

Dairy Policy Action Coalition (DPAC) Board Meeting Minutes

May 19, 2011—1:00 p.m. – 2:30 p.m.

By teleconference

Board Members present: *Pennsylvania*—Cliff Hawbaker (chair), Rob Barley (vice-chair), Daniel Brandt (vice-chair) Dale Hoffman, Duane Hertzler, Jon Jenkins, Nelson Troutman, Zach Meck, Jake Esh. *Ohio*—Alan Kozak. *Wisconsin*—Sue Schultz. *Indiana*—Dave Forgey.

Ad hoc Producer Members present: *Ohio*—Ryan Buschur. *Michigan*—Howard Straub.

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

Guests: *Wisconsin*—David Cooper, Family Dairies USA, Madison. *Tennessee*—Julie Walker, Southeast Dairy Coalition and AgriVoice Enterprises. *New York*—George Mueller, dairy producer.

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order shortly after 1:00 p.m. with 12 board members present; two ad hoc producer members present; all three members of the professional team present; and three guests present.

Approval of Minutes and Treasurer's Report:

- Chairman Hawbaker called for unanimous consent to approve the Minutes & Treasurer's Reports. Hearing no objections, the April 21 Minutes and May 12 Treasurer's Report were approved.
- **May 12, 2011 Treasurer's Report:**
 - **The beginning balance on April 15, 2011 was \$ 4,919.59**
 - Contributions from April 15 through May 12, 2011 totaled \$11,045.00 from 8 agribusinesses and/or organizations (\$6,900.00), and 36 dairy producers (\$4,145.00). **Note: Individual producer donations doubled over last month's.**
 - Expenses paid April 15 through May 12, 2011 totaled \$5,479.00, itemized as follows:

1) \$ 19.99	Harland Clarke—DPAC Checks Ordered w/draw
2) \$ 21.25	04/13/11Harland Clarke—Deposit slips w/drawal
3) \$ 100.00	04/19/11Bernard C. Morrissey – April 2011 Rent
4) \$ 462.00	04/19/11Paige Eshelman—Services 4/4/11 – 4/14/11
5) \$3256.44	05/04/11Bunting Ag Writing Services & Expenses April 2011
6) \$ 420.00	05/04/11Paige Eshelman—Services 4/19/11 – 4/29/11
7) \$ 100.00	05/04/11Bernard C. Morrissey – May 2011 Rent
8) \$ 50.00	05/04/11 Andy Gaskin – Website hosting/mntce Apr 2011
9) \$ 52.63	05/04/11Bernard C. Morrissey – Reimburse for Lunch (6) Finance Cmte Mtg
10) \$ 16.92	05/05/11Paige Eshelman – Reimburse for mailing supplies
11) \$ 378.00	05/12/11Paige Eshelman – Services 5/4/11 – 5/12/11
12) \$ 601.77	05/12/11Premiere Global Services – Conference Calls
 - **This left an ending balance on May 12, 2011 of \$ 10,485.59**

Approval of Executive Board and Activities Report:

- Chairman Hawbaker called for unanimous consent to approve the Executive Board & Activities Report detailing activities from April 16 through May 12, 2011. Hearing no objections, the Report was approved for web-posting.

Federal Legislative Update & DPAC / SEDC Draft Bill Working Group Progress Report:

