

DPAC meets at Farm Show **'A dairy community... with one purpose'**

*By Sherry Bunting
Special for Farmshine*

HARRISBURG, Pa.—**The message was clear.** “Our purpose is not to look to the government for handouts, but rather to present change to our lawmakers to help correct the problems that exist today in the structure of the milk pricing system—at the national and state levels,” said Cliff Hawbaker, chairman of the recently formed Dairy Policy Action Coalition (DPAC).

DPAC had their third board meeting last Thursday afternoon, Jan. 14 at the Pennsylvania Farm Show, followed by a special grassroots meeting attended by about 75 people, including 18 of the 20 members of the producer-only charter board.

In addition to the dairy farmers in attendance, Pennsylvania Secretary of Agriculture Russell Redding stopped by to address the group, along with PDA chief counsel Brooke Duer. Also attending were Pennsylvania State Rep. John Maher (R-40th District near Pittsburgh), and Ben Stoltzfoos and Tom Tillet from the office of U.S. Congressman Joe Pitts (R-16th District, southeastern PA).

State Senator Mike Brubaker (R-36th District) sent his regrets. He met with the DPAC executive board a day earlier because he was heading to a national convention of the State Agriculture and Rural Leaders (SARL) group.

Also attending was Tioga County dairy farmer Erick Coolidge, who was recently named to U.S. Ag Secretary Tom Vilsack’s Dairy Advisory Committee.

“This is not about individuals or regions, but an industry,” said Coolidge about the important work ahead. “It’s not about stepping in, or being hesitant, it’s about getting involved and understanding why we have arrived here in the first place.”

Coolidge “looks forward to the privilege of serving” on Sec. Vilsack’s Committee, and he told the DPAC board that he hopes to “share the information you formulate and forward to me or to Secretary Vilsack’s office. We’re in this together to change the future. I want to hear from you and take your ideas forward.”

Coolidge stressed that he is but one of 17 members on Sec. Vilsack’s Committee. “There are only a few producers, and there will be varied opinions. Your focus and efforts to educate give individual producers the basis to come from when we



explain it,” he said. “It gives us something to hang our hat on.”

Bernie Morrissey, DPAC’s appointed treasurer, reminded everyone that, “This isn’t just about a business and an industry, but also a culture.”

“There are less than 60,000 dairymen and a number of different types of dairy farms in the U.S., but we are a dairy community. Through DPAC we can have one purpose and that is to work on the pricing of milk,” said Hawbaker. “We have the website up (www.dpac.net), which will be updated regularly on what is happening. And we hired Denny Wolff and Versant Strategies to bring in their expertise to help us work with the people we need to reach out to and influence.”

Hawbaker talked about the adhoc members action group, which is working to bring more producers into the coalition from other states. He showed a diagram of how the coalition is organized.

“This is not a shot gun approach,” said Denny Wolff, former Pennsylvania Secretary of Agriculture and current partner in Versant Strategies. As DPAC’s government relations consultant, Wolff brought everyone up-to-speed on the short- and long-term actions the coalition is working on.

Milk powder reporting process

“Change can happen in a couple of different ways,” Wolff explained. “We are looking at the good language that got into the last (2008) Farm Bill, but has not been implemented, such as the reporting process for non-fat dry milk in section 1508.”

That language required the Secretary to submit a report to the House and Senate Ag Committees on the procedures for reporting non-fat dry milk and how this reporting process affected the dairy industry from July 2006 to the present.

“That has not happened yet,” said Wolff, explaining that this focuses on the incorrect information, which had cost the dairy industry tens of millions of dollars in 2007.

Electronic price reporting

Wolff also talked about section 1510 in the current Farm Bill, which calls for mandatory electronic price reporting to increase the frequency of reports that are subject to audits.

“This has not happened yet either,” he said, adding that he has spoken with several key legislators or their staff during the Farm Show and he plans a trip to Washington D.C. later this month.

