

Dairy Policy Action Coalition (DPAC) Minutes

May 13, 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, Nelson Troutman, Jim Kennedy. *Ohio*—Alan Kozak. *New York*—Bryan Gotham.

Adhoc Producer Members present: *New York*—Laura Covert. *Tennessee*—Jack Fritz. *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

Guests present: *Wisconsin*—David Cooper of Family Dairies. *Pennsylvania*—Charlene Espenshade, dairy producer and farm writer.

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order at 1:05 p.m. with 10 board members present and three adhoc members present.

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

- Chairman 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 April 7, 2010 was \$13,315.99
- Contributions from April. 7, 2010 through May 7, 2010 totaled \$8,535.00 from four agribusinesses and 11 dairy producers. Included in this total of contributions for the month was a \$5000 grant from the Pennsylvania Dairymen’s Association.
- Expenses paid April 7 through May 7, 2010 totaled \$8,568.52, itemized as:
 - \$ 496.65 Premier Global Services – Conference Calls
 - \$1346.87 Agriculture Writing and Photography Services (S. Bunting) March 2010 Correspondence Secy Duties plus expenses
 - \$5725.00 Versant Strategies – Relation Services & Expenses for April 2010
 - \$1000.00 Agriculture Writing and Photography Services (S. Bunting) April Bonus
- This left a May 7, 2010 ending balance of \$13,282.47.

Fundraising Update

- Bernie Morrissey thanked Jim Kennedy and Jake Esh for providing lists of companies that serve the dairy producers in their respective areas or that they do business with.
- Morrissey encouraged other board members to provide lists of vendors they do business with, and he will do the work of making follow up phone calls on behalf of the DPAC Board of Directors and on behalf of the producer who does business with a particular company.
- Morrissey said DPAC is a growing group and there is a need to include other states in the fundraising so that other regions account for a certain amount or percentage of the budget going forward.
 - This could be done in a way where the other states' producers do their own fundraising and remit to DPAC, or other state producer groups could coordinate with Morrissey and the DPAC fundraising committee to reach out in a more direct way to their own producers and businesses.
 - DPAC has printed materials available, and donation forms for producers and agribusinesses can be downloaded at *www.dpac.net*.

Compensation to Correspondence Secretary

- Morrissey discussed a bonus that was paid to the Correspondence Secretary in April for additional work performed in March, which was pre-approved by the Executive Board by email discussion.
- Alan Kozak moved and Doug Martin seconded the motion to approve the March bonus that was paid in April.
- Jim Kennedy noted that the approval of this bonus was already part of the approval of the Treasurer's Report as it was already paid. The voice vote on this expenditure was unanimous.
- Morrissey added that a bonus should also be paid going forward per the workload. Nelson Troutman motioned for approval of the additional compensation. Alan Kozak seconded the motion.
- There was discussion: A question was raised as to whether DPAC can afford this bonus at the current rate of donations. The consensus expressed by multiple directors was that the value, necessity, and amount of work performed by the Correspondence Secretary should be appropriately compensated and that the Board of Directors would keep working on the donations to keep it going.
- Chairman called for a voice vote, and the motion passed unanimously, without objection.

Executive Board Report & Upcoming Activities

- The Executive Board Report was emailed ahead of the meeting detailing the past month's activities.
- DPAC was invited to present its dairy policy recommendations at a PA Farm Bureau Dairy Forum on June 8 in Camp Hill. The time slot is 11:00 to 11:40. Denny Wolff and several Board members will be meeting with Sen. Joe Scarnati, who is President Pro Tempore of the PA Senate, that morning in Harrisburg. They can make the Farm Bureau Dairy Forum, but may not be there by 11:00. Sherry Bunting will do the

presentation, and Denny Wolff and Daniel Brandt can join in for Q&A whenever they are able to arrive after their meeting with Sen. Scarnati.

- DPAC was invited to present its dairy policy recommendations to U.S. Secretary of Agriculture Tom Vilsack's Dairy Industry Advisory Committee (DIAC) at their second meeting in Washington, D.C. on June 3. USDA provided a template and Denny and Sherry will prepare the content per approval of DPAC Executive Board.
 - Denny Wolff and Rob Barley will present to the DIAC. Cliff Hawbaker and Sherry Bunting will also attend. The presentation focuses on market transparency and price discovery and emphasizes the need for USDA to be on board to support the implementation of Daily Electronic Reporting per section 1510 of the current Farm Bill.
 - The presentation to DIAC will focus on the top priority of Daily Electronic Reporting and the need for the funding for implementation. Furthermore, the presentation will cover expanded reporting of more products to improve price discovery. Presentation will also touch on the other three items in DPAC policy framework, namely the removal of government dairy price support purchases and simplification of the Federal Order milk classes.
- DPAC is waiting to hear back from the Dept. of Justice about the June 25 DOJ / USDA workshop on market transparency and concentration to be held in Madison, Wisconsin. Denny Wolff and Sherry Bunting can attend, and DPAC Board members are asked to consider attending so that at least two dairy producers are present from the Board.
- David Cooper, of Family Dairies based in Wisconsin, said their Board meets the day before, on June 24, and invited DPAC to meet with their Board to explain the coalition's concepts and efforts.
- The DPAC Board indicated they would like to include a June 24 meeting with Family Dairies as part of a two-day trip to Wisconsin.
 - Board member Alan Kozak and Adhoc members Laura Covert and Dave Forgey showed interest in attending the 6/25 DOJ workshop and potential 6/24 meeting with Family Dairies in Wisconsin.