- Denny Wolff reported that in the past two months of meetings on DPAC's outline for federal dairy policy legislation, it is the Federal Order Pricing Reform piece that is the most difficult to work through.
- The producer-focused, voluntary "market adjustment tool" in the DPAC legislative outline – called the Market Cow Bonus Program (MCBP) – is down the home stretch with Chuck Nicholson's final analysis provided to DPAC and SEDC board and ad hoc members on May 18 upon receipt.
 - The MCBP originated as the idea of SEDC chairman and DPAC board member Dr. Ben Shelton, a North Carolina dairy producer. The Greensboro Working Group, made up of both DPAC and SEDC representatives, had significant input in the final details. The MCBP includes a mandatory 10-cent/cwt assessment on all milk, but the money will be used to directly pay dairy producers (\$500 per head) for voluntarily culling additional cows when the advance Class I mover declines. The MCBP analysis and description will be made public, and further tweaks may be necessary; however, the concept is solid and analysis is available.
 - *See Analysis of MCBP by Chuck Nicholson at the following link:*
http://www.dpac.net/publication_files/analysismcbp-impactsnicholson-may2011.pdf
 - *See one-page description of MCBP at this link:*
http://www.dpac.net/publication_files/market-cow-bonus-program.pdf.
- Denny noted that DPAC is down to the one last item that the board still needs to make decisions on: **The Federal Order Pricing Reform portion of DPAC's legislative outline.**
- In an effort to finish this piece, a meeting of a few board members from both DPAC and from SEDC convened in Milwaukee April 28 with a panel of three experts (Bob Cropp, Mark Stephenson and Calvin Covington) to help answer questions about how the current milk price discovery system functions, and how a two-class price discovery system could work and its various national and regional impacts.
- Denny reported that the Milwaukee discussion focused on gaining agreement to establish two classes of milk: fluid and manufacturing, with the new Class II (manufacturing) becoming the "mover" and the differentials for Class I remaining as they are now.
 - The new Class II (all manufacturing uses) would be priced on weighted component values, established by competitive pay or product price formula or by some other method.
 - Essentially, this means that milk going to manufacturing uses would be priced by minimums for components instead of minimums for classes.
 - Two things need to be finalized: How to "pull" these component values from a competitive pay system or from a product price formula (weighting?) and how to "pool" the component minimums. DPAC is waiting for information back from

Mark Stephenson and Bob Cropp on this. The group agreed that the legislation should set the parameters and the details should be left to rulemaking.

- 1) The Southeast producers indicate they want to first see a “look back” at historical data to know how a new mover would compare under one manufacturing class priced by components versus three separate manufacturing classes utilizing the “higher of.”
 - 2) There remains some confusion over whether a “higher of” calculation can still be done in a two-class, component pricing scenario.
 - 3) The Southeast producers’ question is: If we put Class II, III, and IV together, will the movement of milk and the weighted component value be positive for the “mover” compared with the current “higher of” Class III or IV.
 - 4) An assumption: By simplifying the manufacturing classes to one class priced on component minimums, the result would be a higher combined value due to more competition for milk (nationally) and faster movement to uses with the highest value.
- Sherry Bunting reported that Mark Stephenson replied to DPAC’s request for modeling, saying that he would like to work with Chuck Nicholson on this project and use his model. DPAC has requested a general time frame and cost for this analysis.
 - Denny reported that the idea of a quarterly advanced price or rolling advanced price was discussed in Milwaukee. A positive is it would remove some volatility in prices. A concern is it would not be fully reflective of the current market.
 - This “advance price” or “rolling price” idea has been parked to the side for now.
- Chairman Hawbaker asked the board for discussion on moving forward with this FO Pricing Reform piece in DPAC’s legislative outline and to begin promoting it in Wash., D.C.
 - Julie Walker, Secretary for the Southeast Dairy Coalition (SEDC), was the only person from the Southeast on the call. She stated that the SEDC needs to have a conference call to discuss this. She indicated that conversation in Kentucky and Tennessee was generally opposed to any two-class system. She asked the DPAC board to wait to vote on this to allow time for SEDC to have a phone conference to discuss it during the last week of May. She said the Southeast wants to see numbers, first, to prove that the two-class system would put more dollars in the producers’ milk check.
 - It was mentioned that a historical data comparison can only “prove” or “show” the mechanics of the change. It cannot show what different manufacturing decisions may have been made during the historical data time frames based on milk moving faster to uses with higher value.
 - Board members asked Denny: “Where does the Market Cow Bonus Program fit in the Farm Bill and is it part of the Bill?” **Denny replied that the MCBP is part of the DPAC Farm Bill legislative “package” but that he would have to check to see what is the best existing legislation this amendment would fit since it does not have a place to put it in the actual Farm Bill “Dairy Title.”** (Later research: The MCBP language would fit as an amendment to the 1983 Dairy Stabilization and Promotion Act.)
 - The Board also asked Denny: “What are the next steps for this Draft Bill Outline?” Denny noted that his approach is to go to the Pennsylvania delegation first, which includes Senator

Casey on the Senate Ag Committee and Sen. Toomey on appropriations as well as Reps. Holden and Thompson on the House Ag Committee. He said the earliest he could be in D.C. would be the last week of May or first week of June, and that some decisions still have to first be made on the Federal Order Price Reform piece before he can promote in D.C..

