

Dairy Policy Action Coalition (DPAC) Minutes

November 11, 2010—10:00 a.m. – 2:30 p.m.

At 890 N. Reading Rd., Ephrata, PA and by teleconference

Board Members present: *Pennsylvania*—Cliff Hawbaker (chair), Rob Barley (vice-chair), Daniel Brandt (vice-chair), Zach Meck, Nelson Troutman, Rodney Metzler, Paul Horning, Duane Hertzler. *Ohio*—Alan Kozak.

Board Members present by teleconference: *Pennsylvania*—Jon Jenkins. *New York*—Laura Covert.

Ad hoc Producer Members present: *Indiana*—Dave Forgey. *Wisconsin*—Sue Schultz. *North Carolina*—Ben Shelton. *Georgia*—Everett Williams. *Florida*—Ed Henderson.

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, Madison, WI. *Tennessee*—Julie Walker, Southeast Dairy Coalition and AgriVoice Enterprises.

PROCEEDINGS:

Chairman Cliff Hawbaker called the Board business meeting to order at 10:15 a.m. with 11 board members present; five ad hoc members present; all three members of the professional team present; and one guest present (one additional guest and one additional ad hoc member joined by conference call throughout the meeting).

Approval of Minutes, Treasurer's Report and Executive Board & Activities Report:

- Alan Kozak motioned to approve the October Minutes, November Treasurer's Report and the monthly Executive Board & Activities Report, which were emailed to directors before the meeting. Paul Horning seconded the motion. The Minutes and Reports were approved 11-0.
- **Treasurer's Report:**
 - **The beginning balance on October 8, 2010 was \$ 10,067.85**
 - Contributions from October 9, 2010 through November 4, 2010 totaled \$6,9355.00 from seven agribusinesses and/or organizations, and six dairy producers.
 - Expenses paid Oct. 9 through Nov. 4, 2010 totaled \$3,318.98, itemized as:

1) \$ 441.00	10/19 Paige Eshelman—DPAC fundraising secretarial services 10/1 through 10/15
2) \$ 55.08	10/19 Paige Eshelman—Reimburse for printer ink
3) \$2313.54	11/02 Ag Writing (Bunting) Oct. 2010 Corres. Secy/Expenses
4) \$ 100.00	11/02 Bernard C. Morrissey—Nov. 2010 Rent
5) \$ 19.36	11/02 Morrissey Insurance, Inc.—Postage 44-piece mailing
6) \$ 390.00	11/02 Paige Eshelman—DPAC fundraising secretarial services 10/19-11/1
 - **This left an ending balance on November 4, 2010 of \$13,683.87**
- Bernie Morrissey (Treasurer) noted that other bills have been paid between Nov. 4 and 11 leaving an actual balance of \$8,000 on Nov. 11

- Rob Barley noted he has paid expenses for the organization and figured that as a donation, but wondered if it is better to turn in the expenses and make a coinciding donation. Morrissey said it is better to turn in the expenses because this information helps the board know what it really costs to run the organization; and if directors donate these expenses, then we don't know these costs for budgeting purposes. However, the choice of how to handle this is up to the board members.

Legislative Update (Dennis Wolff):

