation and/or the score as it was put together for the disbanded super committee. No one has seen the legislation, not even ag committee staffers!
- Since the Dairy Security Act legislation has been apparently amended perhaps in some ways in secret, we should be cautious not to believe everything we hear without actually seeing the bill as it would have been proposed to the super committee.

Annual Board Reorganization

- Chairman Hawbaker reminded everyone about how the reorganization process works based on the task ahead, and he talked about the discussions he has had with various board members and ad hoc members.
- Six Pennsylvania board members are moving the second row for 2012. Chairman Hawbaker thanked them for their service in 2010 and 2011. They are: Zach Meck, Jake Esh, Rodney Metzler, Eric Frederick, Max Smith, and Jim Kennedy.
 - Zach Meck, who farms with his brother Jeremy near Womelsdorf, Berks County, has put a lot of time into the DPAC efforts. He will continue to serve as an ad hoc member on the PA State Action Group.
 - Jake Esh, who farms near Gordonville, Lancaster County, brought valued perspective to the DPAC board. He will continue to serve as an ad hoc member on the Fund raising action group and the Milk Marketing Models subcommittee.

- Rodney, Eric and Max from the Morrisons Cove area of Pennsylvania brought valuable perspectives to the board. They are also welcome to continue participating as ad hoc members to the board as they are able.
- Jim Kennedy from the Butler County Northwest region of PA has taken a position with the PA Department of Agriculture. His wife Rita will serve as an ad hoc member to the DPAC board.
- Thank you Zach, Jake, Rita, Jim, Rodney, Max and Eric!
- The Secretary read the list of names proposed by the executive board for the 2012 DPAC Board of Directors:
 - Cliff Hawbaker, Chambersburg, PA
 - Daniel Brandt, Annville, PA
 - Rob Barley, Conestoga, PA
 - Laura Covert, West Winfield, NY
 - Dave Forgey, Logansport, IN
 - Jack Fritz, Springfield, TN
 - Duane Hertzler, Loysville, PA
 - Dale Hoffman, Shinglehouse, PA
 - Paul Horning, Stevens, PA
 - John Jenkins, Columbia Crossroads, PA
 - Alan Kozak, Millersburg, OH
 - Sue Schultz, Chilton, WI
 - Ben Shelton, Olin, NC
 - Dan Stoltzfus, Honey Brook, PA
 - Nelson Troutman, Richland, PA
 - Joe Borgerding, Belgrade, MN
 - Ken Wunderlin, Livingston, WI
 - Howard Straub, St. Johns, MI
- Duane Hertzler motioned to approve the 2012 DPAC board as read. Zachary Meck seconded the motion and the motion carried by voice vote 10-0.
- 15 directors returned this year, and three new directors were added. The new directors are:
 - **Howard Straub (Michigan):** Howard and his wife Mary Jo milk 100 cows on 250 acres at their Triple H Farms near St. Johns, Michigan. Three of their children also have their own dairy farms in Michigan and Ohio. Some of Howard's other involvements include GLCI steering committee, American Forage and Grasslands Council, Michigan Forage Council, Michigan Food & Farming Systems Council, and he is active in his county with the Michigan Farm Bureau. Howard has been involved with DPAC as an ad hoc member on the global issues action group since March of 2011. He first became interested in DPAC's policy proposals during a visit to Washington D.C. in 2010.
 - **Joe Borgerding (Minnesota):** Joe and his wife Antoinette milk 160 cows at their Borgerding Family Farm near Belgrade, Minnesota. Joe is a director on the board of the Minnesota Milk Producers Association. He is also active in other

organizations such as the Minnesota Dairy Profitability Advisory Committee, Minnesota Dairy Leaders Roundtable, Minnesota Farmers Union, Minnesota Corn Growers, and Minnesota DHIA. Joe became interested in DPAC's policy positions toward the end of 2010. He accompanied the multi-state DPAC group who met with John Goldberg and Congressman Tom Rooney in January 2011 to express concern about the supply management plan contained in NMPF's Foundation for the Future, which at that time was headed for the fast-track to be introduced as a bill and completed by March.

