

Dairy Policy Action Coalition (DPAC) Minutes

June 10, 2010—1:00 p.m. – 2:40 p.m.

By Teleconference

Board Members present: *Pennsylvania*—Cliff Hawbaker (chair), Rob Barley (vice-chair-1), Daniel Brandt (vice-chair-2), Duane Hertzler, Dale Hoffman, Paul Horning, Doug Martin, Zach Meck, Dan Stoltzfus, Jake Esh, Jon Jenkins. *Ohio*—Alan Kozak. *New York*—Bryan Gotham.

Adhoc Producer Members present: *New York*—Laura Covert. *Tennessee*—Jack Fritz. *Kentucky*—H.H. Barlow. *Indiana*—Dave Forgey.

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

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order at 1:05 p.m. with 13 board members present, four adhoc members present and the professional team present.

Consent Agenda – Approval of Minutes & Treasurer’s Report:

- Chairman Hawbaker asked if the Board had any questions, discussion or objections to consent approval of the Minutes and Treasurer’s Report, which had been provided to the Board before the meeting. Hearing no questions or discussion, the Minutes and Treasurer’s Report were unanimously approved.

Treasurer’s Report:

- The beginning balance on May 8, 2010 was \$13,282.47
- Contributions from May 8, 2010 through June 4, 2010 totaled \$5420.00 from three agribusinesses and four dairy producers.
- Expenses paid May 8 through June 4, 2010 totaled \$8,610.81, itemized as:
 - \$ 360.17 Premier Global Services – Conference Calls
 - \$ 237.89 Cliff Hawbaker, incurred expenses
 - \$5725.00 Versant Strategies – Relation Services & Expenses for May 2010
 - \$2287.75 Agriculture Writing and Photography Services (S. Bunting) April Fee, Expenses and Bonus
- This left a June 4, 2010 ending balance of \$10,091.66.
- Morrissey noted that he was ready to issue \$8500 in bill payments on the 15th, which would bring the balance down to around \$1500.

Fundraising Update

- Bernie Morrissey thanked Jack Fritz of Tennessee for sending his list of vendors with telephone numbers. He also noted that Rodney Metzler provided a list of 210 milk haulers.
- Morrissey is following up with letters and phone calls. He told the board he realizes the farmers are very busy, but he needs lists and some assistance in fund raising.
- Morrissey also discussed a plan to have 10 entities each giving \$1000 a month to have a cash flow that meets the monthly budget of \$10,000.
 - At present, DPAC has \$1000/month donations coming in from Mark Hershey Farms, Sensenig's Feed Mill and Lancaster Dairy Farm Automation.
 - The second part of the plan is to have the 20-member board come up with \$1000 a month in donations between them. This would bring the consistent cash flow to a total of \$4000 per month.
 - The third part of the plan is to have the adhoc members from other states work on achieving \$1000 a month coming from each state (Each state could find 20 entities to give \$50 each per month – that is one scenario).
- Bryan Gotham said he will work on achieving \$1000/month in donations from New York. Jack Fritz said he has started working on Tennessee along with H.H. Barlow working on Kentucky. Alan Kozak continues to work on increasing the monthly cash flow from Ohio, as there are already a handful of producers from Ohio giving monthly donations. Dave Forgey said he has initiated this fund drive with the Indiana Professional Dairy Producers and there is a link about DPAC now at the IPDP website. The point made is that it only takes a little from many.
- Chairman Hawbaker thanked Morrissey for his efforts: “We appreciate everything you have done and with our coalition being national, we want to try to tap into those who have the ability to support DPAC in other states.”
- Hawbaker said if each DPAC Board member gave \$50 per month, that would be \$1000 per month. Some have already given lump sums previously, and others are already doing \$50 or \$60 per month, but not all board members are doing this yet.
- Bryan Gotham suggested each Board member give \$60 per month, and he wanted to know if donations could be made automatically.
- Jake Esh wanted to know how to do voluntary assessments off the milk check. As a member of the fund raising action group, Esh said: “We have really professional people working for us and we don't want to lose them. We are getting a bargain.”
 - Alan Kozak and one other Ohio producer are doing voluntary assessments off their milk check. He can tell others how to do it.
 - Basically, the producer contacts the plant or co-op they ship to and asks for the form to fill out to begin a voluntary assessment from their milk check to be sent in to DPAC. All checks should be made payable to Dairy Policy Action Coalition at 890 North Reading Rd., Ephrata, PA 17522. It's best to spell out the full name of the organization when filling out a voluntary assessment form, instead of using just the acronym (DPAC) to avoid confusion as to where the payment is to be sent.