- Denny Wolff reported that he is trying to identify the key people that are in a position to help DPAC / dairy producers the most.
- He reported that Sen. Debbie Stabenow (D-Michigan) is considered the front-runner for chairing the Senate Ag Committee.
- He also talked with IDFA about daily reporting and Federal Order Reform. They understand DPAC's concern. They agree there is plenty of room for improvement of price discovery process. They have suggested a Friday report for the previous four days (moves it up a little more than the new legislation which says every Wed for the previous week).
 - One reason they don't want daily reporting is the region by region sales can't be shown and so if only one region sells on one day, then no report would be filed and it would look like no sales.
 - Possible solution – standardize the sales to a basis adjustment so the region would remain anonymous?
 - Was noted that the importance of daily reporting is being questioned and now DPAC is being asked to give more reasons and a “deeper” answer; need a more complete reason why; with more examples; repetition, repetition, repetition.
- Common ground: IDFA supports elimination of dairy product price support and favors a two-class system with competitive pay price.
- Wolff outlined an action plan for 2011:
 - Re-align with new Congress: Who is in decision-making seats
 - Information: Using examples; Short papers;
 - A board member suggested chart: 1-2-3: How's it going to help the rank-and-file dairy farmer?
- Wolff reported to the Board on his analysis of NMPF's Foundation for the Future (FFTF) and how it lines up with DPAC's policy framework to-date:
 - He said some parts of FFTF are in working draft form, especially the Federal Order price reform piece, which is definitely still in draft form and they are still holding discussions in subcommittee about it.
- Wolff's comparison of DPAC's policy position and Foundation for the Future's policy position is as follows:
- **#1 FFTF proposed eliminating the Dairy Price Support Program and MILC Program and using the funds saved to support a “Margin Protection” Insurance that would be administered by FSA.** Producers would sign up at the local FSA office much like the MILC program. This margin insurance would start at a low “basic level” much like CAT coverage on crop insurance and producers could

purchase higher “supplemental “ levels of coverage at a subsidized cost. The higher the level of margin insurance the farmer purchases the lower it is subsidized.

- **DPAC’s position to-date supports eliminating the Dairy Product Price Support Program and offering a “voluntary” insurance to producers.**
 - **DPAC does not have a position on eliminating the MILC program.**
- **#2 Federal Milk Marketing Order Reform:** FFTF suggests several changes in the current Federal Milk Marketing Order system. This is considered a work in progress, but current suggested changes include going back to a “competitive pay” system for determining the Class III price of milk. This would replace the “product price formula” that is currently used. The “competitive pay system was used prior to 2000. The Class III price then becomes the mover (currently we use the higher of the Class III or Class IV price as the mover). Class I would still use the current differentials that are in place but the differentials will be added to the Class III price, instead of the current higher of Class III or IV. Class II will be Class III plus 30 cents and Class IV will be the same as the current system using the product price formula plus make allowance.
 - **DPAC’s position has been to simplify the system not make it more complex. The only change above that DPAC has discussed and is supportive of is going to a competitive pay pricing system. DPAC has suggested fewer classes of milk and reviewed a paper written by Bob Cropp on how a two-class system may work.**
- **#3 Dairy Market Stabilization Program:** FFTF includes a supply management program that establishes a rolling three-month base for producers except for seasonal grazing where the same month for the previous year can be used. The trigger, established by USDA, becomes the margin same as in the above referenced insurance program. When the margin reaches the trigger point for one or two months (depending on how low the margin is) producers are only paid for a percent of their base depending on the margin level. The percent paid would range from 96% to 98%, depending on the margin. If a producer reduces their base they can avoid the penalty of reduction in payment. The penalties will be collected by USDA (AMS) and a board would be appointed to determine the best use of the dollars to increase consumption of dairy products in programs like food assistance programs, school lunch programs, export programs and new product innovation grants.
 - **DPAC currently does not support a government-run supply management program.**
- **#4 Voluntary Sales Assistance Program (VSAP):** FFTF suggests continuing one leg of the CWT program to assist with exporting more dairy products. VSAP would be voluntary and administered by a board like the current CWT export program. It would be expanded to include a new initiative offering financial support to encourage domestic dairy product usage as opposed to imported dairy product usage.
 - **DPAC does not have a specific position on this, but in general supports policies that position the U.S. as a consistent supplier in the world market; and innovation to make the products the international**

and domestic markets want in order to compete for market share at home and abroad.