- Chairman Hawbaker asked the Secretary to email the four points on the Federal Order Price Reform part of the outline to the Southeast Dairy Coalition (again) so they can caucus.
- It was noted that the Southeast had provided substantial direction by offering the suggestion to price all manufacturing-use milk using “minimum component values” instead of having minimum prices for multiple classes (like now) and instead of having only the pooling of differentials with no other minimums (like in the NMPF FFTF proposal).

Southeast Dairy Coalition Report:

- Julie Walker reported for SEDC, stating the group would have a conference call in the next week regarding DPAC’s Federal Order Price Reform piece as noted above. She said everyone is very busy in the fields and have little time to check emails.

Milk Pricing Action Group Report:

- Report handled in discussion of Federal Legislative Report (above).

Supply Management Action Group Report:

- **Market Cow Bonus Program (MCBP)** was discussed as the “Voluntary Market Adjustment” tool in the DPAC bill as noted in the Legislative Report (above).
- Several board members from different regions noted that the MCBP seems fair to everyone who hears about it, that’s what they hear when they talk with producers about it.
- One board member mentioned still having concerns over whether it will help much and will producers hold back their culls to capitalize on the bonus?
- The Analysis supports that it will have some positive effect and that being triggered off the Class I “mover,” there’s a bit of advance notice so it is more proactive instead of reactive and that should help with the concern about “holding” culls.
- Board members generally agreed that we should stop calling it “supply management” because the MCBP is a “voluntary market adjustment tool” that is producer-funded and producer-focused.

Global Issues Action Group Report:

- Group Chair Dave Forgey reported that he has been sending information to his Action Group to keep track of what’s happening globally.
- He noted that Fonterra has just purchased a 850-hectare farm in Brazil and is encouraging local farmers to gain more access to that milk supply.
- Forgey also mentioned a report that indicated 25% of New Zealand sales into the world market is foreign milk, accounting for 33% of their total sales value as a NZ cooperative. They actually buy U.S. products cheaper and then resell them to export markets and make the profit.
- Forgey’s biggest concern is that current dairy policy proposals are not really developing anything that truly positions the U.S. globally, “and we need to go there.”
- Rob Barley congratulated Dave on being one of the “milkmen” to give the “drink of milk” in Victory Circle at the upcoming Indy-500.

Marketing Models Subcommittee Report:

- No Report.

Standards & Regulations Action Group Report:

- Alan Kozak reported that the National Commission on Interstate Milk Shipments rejected the proposal to upgrade current regulations on somatic cell counts by lowering the legal limit from 750,000 down to 400,000. The proposal was rejected in a 26-25 vote at their bi-annual meeting in Baltimore in mid-May. Those opposed argued that SCC does not pose a health risk and the NCIMS PMO is regulating safety. The NCIMS will not meet again until 2013.
- He noted that DPAC could get involved in this to work at it from another angle.
- Alan also reported on the minimum solids standards for fluid milk, noting that the National All-Jersey is working to gather support and someone to carry the ball for increasing minimum standards for fluid milk. He asked if DPAC wants to do a letter of support.
 - A new study, published by a third party, found that consumers are willing to pay more for fluid milk with higher minimum standards.
 - It's better milk, he said.
 - What do I need to do to move this forward here instead of bringing it up every month.
- Board members noted they want to know when a bill to raise minimum standards is introduced. They want to see it and act on it.
- Alan said he would contact Erick Metzger at National Jersey and will forward the information when available, in the hopes of voting next month whether or not DPAC supports it.

Finance Committee Report:

- Duane Hertzler (chair) and Bernie Morrissey (treasurer) reported on the Finance Committee meeting May 4.
- DPAC funds are very tight, and the several longstanding agribusinesses that have made large monthly contributions for the past year or year and a half are wanting to pull back after this length of commitment.
- The Finance Committee decided that DPAC needs another fundraising tool in the toolbox and wants the board's approval to promote the idea of producers contributing 1-cent/cwt.
- They described a program where farmers could contribute a penny per hundredweight (or equivalent thereto) every month to DPAC. Detailed minutes from the Finance Committee meeting were sent to all board members on May 16 before the board meeting.
- Bernie noted that DPAC is at a juncture where it has become very important to have a definite plan to continue securing monthly funding. DPAC has bills totaling about \$12,000 per month and has operated hand-to-mouth from the beginning.
- Alan Kozak noted that a penny per hundredweight contribution was discussed with Ohio producers last year, but just a handful of producers decided to send a check once in awhile. Two Ohio producers (Alan and another farmer) have a flat-rate deducted off their milk checks and sent automatically each month to DPAC.
- Alan also noted that National All Jersey gets its funding from a two-cent/cwt automatic voluntary donation through milk checks.
- The board agreed this is a way to build support and have consistent cash flow.