Update on the Bylaws:

- Morrissey requested an update from attorney, Lawrence Tabas, who is evaluating the original bylaws signed by the Charter Board in December. Tabas is working on a revision and there are some issues that he needs to review relative to the conference call with the Executive Board back in April. He should be able to submit a revised draft of the bylaws within the next couple of weeks.

Executive Board & Activities Report

- The Executive Board & Activities Report was emailed ahead of the meeting detailing the past month's activities as well as upcoming activities.
- Chairman Hawbaker noted that the Report shows there is something going on almost all the time. This report is primarily for Board information, but he gave time for questions, comments or concerns.
- Hawbaker also noted that the Board received confirmation that Dennis Wolff will be representing DPAC on a market transparency panel at the June 25 USDA / Department of Justice (DOJ) hearing in Madison, Wisconsin. He and other Board members will plan to attend and use the time there to also meet with Family Dairies and other producer groups in the Midwest.
- Dave Forgey said he appreciated the really sound information in the Report and asked permission to share with Indiana producers.
- By unanimous consent, the Board agreed to have Sherry Bunting, correspondence secretary, post each month's Executive Board & Activities Report to the website after it is approved at each Board meeting.

Legislative Update

- Rob Barley and Denny Wolff reported on the June 3 meetings in Washington, D.C. with the Dairy Industry Advisory Committee (DIAC) and National Milk Producers Federation (NMPF).
 - Barley said DPAC was successful in Washington. He and Wolff were able to get the issues out in the open and were received very well by the DIAC. The members of the Committee had thoughtful questions and there was a lot of good dialog during the session as well as afterwards over the lunch hour (see June Exec. Board and Activities Report for details).
 - In the meeting with NMPF, the biggest accomplishment is that they know who DPAC is. Barley noted we are in agreement on some things. They were more willing to say they agree with us on our framework, but because of their relationship with IDFA (International Dairy Foods Association), some of the issues are going to involve political maneuvering.
- NMPF's Foundation for the Future was sent out as information to the Board, and Chairman Hawbaker said DPAC should be looking at it:
 - We need to know what they are doing.
 - We are not in a position to tear down or straighten up their plan.
 - We need to stay focused on our own policies and stay focused on the issues as we perceive them, and to keep to the dairy farmers' side of it.

- At the same time, it is very important that we know what's going on, and our action groups should be informed so we know where we have agreement with other policy proposals—especially with NMPF.
- Denny Wolff gave an update on daily electronic reporting. He spoke with Jake Kuhns at Rep. Holden's office and Adam Tarr at Sen. Specter's office at the beginning of June.
 - They said the supporting language part of the request should be released later this month and they are tracking to be sure both the House and Senate versions of the ag appropriations bill include the same funding and language.
 - Now is the time to really push producers from other regions to contact members of Congress who actually sit on the Senate and House ag appropriations subcommittees so that the \$1 million makes it into both ag appropriations bills and so the language reinforces that the reporting must be daily and the auditing done quarterly as per section 1510 of Farm Bill.
 - This is the time to take advantage of the network of producers in other states.
 - There is no resolution number attached to the daily electronic reporting because it is a line item (with supporting language for daily vs weekly reporting) within the total ag appropriations bill in the FY 2011 federal budget.
- Denny Wolff also reported on the “next step” for the DPAC policy framework. He suggested DPAC could draft a piece of legislation to rally around.
- Wolff reported that he and the PA State Issues Action Group met with Sen. Joe Scarnati, President Pro Tempore of the Senate on June 8.
 - It seems like the Senate is supportive of going forward with the five-step changes to the PA Milk Marketing Law, but another hearing is needed to explore ‘stranded’ premiums—how much is stranded and how is it being stranded—so legislation to close the loopholes cannot be disputed.

Milk Pricing Action Group Update

- Chairman Rob Barley thanked Dave Forgey, adhoc member from Indiana, for joining the Milk Pricing Action Group for their May 27 teleconference meeting to talk about classified pricing and the number of milk classes.
- We did represent the two-class pricing concept to the Dairy Industry Advisory Committee in Washington on June 3, said Barley.
- The Action Group is also getting feedback from others within and outside of the system.
 - Barley reported that NMPF seemed supportive when DPAC met with Jerry Kozak and Jaime Castaneda on June 3, but there is not total agreement on their board.
 - “We will continue to have discussion there,” said Barley, reporting that he has already reached out to Dairylea, Maryland-Virginia, and Land O’Lakes for their feedback.