Southeast Dairy Coalition Update:

- Ben Shelton, SEDC chair, gave an update from the Southeast. The SEDC had a conference call two to three weeks ago and decided their most pressing issue is to address the supply management proposals, specifically National Milk Producer's Federation's (NMPF) Foundation for the Future (FFTF).
 - Any time the margin hits the trigger, we will pay more per hundredweight in the "stabilization" penalty plus we will have a give-up charge to bring milk in to supply our markets.
 - Under this program, the Southeast would, in effect, give their market away.
- Shelton and others on the call from SEDC said a second priority is that Class I markets, like the Southeast, will have a hard time supporting the giving up of the "higher of" as the Class I mover, although they mentioned that the Federal Order reform piece is not fleshed out enough to have a decision yet.
- Shelton noted that most dairy producers are for "letting MILC go" because it pays people to stay in business. It helps small herds in Wisconsin and Pennsylvania; but is unfair to larger producers who receive a drop in the bucket.
 - Everett Williams (Ga.) and Ed Henderson (Fla.) and others are working on a document. They are considering an economic study of the Federal Order reform changes.
 - The question was asked whether the SEDC has an interest in doing a study on a one-class vs. a two-class system.
 - Calvin Covington may be able to work on a one-class study that would price all skim as Class I in SE Orders

Update from Upper Midwest:

- It was noted that throughout the state of Wisconsin, small herds are exiting the dairy business this fall. The story is the same in Pennsylvania and the Southeast.
- Midwest reported that 20 cooperative leaders got together in the Midwest to tear apart NMPF's FFTF, but they are still trying to come to conclusions about what they like and don't like. At the end of the day, they could not agree. While in D.C., Wolff met with the International Dairy Foods Association (IDFA).
- Midwest also reported that their groups out there are still kicking the tires on FFTF: What key points of FFTF are they for or against; meetings of leadership representing 8000 farm operations; some NMPF members; some not.
 - Same point: Fed Order piece is truly a work in progress
 - By March or sooner; NMPF will be ready to move
 - Will not wait til Farm Bill
 - In absence of Congressional action on FFTF (or alternative): Would MILC continue in current form with feed cost adjustor or revert as per the expiration of the adjuster.
 - Can support elimination of dairy product price support but when you talk about throwing out MILC, you get a different feeling in the Midwest and Northeast; but the alternative of margin insurance makes sense.

- Sense that Midwest may not be willing to throw away MILC until they see the margin protection work.
- Vendors are up against the wall.
- Thought on supply management: If the market can't sustain the growth then why should it pay you for it?

Continued discussion on NMPF FFTF points

- Elimination of the Dairy Product Price Support Program is the key item in FFTF that DPAC (and SEDC) would agree with.
- There are a lot of dairy producers out there feeling the price support program does more harm than good because...
 - The product does not disappear.
 - Export buyers are frustrated that we are only in the market when it is high and not when it is low.
 - Because the government is there to buy certain products, this discourages the development of new products.
 - Prices depression lingers due to product buildup in warehouses
- Board discussed listing bullet points on FFTF and seeking an opportunity to meet with Jerry Kozak.
- A southeastern ad hoc member to the board noted that Mr. Kozak and Mr. Vitaliano from NMPF will be meeting with Southeast Milk, Inc. in December.
- One board member stated that he is not in favor of voluntary CWT assessments; if everyone benefits; everyone should pay.
- Another board member indicated that through the economic modeling process NMPF has not put all the cards on the table; report was tweaked all the way along and seemed to come out a little different at the end by the tweaks (more favorable on FFTF).
- Board detailed the following points in regard to FFTF:
 - #1 – Who controls it and makes the decisions (i.e. margin triggers if they change; base calculations if they change; dollars collected from penalties during months of margin trigger). Decisions should be Producer influenced / controlled.
 - #2 – Ask, again, for economists to evaluate baseline versus simply the elimination of Dairy Product Price Support Program: Run it through the model.
 - #3 – Look at other ideas and see what is the cost to have them run through the model.
 - #4 – Answer the question: What do we want dairy policy to do: For example: Policy for cheap milk (concentrated supply?) or for milk shed throughout the country.
 - #5 – Concern about the supply management piece because it covers up the pricing problem and ties producers hands a little more by giving even more control to the system.
 - 1) Concentrated market power is a key issue overlooked. Yet is supply management the way for producers to achieve some power in the marketplace.
 - #6 – Define “we”. We the dairy farmers should find ways to encourage processors to innovate.