- Bernie also reported that US Milk has agreed to help with some educational and research efforts as opposed to giving a donation.
- **Duane, as chair, made the Finance Committee's recommendation in the form of a motion to develop a national fundraising campaign, which would include presenting producers with an option to have a one cent per cwt deduction from their milk check contributed each month to DPAC. (1 cent per cwt = \$100 per 1 million lbs of milk marketed). Rob Barley seconded the motion, and the motion passed 12-0.**

Midwest Report:

- Ryan Buschur reported from western Ohio. He said his Congressman John Boehner (Speaker of the House) seems to be opposed to NMPF's FFTF. Ryan wants to set up another meeting on dairy policy and DPAC's bill for western Ohio producers in July.
- Howard Straub reported from Michigan that Senate Ag Committee Chair Debbie Stabenow will have the first Farm Bill field hearing in East Lansing on May 31. His discussions with Sen. Stabenow's ag people indicate they are not convinced that FFTF is the way to go, but they view FFTF as the likely starting point.
- Howard said the May 31 field hearing is a critical hearing. He wants Sherry Bunting to be there and offered to cover the expenses for her to be there.
- Chairman Hawbaker said okay, but no board action was required since no cost would be incurred to DPAC.
- Howard also said he is working on doing a few meetings in Michigan similar to the March Indiana meetings Ms. Bunting attended as a presenter. He'll get the dates, possibly in July, and get back to us.
- Sherry Bunting noted that Ryan's western Ohio meetings and Howard's Michigan meetings could be coordinated as one trip.

New York Report:

- Board member Laura Covert was unavailable to report.
- Guest George Mueller of Willow Bend Farm and Spring Hope Dairy was on the call as Sherry Bunting and Bernie Morrissey were visiting his farm on the day of the Board meeting conference call. Mueller had previously contacted DPAC and shared his concern about the supply management provision in NMPF's Foundation for the Future (FFTF). He attended NMPF's National Dairy Producers Conference in Omaha Nebraska May 13-15 and gave a report to the DPAC Board about the Conference.
- Mueller said he is very concerned about introducing a "quota" into the current U.S. system, noting that once there is anything based on a history of production, leaders will be pressured in the future to make it tighter and tighter.
- In Omaha, he had quite a discussion with the folks from National All Jersey (NAJ). He reported that NAJ is concerned as well.
- George also noted that if the NMPF FFTF were in effect right now, producers would, right now, be under a non-payment scenario due to the margin between feed cost and milk price.
- George sent 93 packages with two essays to dairy leaders before the NMPF conference in Omaha, and he was very sad to report that nobody contacted him. He asked a question of NMPF's CEO Jerry Kozak in Omaha as to whether or not the "supply management" plank of FFTF can be removed. Jerry responded that Congress won't allow that and said FFTF is a

package so all the parts work together. NMPF is pretty much convinced that FFTF is their answer.

- George said that as dairy farmers, we are proud of our industry's growth and the opportunity to export 13 to 14% of our milk in the form of dairy products to people in other countries. He said we have to be consistent suppliers on the world market, and that we can't leave our customers.

Old Business:

- Treasurer Bernie Morrissey noted that Acuity Advisors and CPA's were asked to communicate in writing their interpretation of the non-tax-deductible status of DPAC donations on the part of the donors.

Pennsylvania State Issues Action Group Report:

- Denny Wolff reported on the progress of Senate Bill 993.
- Denny continues to meet with staff for Sen. Brubaker and Sen. Vogel
- He also was part of a meeting between dairy producers and Sen. Judy Schwank, which was hosted by the Leshner family in Bernville.
- Discussions with staff for PA Senate Ag Committee Chair Elder Vogel have included partial pooling of the PA over-order premium as a potential compromise, but have questions about what it would look like.
- Denny reported that the current timeline for SB 993 shows that it is not on the Senate Ag Committee's agenda to move it out of the Committee.
- The processors are against SB 993 and the cooperatives have been very quiet in regard to it.

NEXT MEETING

- The next meeting of the DPAC Board is **Tuesday, June 21, 2011 at 1:00 p.m.** by teleconference: # **1.888.394.8197 – Passcode 292858**

Respectfully Submitted by:

Sherry A. Bunting

DPAC Correspondence Secretary

June 14, 2011