- He also had plans to contact Jim Baird of the Southern Marketing Agency (SMA) as Dan Stoltzfus reported Mr. Baird is on the NMPF board and would be willing to meet with DPAC on dairy policy. H.H. Barlow echoed Dan's suggestion to meet with Jim Baird. Dave Forgey also said he would reach out to his cooperative in the Midwest for feedback as well.
- Connecting with influential people on NMPF board was deemed important by the DPAC Board, however, the consensus was to do so on an informational basis: If they have good ideas that align with DPAC, that is great, but DPAC will be careful not to allow "any one entity or person" to control its direction.
- As DPAC has traveled and connected with producers from different regions of the country, many issues have come up:
 - Class alignment is difficult with the growing variety of dairy products. (This is also seen in USDA's recent decision to put fluid products that are less than 6.25% milk solids into Class II instead of fluid Class I).
 - The global nature of some products vs. other products that are largely used in domestic markets.
 - The idea that eliminating government support purchases would cause Class IV (especially powder) to behave more like a global class as 10% of the milk produced in the U.S. goes to powder and 50% of the powder is exported—plus it is evident that milk powder and proteins are the product area most pressured by imports. This is as much to garner exports as it is to use competition as protection against imports.
 - Related regional concerns were discussed, such as the impact of Transportation Credits and rules about outside milk pooling on Southern Orders and the rules about Diversions in the South.
 - The concept of fewer milk classes would be to on the one hand simplify the classification, and on the other hand expand the price discovery process with daily reporting of more products.
 - Ultimate goal is to move milk to its highest value use on a competitive pay price and to find a way to stabilize Class I returns to producers.
- As these issues and potential solutions are discussed, the thought keeps coming up: What about One Order / One milk class?
 - Chairman Hawbaker asked the Board if they want to explore this.
 - Dave Forgey said we need to learn more about it first and that the Midwest had looked at such a structure in the past, but it never had traction.
 - The Board had no interest at this time in pursuing the concept, but that Dave Forgey and Sherry Bunting would look for information to share with the Board at a later date.

Supply Management Action Group Update

- The Board briefly discussed the status of current Supply Management proposals and legislation, including the House bill, which is essentially the California plan. He also wanted Board members' thoughts on the "stabilization" part of National Milk's Foundation for the Future.

- Supply Management Action Group Chair Jon Jenkins reminded the Board that it has adopted a “wait-and-see” position on Supply Management.
- Dave Forgey noted that NMPF’s insurance program links to a Supply Management plan. He said he doubts that Congress will accept that program because some have analyzed it to say it will put more government dollars than ever into dairy.
- Board members also noted that, Supply Management should be looked at from the aspect that dairy producers need to know quickly if there is an excess of production, and that can’t happen under the present system where the Government buys and stores product. Seems to be a cart-before-the-horse issue.
- Rob Barley referred back to DPAC’s meeting with Jaime Castaneda at NMPF on June 3. He helped put together the revenue insurance program based on feed to milk margins. Barley noted that he has received feedback from others within the cooperative system, who point out that the protection is not very much. It is determined by a feed formula made up by someone who knows what they are doing. That margin is protected from falling below a certain point, and at that point, the producer would get an indemnity.
 - One issue is that NMPF wants FSA to manage it and offer the opportunity for dairy producers to buy additional “margin” insurance if they want it.
 - The belief is that few people will buy the extra insurance and so the amount of insurance that is “free” would only protect a margin of \$4, which is essentially getting protection at the 2009 margin between feed cost and milk price.
 - Dave Forgey noted that if you read the report, the comparative number they are using is that producers can buy-in at other levels, which makes it not much better than a support price we have now at the \$9.50-\$9.90 level on the milk price (again, the 2009 level of raw prices).
 - It appears to be a replacement for people who want to keep the MILC payments but this is at a lower level of protection and is size-neutral.
- The Board agreed to stay focused on market transparency, price discovery and fleshing out the other aspects of DPAC’s policy framework for change in the pricing system, and to stay informed on how NMPF’s plan and the Supply Management bills in Congress are moving along to see if anything is getting traction.
- It was noted that NMPF’s plan has only three pages on reforming the classified milk pricing system and more than a dozen pages on the “revenue protection” plan.
- Meanwhile, the industry “holds its breath” waiting for Dr. Mark Stephenson’s and Dr. Chuck Nicholson’s economic analysis of various Supply Management plans (including the one that has a House and Senate bill), a “margin trigger” plan, and NMPF revenue protection linked to a stabilization plan.
- The Board consensus was that DPAC should stay focused on milk pricing system reforms that simplify milk classes and move to a competitive pay price where the transaction of value is at the farm gate versus formula pricing with arbitrary “make allowances.” With all the talk centering on Supply Management and “revenue protection,” milk-pricing reforms are the “void” DPAC can stay focused on as we can work with economists, other groups, even NMPF, to build consensus for this.