- #7 – Like the competitive pay price if it ends up in the final Federal Order price reform piece of FFTF. But like it better as a two-class system
- #8 – Class I issues are potential loss of the “higher of” if it’s not a two-class system; and Class I markets need policy so that if processors or cooperatives purchase milk from other areas to bring in... the end user (processor) should pay the shipping. Right now, in effect, the seller pays shipping; not the buyer; double whammy.
- #9- Supply management needs to be somewhat regionally sensitive.
 - 1) Also question raised of what incentive is there for the mega dairy to cut back. Can supply management work when insurance is kicking in at the same time?
 - 2) Controlling our own destiny may mean smaller co-ops; break off and get back to what were originally to do?
 - 3) Key to supply issue may be getting processing cooperatives to make more of the other products the market wants and get a pricing system that encourages / facilitates that?
- #10 – Get aggressive? Start doing the things we can do to market and control destiny?

2011 DPAC Board Reorganization:

- Chairman Hawbaker reviewed the DPAC vision / flow chart and introduced the five new board members that were recommended to the board for 2011: Laura Covert (NY), Ben Shelton (NC), Dave Forgey (TN), Jack Fritz (TN), and Sue Schultz (WI). He also explained that the Executive Board is looking to make additional seats available during 2011 to bring directors in from Florida, and a western state, for example.
- Of the 2010 board members who are gave up their seats for 2011, Gary Kline will continue as an ad hoc member and will share communication and meeting attendance with Jon Jenkins as they are both from Bradford County, Pa. Doug Martin of Franklin County, Pa. will continue to be an ad hoc member to the board and serve on the Fundraising Action Group.
- Alan Kozak motioned to approve the 2011 DPAC Board (as listed below, with profiles attached). Paul Horning seconded the motion and the motion passed 11-0.
 - Cliff Hawbaker (PA)
 - Rob Barley (PA)
 - Daniel Brandt (PA)
 - Laura Covert (NY)
 - Jake Esh (PA)
 - Dave Forgey (IN)
 - Eric Frederick (PA)
 - Jack Fritz (TN)
 - Duane Hertzler (PA)
 - Dale Hoffman (PA)
 - Paul Horning (PA)
 - John Jenkins (PA)
 - Jim Kennedy (PA)
 - Alan Kozak (OH)
 - Zach Mech (PA)

- Rodney Metzler (PA)
 - Sue Schultz (WI)
 - Ben Shelton (NC)
 - Max Smith (PA)
 - Dan Stoltzfus (PA)
 - Nelson Troutman (PA)
- Paul Horning motioned to re-elect the 2010 Executive Board – Cliff Hawbaker, chair; Rob Barley, vice-chair; and Daniel Brandt, vice-chair – to a second term for 2011. Nelson Troutman seconded the motion and the motion carried 11-0.
- Chairman Hawbaker then appointed a Finance Committee for 2011:
 - Duane Hertzler, chair
 - Daniel Brandt
 - Paul Horning
 - Bernie Morrissey
- Chairman Hawbaker made the following action group appointments for 2011:
 - Media & Information: Laura Covert, Dale Hoffman, Duane Hertzler and Sherry Bunting
 - Ad hoc members search: Duane Hertzler and Alan Kozak
 - PA State Issues: Zach Meck, Nelson Troutman, Daniel Brandt
 - Fundraising: Bernie Morrissey (chair), Jake Esh, Jim Kennedy, Doug Martin, Alan Kozak, Jon Jenkins
 - Milk pricing: Rob Barley (chair), Dale Hoffman (vice chair), Daniel Brandt, Dan Stoltzfus, Jack Fritz, Dave Forgey
 - Supply management: Jon Jenkins, Rodney Metzler, Paul Horning, Jim Kennedy, Duane Hertzler, Sue Schultz
 - Milk marketing models subcommittee: Rob Barley, Dale Hoffman, Ben Shelton or Roger Jefferson, Alan Kozak, Duane Hertzler
 - Standards & regulations: Alan Kozak (chair), Duane Hertzler, Tom Barley, Eric Frederick
 - Global issues: Dave Forgey (chair), Dale Hoffman, Ben Shelton or Everett Williams
- During executive session, the board approved Sherry Bunting to continue as secretary, Bernie Morrissey to continue as treasurer for 2011, and Denny Wolff to continue as government relations / public affairs consultant.

