

March 30 – Supply Management Conference Call – 1:00-2:40 p.m.

Participants in the March 30, 2010 supply management/milk pricing action groups conference call:

Jon Jenkins (supply management action group chair),
Daniel Brandt (milk pricing action group),
Cliff Hawbaker (DPAC chair),
Jim Kennedy (supply management action group),
Rodney Metzler (supply management action group),
Rob Barley (milk pricing action group chair),
Bernie Morrissey (DPAC treasurer),
Denny Wolff (DPAC government relations consultant),
Sherry Bunting (DPAC correspondence secretary)

Call began at 1:00 p.m. March 30, 2010.

I. After lengthy discussion, the group agreed on the following statement to be put forward at April 9 board meeting: **DPAC’s current position on supply management:**

“DPAC’s primary focus is milk pricing, with market transparency through electronic reporting as the cornerstone. However, DPAC is sensitive to the supply management discussion and is listening to the various options.”

II. Discussion highlights:

- **Consensus that two members of the supply management action group – Jon Jenkins and Rodney Metzler – will stay in touch with the groups (i.e. Northeast Dairy Leadership Team and Dairy Farmers Working Together) that are working on supply management to stay in tune with it and have input.**
- Discussion that the most favorable outcome for supply management would be to have it based on a true market signal.
- Discussion that the somatic cell count (SCC) threshold and enforcement are a form of supply management that could also improve milk quality and marketing/pricing.
- Favorable to having the standards and regulations action group get started looking into SCC limits and working with resources like Ernest Hovingh at Penn State who has considerable knowledge of the obstacles and pathways to enforcement of SCC limits. This is a milk quality / milk supply management / and producer profitability three-for-one.
- Consensus that supply management is an area that can divide us and hurt our momentum on milk pricing. Agreed that we can have input but we can’t “recreate” anything since other groups are already far ahead on this.

- **Consensus to keep supply management “parked to the side,” and to be part of the discussion** (via Jon and Rodney), but not let it bog DPAC down in the important work of market transparency and milk pricing.
- **Consensus that it’s important for DPAC to keep its credibility and not be damaged in a supply management battle. Stay out of that fray and stay focused on milk pricing.**
- Consensus: “We can encourage the other groups to come together with one plan. Then we can decide whether we support that plan at that time.”
- **Consensus that DPAC supply management action group can work on an outline of recommendations for acceptable ways to manage supply and demand but stop short of endorsing any particular program.**
- To that end: market driven signal was viewed as important.
 - Can’t have a program that serves as a guarantee to keep people in business regardless of their management.
 - Rather start thinking about how “we as dairy farmers need to know there is a market for our milk before we expand our production.”
 - Make allowance and support price is big part of this discussion when west can just build a powder plant and collect the make allowance “margin” and know the gov will buy if the price gets lower, but the make allowance margin stays the same no matter the price. Farmers take all that risk as we are seeing now and last year.
 - Supply management needs to be flexible to turn on and off with market demand.
 - Extensive discussion of base / excess and regional considerations as well as marketing situation. Thoughts:
 - Explore marketing models – how to do at that level, say we have market for 97% and the other 3% you need to drink or feed to the calves at any given time(?)
 - If a base is set on domestic use, the over base milk could be totally flexible – paid more when demand more and paid less when demand less.
 - Should transfer only within the area and startups should be in deficit areas before moving out to surplus areas. Each region could have its own incentives?

- Base stay with farm and cows and if no one buys, it could go back into the system. Should not accumulate tremendous value to where new young dairy farmer can't afford.
- All comes back to market transparency. Is this really a supply management issue or a milk pricing issue...:
 - Market signal is crucial because right now we don't get that. When downturn, they buy cheap and make storable products and then fill orders from storage.
 - More consistency in pricing could be a selling point to processors for giving market signal.
 - There are 3 groups with an interest in this discussion. Even if farmers agree, the other two groups have a say: processors and consumers.

Respectfully Submitted

Sherry A. Bunting

DPAC correspondence secretary

April 2, 2010

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