Legislative Update

- Denny Wolff reported that Sen. Arlen Specter and Rep. Tim Holden wrote the letter to fund Section 1510 (Daily Electronic Reporting) of the current Farm Bill. The letter was sent to the chairs and ranking members of both the House and Senate Ag Appropriations Committees on May 3 (Signed letter available at: http://www.dpac.net/publication_files/congressional-dairy-letter-to-ag-approps.pdf).
- As of mid-May, there are 25 members of Congress representing 11 states who have signed the letter (20 House members and five Senators).
- Denny reported that the letter presents a good case for Daily Electronic Reporting, and it requests \$1 million in Ag Appropriations for the FY 2011 federal budget to fund this part of the current Farm Bill so that it can be implemented.
- He said now is the time to follow up on this letter through direct contact with Ag Appropriations Subcommittee members. They are the focus of legislative contact in

the second phase of the strategy to push this forward, because they are at the table deciding what goes in and/or stays in the Ag Appropriations bill. (List of Ag Appropriations Subcommittee members available at:

http://www.dpac.net/publication_files/house-and-senate-ag-appropriations-list.pdf).

- DPAC is reaching out to dairy producers and organizations in the states of these Congressional Ag Appropriations Subcommittee members to have dairy producer constituents call the ag staffers for those particular Senators and members of Congress.
- Denny reported he had a call from Pat Wolff at American Farm Bureau wanting information about how DPAC is following up on the Daily Electronic Reporting. Daily mandatory reporting of dairy product prices and inventory are in Farm Bureau's policy book (*#21 and 22 on page 51 of American Farm Bureau Policies for 2010*))
- Important: Keep fanning the flames wherever possible on Daily Electronic Reporting.
- Jack Fritz from Tennessee said he would make sure the Tennessee Dairy Producers Association followed through on their letter about Daily Electronic Reporting to Rep. Lincoln Davis on the House Ag Approps. Subcommittee.
- Sherry Bunting reported that the Kentucky Dairy Development Council sent a letter about Daily Electronic Reporting to Sen. Mitch McConnell, who is on the Senate Ag Approps. Subcommittee. KDDC Board member H.H. Barlow also reports that he met personally with top staff at Sen. McConnell's office.
- David Cooper said he would talk to the policies committee for Family Dairies in Wisconsin about actively supporting the Daily Electronic Reporting (Section 1510 of current Farm Bill) with Sen. Herb Kohl, chair of the Senate Ag Approps. Subcommittee.
- Alan Kozak said he would talk to Ohio dairy producers in the district of Rep. Marcy Kaptur, who is on the House Ag Approps. Subcommittee.
- Rob Barley added that DPAC needs to work on National Milk. They are influential. He asked Denny to try a second time to get a meeting with NMPF when DPAC goes back to D.C. on June 3 to present to the USDA Dairy Industry Advisory Committee (DIAC).

Supply Management Action Group

- There was no official report from the Supply Management Action Group.
- Sherry Bunting mentioned the draft legislation coming out of California with co-signors from New England.
- David Cooper of Family Dairies in Wisconsin—a guest on the board meeting conference call—shared details about the House bill and a draft Senate bill.
 - The House bill was introduced May 12 by California Congressman Jim Costa and Vermont's Peter Welch.
 - Senator Bernie Sanders of Vermont has a similar Senate version, which had not yet been introduced.

- The bills look and feel the same but there are some subtle and dramatic differences in content.
- It is expected the two bills will travel down the same path and at some point will be merged.
- The House bill contains calls for a producer referendum to also pass the program before the program could be implemented. Another producer referendum would be conducted 3 years after implementation for the program to continue.
- The House bill calls for a 30-member board with producers from 6 regions and other sectors represented. Bloc voting would be allowed, but there would be an opt-out method.
- Feed cost margin would indicate a supply adjustment.
- Market access assessments would be paid to producers that did not expand.
- Senate bill would have a smaller board, but would also be mandatory for all producers just like the House bill.
- Dr. Mark Stephenson and Dr. Chuck Nicholson are conducting economic simulation analysis of these and other plans. Results are expected at the end of May.