Old Business - Bylaws addendum

- A bylaws addendum was considered: **Section VII: Dissolution Clause: Section 1 – Distribution of Assets:** In the event of dissolution, the residual assets of the organization shall be turned over to another organization that is itself exempt from federal tax as described in sections 501c3 or 501c6 of the Internal Revenue Code and which exists and is working on behalf of America's Active Dairy Producers as defined in these bylaws.
- Alan motioned to accept Section VII of the bylaws as read. Rob seconded the motion, which passed 11-0.

New Business

- National Dairy Producers Org was discussed and DPAC Chairman Hawbaker has been in contact with Gary Genske of the NDPO board.
- General consensus is DPAC wants to listen and like any other organization, if we align, we can work together.
- Paige Eshelman went over a fundraising program and some things the board could do to help.
- sly approved by the Executive Board to hire an independent contractor, Paige Eshelman, to work on the administrative details of fundraising under the direction of the Treasurer who has previously handled the fundraising phone calls, mailings, etc.
 - The Executive Board previously approved this and reported that this position was filled two weeks ago by Ms. Eshelman, who has already shown excellent work. The terms of her work are that she is an independent service provider and not an employee of the Coalition. She will provide these administrative services two days (or 16 hours) per week.
 - Duane Hertzler motioned to approve the Executive Board's decision to hire the services of Ms. Eshelman in the area of fundraising. Alan Kozak seconded the motion, and the motion passed 13-0.
 - A Fundraising Summary was previously emailed to the Board. It was noted that approximately \$3000 was raised after the two producer meetings hosted by Sensenig's Feed Mill in Lancaster County, Pa. The sign in lists were used to send letters and each contributor also receives a thank you letter and a note about considering ongoing monthly donations instead of one lump sum.
 - The Fundraising Action Group will meet within the next few weeks on conference call to talk about the strategy for fundraising and for partnering with contributing agribusinesses on hosting producer education meetings November through March.
 - 1) Lancaster Dairy Farm Automation has already volunteered to have meetings in Chambersburg and Belleville, Pa. areas
 - 2) E-Zee Milking has volunteered to host meetings in Holmes County, Ohio; the LaGrange area of Indiana; and possible locations in New York/New England, Southeastern states, and Upper Midwest.
 - A Holiday Celebration dinner is planned for Dec. 13 at Shady Maple Smorgasbord. DPAC Board members and ad hoc members, professional team, cream of the crop sponsors and all spouses are invited. E-Zee Milking and Bernie Morrissey are paying for this dinner. It does not come from DPAC funds.

New Business

- **The Board discussed its reorganization at the anniversary meeting November 11, 2010.** Chairman Hawbaker asked members to think about who is willing to move to the "second row" to serve as ad hoc members on action groups, but make Director seats available to producers who have been active in DPAC over the past year from other states so the Board will be reflective of a larger geographical area. He asked Board members to email their intentions to him. The Executive Board will work on this between now and the November meeting.
- Chairman Hawbaker also noted that a Finance Committee will be named to work on a Budget for the following year per the Bylaws.

Respectfully Submitted by:

Sherry A. Bunting

DPAC Correspondence Secretary

January 15, 2011

NEXT MEETING

- The next meeting of the DPAC Board is Thursday, Jan. 20, 2011 from 1:00 a.m. to 3:00 p.m. at the Morrissey Insurance building, 890 N. Reading Rd., Ephrata, PA 17522 or by teleconference.