Standards and Regulations Action Group Update

- Chairman Alan Kozak reported that the FAPRI study on solids content of beverage milk has not yet been released. It was expected around Memorial Day. As soon as it is available, Alan will share with the Board.
- Rob Barley said the idea of higher quality milk has some “legs”.
- Alan Kozak said it would be good for the dairymen, but before DPAC puts that into its policy framework, it would help to have the economic analysis to see if we have an opportunity to show an economic benefit from a credible source.
- Kozak also reported that the status of SCC limits on milk is heating up in the marketplace. Past efforts by producers to improve this were met with resistance by the International Dairy Foods Association (IDFA - processors) and National Milk (NMPF - cooperatives) as they have historically opposed the lowering of SCC limits to 400,000. Decisions on changes to the PMO are up to the Interstate Milk Shippers Board, which is made up of the processors and cooperatives.
 - Current estimate is that 3 – 5% of milk in some Federal Orders is over 750,000 SCC now making it into the pipeline. “That boggles the mind,” said Alan Kozak.
 - Consensus is that we need to enforce what we have as well as reduce the threshold.
 - Some Board members noted that SCC is fast becoming political, and the same players that were against lowering and enforcing the limits are now using lower thresholds, abruptly, to corner market share.

PA State Issues Action Group

- Nelson Troutman was unavailable, so Bernie Morrissey reported that the Pa. State Issues Action Group and Executive Board had been looking at a “Plan B” on the Pa. stranded milk premiums in case a legislative solution was not forthcoming. They had an informational meeting with attorneys from Fox-Rothschild, a national firm. The action item under consideration was for Fox-Rothschild to hire a law student as an intern to do legal research over the summer, which would be paid for by DPAC.
 - The legal research could be helpful to DPAC going forward regardless of whether litigation was ever considered.
 - Alan Kozak said he understood this could/would have national implications, but he worried about how this expenditure would look to other states that are beginning to raise money for DPAC.
 - Alan Kozak then motioned to use Pennsylvania donations (which are the majority of donations to-date) to fund the legal research project at a total cost of between \$2000 and \$3000 (not to exceed) as outlined by the PA State Issues Action Group. Paul Horning seconded the motion. Discussion followed that this research project will help the Pa. State Issues Action Group study into the issue and report back to the Board. The motion passed without objection.
- The Pa. State Issues Action Group also reported that Pa. Senator Mike Brubaker, chairman of the Senate Ag Committee, will convene a public hearing on the stranded premium.

- DPAC will be asked to testify, along with other producers.
- The purpose of the hearing is to dig into the stranded premium issue as it relates to the legislative changes DPAC seeks.

New Business

- The USDA / DOJ has contacted Dennis Wolff to be on one of the panels at the national dairy markets hearing in Madison, Wisconsin.
 - Wolff reported that the panel DPAC will participate in will focus on price discovery and market transparency and particularly on the CME: Is it a good resource? Or is it harmful to milk pricing?
 - Wolff sent DPAC's presentation to Mark Tobey at the DOJ and he expects they will talk at the end of the week on more details.
 - Wolff asked if anyone from the Board will attend. Cliff Hawbaker and Alan Kozak said they planned to attend. Sherry Bunting will also attend. Laura Covert and Jack Fritz were also planning to go, and Duane Hertzler was not sure.
 - The DPAC crew traveling to Wisconsin would use this time to also accept the invitation to meet with the Family Dairies board in Madison. Family Dairies is a cooperative representing more than 3,000 producers in the Upper Midwest with an average herd size of 100 cows. There will also be opportunities to connect with producers from across the country during the two days in Wisconsin.
- Bernie Morrissey noted that both he and Duane Hertzler had been tapped for the Pa. Attorney General Tom Corbett's dairy committee as he is running for Governor. The purpose of the committee is to share some of the issues affecting the Pa. dairy industry, and agriculture in general, and to help formulate dairy policy points over the next 30 days. The points DPAC contributed to the discussion appear in the attached July Executive Board & Activities Report.

Next Meeting

- **Board Meeting by teleconference on July 8 at 1:00 p.m. eastern time.**

The June 10, 2010 DPAC Board meeting adjourned at 2:45 p.m.

Respectfully Submitted by:

Sherry A. Bunting

DPAC Correspondence Secretary

July 2, 2010

ATTACHMENTS:

Executive Board & Activities Report (7-2-10)

DPAC suggestions submitted to the Tom Corbett-for-Governor dairy committee

Denny Wolff's presentation on market transparency at DOJ / USDA hearing, Madison, Wis. (6/25/10)

Daniel Brandt's presentation on stranded premiums and legislative changes to Milk Marketing Law at PA Senate Ag Committee hearing (6/29/10)