Carry out current Farm Bill

“Dairy producers appreciate the good work of Senators and Representatives in the \$350 million dairy aid package that was passed (in October 2009), but we question why we can put \$350 million in aid out there, and still not carry out the language in the current Farm Bill, which would only take a few million dollars to put in place,” Wolff explained. “Part of what DPAC is doing is to put the pressure on to implement this language and be involved in how it is implemented.”

Report on more products

Wolff also noted that the long-term goals of DPAC are to work toward a federal milk marketing system that is simplified with improved price discovery. This would include expansion of price reporting to cover more products—once the electronic mandatory reporting is in place.

“This would establish more of an indicator of what the market is doing,” he said. “Right now USDA reports only butter, powder, cheddar and whey. But there are many other products made with milk that should be reported—daily.”

This would be more accurate on a larger volume of dairy product trade compared with the current use of the Chicago Mercantile Exchange (CME), where miniscule amounts of cheddar, butter, powder and whey are traded. Often, product doesn’t even change hands to move the price on the CME. An offer to sell or a bid to buy is considered “good enough,” and is then used to set the tone for all trade. That’s what ends up moving the producer’s milk price via the USDA National Agricultural Statistics Service (NASS) weekly product price survey on actual transactions of butter, powder, cheddar and whey.

Advance pricing ‘lag’

Along with more frequent mandatory electronic price reporting of more products, DPAC is questioning the “advance pricing” of fluid milk based on only two weeks of manufactured product prices the month beforehand. This “advance pricing” introduces a lag in the system of up to six weeks.

Weighing down the market

DPAC is also looking at the number of milk classes and the pricing relationships between them. And they are looking at the elimination of the price support program to target those tax dollars in a more constructive way that would encourage investment in new product development. When the government buys bulk powder and butter, it does not go off the inventory list. Thus, it still weighs down the market.

“That’s not an efficient use of tax dollars, and it is stifling the dairy industry,” said Wolff. “Why should manufacturers make new generation products when they have the government there to take this off their hands and pay them for it?”

At the same time, the make allowances built into the Federal Order pricing system ensure a margin to the manufacturer, which comes out of the pay price to the producer, even though the support price paid is rock bottom.

“In Harrisburg (as in Washington), we’re also working on opening the lines of communication,” said Wolff. “The dialogue and communication between the Department of Agriculture and the Pennsylvania Milk Marketing Board (PMMB) staff is better than it has ever been.”

‘Stranded’ milk premiums

Wolff touched on the petition that was filed at the PMMB meeting Jan. 6, which resulted in the PMMB decision to hold a hearing on Feb. 16. DPAC supports that petition presented by the PMMB staff, which seeks to capture more of the state over-order premium for dairy farmers.

DPAC has also suggested—in recent legislative hearing testimony—statutory changes that would help capture more of this premium. “One thing that could happen is to define where the ownership of the milk changes hands,” Wolff explained. “If that is at the farm gate, then there would be a better chance of passing on that premium directly to the farmer (instead of having it ‘stranded’ in the system). Other suggestions have to do with PMMB’s licensing authorities. DPAC is also looking at the ‘pooling’ issue.”

“This is a collective challenge and we are thankful to DPAC for getting engaged,” said Pennsylvania Secretary of Agriculture Russ Redding to DPAC meeting attendees. “Everywhere I go, I hear dairy farmers say: ‘The pricing system is too complex.’ A producer-driven perspective is what we need, and I applaud you for coming together.”

Transparency tops list

Repetition is an important element of learning, he noted: “We have the same conversations over and over about how to reshape the dairy industry in this country. But these principles remain: At a minimum, the Department wants to see market transparency at the top of the list. Dairy farmers should know all the factors that add up to the right side of the equal sign. We have a crisis in price and a crisis in confidence. Don’t stop what you’re doing as there’s an uptick in milk prices. Don’t let the change in price dictate your interest in change.”