- **Ken Wunderlin (Wisconsin):** Ken and his wife Evelyn milk 100 cows at their Ke-Lyn Ranch near Livingston, Wisconsin. Ken is vice president of the Family Dairies USA board of directors. Family Dairies is based in Madison, Wisconsin and serves 3200 members in a five-state area. Ken attended the meeting last March in Greensboro, North Carolina, where members of the DPAC board and the Southeast Dairy Coalition board met to talk about opposing NMPF's Foundation for the Future by proposing legislation that would be an alternative to the FFTF. Ken has been on DPAC conference calls and participated with his thoughts and ideas since we first met with Family Dairies in June of 2010 while in Madison for the USDA / DOJ dairy competition workshop.
- Chairman Hawbaker outlined his concepts for how to move forward in the coming year. He noted that the PA legislation and federal legislation are somewhat intertwined, and yet they are separate. Thus, the PA State Action Group should work more on their own and expand from the current three members to include more active dairy farmer members. That state group would then report back to the DPAC board like a region would do.
- The Chairman also said he would like to see the executive board expanded from three members to six and to represent the different regions for the next year.
- Chairman Hawbaker turned the gavel over to Bernie Morrissey for the purpose of chairing the meeting during the election of 2012 officers.

Election of Officers for 2012

- Serving as temporary chair during the elections, treasurer Bernie Morrissey opened the floor for nominations for chairman.
- Rob Barley nominated Cliff Hawbaker. After no additional nominations were made, Barley amended his motion to close the nominations and cast a unanimous ballot for Cliff. Duane seconded the motion and the 2012 board passed the motion 11-0.
- Duane Hertzler nominated Rob Barley and Alan Kozak for the two vice-chair positions. Dave seconded the motion, which passed 11-0.
- Chairman Hawbaker thanked the board for their vote of confidence. This will be his third year as chairman, and he said to remember the action groups are very important to carry out the tasks. He views his role a more as a facilitator for the board's ideas.

2012 Board Appointments

- Chairman Hawbaker appointed the 2012 executive board to be the three officers (Cliff, Rob, Alan) along with Dave Forgey and Howard Straub. He said he would like the sixth person on the executive board to be from the Southeast, but needs to discuss this with the members of the Southeast Dairy Coalition leadership.

- He followed up with these additional appointments:
 - **The PA State Issues Action Group** will be chaired by Daniel Brandt with members Nelson Troutman and Zach Meck. They are to expand their action group to include additional dairy farmers.
 - **Ad hoc member search:** Duane Hertzler, Howard Straub, Dave Forgey.
 - **Finance committee:** Duane Hertzler (chair), Daniel Brandt, Paul Horning along with treasurer Bernie Morrissey.
 - In addition, Hawbaker appointed board member Paul Horning as a treasurer in conjunction with Bernie Morrissey.
 - **Fundraising action group:** Bernie Morrissey (chair), Jake Esh, Doug Martin, Alan Kozak and Jon Jenkins.
 - **Milk Pricing action group:** Rob Barley (chair); Dale Hoffman (vice chair); Daniel Brandt, Dan Stoltzfus, Laura Covert, Jack Fritz, Dave Forgey, and Ryan Buschur.
 - **Supply Management action group:** Ben Shelton, Jon Jenkins, Duane Hertzler, Paul Horning, Ken Wunderlin and Joe Borgerding.
 - **Standards and Regulation action group:** Alan Kozak (chair), Duane Hertzler, Tom Barley
 - **Milk Marketing Models subcommittee:** Rob Barley, Dale Hoffman, Duane Hertzler, Cliff Hawbaker, Alan Kozak, Jake Esh, Ben Shelton, Roger Jefferson, Joe Borgerding
 - **Global Issues action group:** Dave Forgey (chair), Howard Straub, Ben Shelton, Sue Schultz, Everett Williams
- Alan motioned to accept the Chairman's appointments. Rob seconded the motion and the motion passed 11-0.

Old Business:

- Denny gave an update on the Pennsylvania legislation. He reported that GNEMMA moved forward with some language in September for consideration to change Brubaker's bill without impacting the producers who are currently getting the full premium. GNEMMA indicated wanting to meet with us in January instead of December. Marvin Beshore thought the meeting should be just between GNEMMA and DPAC without any senate staff.

New Business:

- There was no new business to discuss.
- Everyone was reminded that the banquet doors open at 6:00 that evening for the holiday year-end celebration at Shady Maple (Dec 22).

NEXT MEETING

- The next official board meeting is tentatively scheduled for January 19 at 1:00 p.m. EST by teleconference.

Respectfully Submitted,
Sherry A. Bunting
DPAC Correspondence Secretary
 January 4, 2012