Standards and Regulations Action Group

- Alan Kozak noted the market is currently “pushing along” a reduction in SCC limit to 400,000 due to a change in requirements for milk used to make products exported to the EU. Kozak said his committee would come up with a policy statement that best sums up DPAC’s belief that SCC limits need to be reduced from 750,000 to 400,000 and must be enforced in the marketing channels. The consensus of the DPAC Board is that:
 - A quality product is important in marketing and pricing of milk.
 - U.S. needs to be where EU and New Zealand are on SCC: 400,000 limit.
- Kozak also reported that FAPRI at the Univ. of Missouri is studying the economic impact of raising the standards for minimum milk solids content of retail beverage milk. The results of this study are expected in early June. This will give an idea of what impact could be gained by increasing the minimum standards for fluid milk. Kozak’s committee will take a look at that report and proceed.
 - This is another area of quality for the milk consumer and could increase consumption.
 - Dairy producers pay to advertise milk. The thought is that higher quality milk (solids) would be positive for consumption and would help maximize those advertising dollars that are deducted off the farmers’ milk checks and used for milk promotion.
- Hawbaker noted that he has received requests from dairy producers asking DPAC to look into auditing of milk samples at the farm level and milk quality at the consumer level. He asked the Standards and Regulations Action Group to evaluate the need / benefit of a random auditing function for lab tests of milk samples at the farm level

and of fluid milk solids content of packaged milk at the consumer level and to come back to the DPAC board with a recommendation.

- Goal is transparency.
- As farmers, “we pay to advertise our milk.” Farmers want to know the quality is high enough to help them get the most out of their advertising dollar by meeting and exceeding consumer expectations for quality and flavor.
- Penn State University used to do random sampling of milk at the retail level and found variations.
- Does the industry need some type of independent quality auditing and reporting?
- Kozak reported he had talked to the Market Administrator who said random auditing is done at grocery stores, and the Market Administrator’s office also checks blind samples on farm milk to maintain the integrity of lab sampling for components.

PA State Issues Action Group

- Nelson Troutman reported that Denny Wolff, Bernie Morrissey and members of the committee met with PA Senate Majority Leader Dominic Pileggi and Senate Ag Committee Chair Mike Brubaker in Harrisburg to provide background on legislative changes to the PA Milk Marketing Law.
- Denny Wolff added that he is setting up a conference call with Maine’s Milk Marketing Commission to learn more about how their system works.
- Troutman also noted that PA Dept. of Agriculture Chief Counsel Brooke Duer has a document prepared that lays the issues out quite well.
- Troutman reported the committee will meet with Senator Joe Scarnati on June 8. Scarnati is President Pro Tempore of the PA Senate.
- Three legislative remedies are at the core of discussion. Refer to DPAC’s February Minutes.

New Business – Milk Classes

- Indiana dairy producer Dave Forgey presented more information about his email to the DPAC Milk Pricing Action Group regarding milk classes.
- He put forth the idea of combining Classes I, II, and III together and then separating Class IV as a so-called ‘global’ powder class.
- The purpose of the idea would be to have a domestic class that is stable enough to balance a more volatile powder class that would trade at world prices and clear the market in times of excess as a true supply/demand signal to producers.
- Forgey said he believes this is a necessary step to help avoid what dairy producers have been living with in the milk pricing of the past 18 months.
 - A separate powder class would help prompt manufacture of products the markets want – for example: skim milk powder (SMP) versus nonfat dry milk (nfdm)

- Manufacturers are concerned because of the investment they have in plants that is based on the relationship of making NFDN per the margin afforded them by the “make allowance” in the current pricing scenario.
- Forgey said “we need to encourage them to make these other products.”
- Currently 10 to 13% of milk production goes to Class IV and 50% of this product is exported. Powder (or protein) and Butter (or milkfat) are the products that account for the majority of U.S. dairy exports and imports.
- This concept is not just aimed at the U.S. being a more consistent player in the export market, but also to satisfy domestic demand for products that are largely imported.
- Forgey added that it would take a strong Federal Milk Marketing Order (FMMO) to protect the Northeast and Southeast – to stop the de-pooling and diversions.
- He said Section 1509 of the current Farm Bill calls for evaluation and reform of FMMO. DPAC can use that legislative authority to push for change.
- National Milk has been looking at two- and three-class systems, but the majority of their report and discussion is now geared to the Dairy Margin Protection plan (insurance).
- Consensus on the DPAC board teleconference was that Forgey should continue correspondence with dairy economist Bob Cropp and join the Milk Pricing Action Group’s May 27 teleconference to discuss milk classes specifically, to flesh-out the ideas for #4 in the DPAC policy framework for upcoming discussions with DIAC and NMPF in Washington D.C. on June 3.
- David Cooper from Wisconsin noted that a series of Dairy Policy Briefs (12 documents) were prepared by FAPRI and Univ. of Wisconsin dairy economists (Dairy Policy Analysis Alliance). Each document serves as a backgrounder on different aspects of milk pricing and are very worthwhile reading. They are individually archived at DPAC’s Food for Thought section by subject and all 12 briefs can be found together in one document at: <http://www.fapri.missouri.edu/> (then click the April 10 entry).

Next Meeting

- **Board Meeting by teleconference on June 10 at 1:00 p.m. eastern time.**

The May 13, 2010 DPAC Board meeting adjourned at 2:45 p.m.

Respectfully Submitted by:

Sherry A. Bunting

DPAC Correspondence Secretary

June 4, 2010

ATTACHMENTS: DPAC presentation to DIAC (6-3-10), Executive Board Report (6-7-10),