On PMMB issues, Redding noted that, “We can’t ask the federal government to respond in an unprecedented way and not ask the same questions

within our own state and our own zipcode,” he said. “We’re looking at PMMB and asking: ‘Is it being used fully? Are we reaping every quarter (paid per gallon by consumers) and bringing it back to the farmers? That’s either a ‘yes’ or ‘no’ answer. We’re just asking the questions.”

Not just another group

The bottom line is that DPAC is “not just another group meeting,” said Wolff. “We are specifically identifying policy issues—either in the current law that have not been implemented—and in making recommendations for the next Farm Bill.”

Milk pricing action group named

During the board meeting, Hawbaker named the coalition’s milk pricing action group, which will look at the current milk pricing system, the various proposals that are circulating, and how other countries price their milk, in preparation for a March board meeting designed as a working session to develop long-term policy initiatives even as DPAC continues to work on the short-term issues affecting milk pricing transparency.

Rob Barley, Lancaster County, Pa., chairs the milk pricing action group with Dale Hoffman, Potter County, Pa. serving as vice-chair. Other DPAC board members serving on this action group are Dan Stoltzfus, Chester County, Pa., Daniel Brandt, Lebanon County, Pa., and Sheryl Vanco, Warren County, Pa. They are working to bring into the discussion interested dairy producers from other states as well.

DPAC chairman Cliff Hawbaker encouraged the group to take a fresh approach. “Transparency is one of the key words of this coalition,” he said. “While we are working with short-term initiatives to improve milk pricing transparency, we can’t wait until 2012 to do the long-term solutions. We are at a crossroads. The time is now to look at milk pricing reform with our attention as dairy producers.”

Producer survey

To gather ideas and feedback from fellow dairy producers, DPAC is working on a producer survey, which is expected to be posted in early February at the coalition’s website, www.dpac.net. It will also be printed in Farmshine within the next two weeks.

Comments have already been sent by scores of producers as DPAC has received letters and donations from well over 100 dairy producers from four states over the past three weeks, along with nearly 20 supporting agribusiness contributions received.

During the grassroots meeting January 14, Hawbaker likened the coalition’s work on long-term dairy policy solutions to the development of a new baby calf.

“At best we have nine months (before Farm Bill hearings get underway),” he said. “The ‘baby calf’ that develops could look like its mother, or it might end up looking like a super cow. The point is that we have the opportunity right now to help decide what that ‘calf’ might look like.”

As the milk pricing action group does its important work, a supply management action group work will also be named because ideas for how milk is priced will affect what supply management could look like.

“The milk pricing action group’s purpose is to surface ideas and bring them to the table for the board’s working session in March,” Barley explained.

“We have an opportunity to help create a new vehicle,” Hawbaker added. “The question is do we dress up and paint the vehicle we have, or do we come together with a new idea?”

Why DPAC?

A pressing question from producers attending the grassroots meeting that followed the DPAC board meeting, dealt with: What makes DPAC different than the lobbying efforts of milk cooperatives?

The board explained that DPAC did not form to replace what the cooperatives or other organizations are doing, but rather to build a coalition that is 100% run by active dairy farmers and has a single focus on policies and issues affecting milk pricing.

Another attendee wanted to know how DPAC’s lobbying efforts will be successful when other interests spend a lot of money donating to political campaigns of U.S. Senators and Representatives?

“We are educating them and working with them as a grassroots organization,” replied DPAC board member Alan Kozak. “That means more sometimes than the money.”

“And it’s not just the number of producers in our coalition that can make a difference,” added DPAC board member Dan Stoltzfus. “It is also the many agribusinesses who serve the dairy farms. They also have a stake in this and they represent even more people and additional jobs.”

One voice

“But to be effective, we as dairy producers must stay focused and speak with one voice,” said Hawbaker.

“If milk prices rise to \$20, we’re not going to sit back and be happy with that if nothing else (about the current system) has changed,” added Barley.

For more information about DPAC, contact 800.422.8335 or visit www.dpac.net, where visitors can sign up for frequent email updates of DPAC activities. The website will also be updated frequently for news, actions, and market updates, beginning Feb. 9.