

Milk Marketing Order and Dairy

*Role of Dairy Producers
Denmark Dairy Strategies*

DPAC Dairy
Policy
Action
Coalition

*A grassroots coalition
of dairy producers
actively participating,
with a unified voice,
in policies and issues
affecting milk pricing.*



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Dairy Industry Advisory Committee

Overview

■ Background

- Staggering losses incurred by dairy farmers in the past 18 months
- Countless round table meetings on changing federal dairy policy
- **Price discovery & market transparency easily rise to the top**
 - #1 issue dairy producers want to see addressed
 - Universal agreement: Reduce influence of thinly-traded CME
 - Current reporting does not reflect broad supply / demand factors
 - Cornerstone of a functioning market for all participants
 - Accuracy & Timeliness
 - Knowledge is power
 - Cornerstone of U.S. dairy industry competitiveness at home and abroad
 - 2007 Farm Bill already provides authority for first steps
 - Changes in policy for 2012 Farm Bill are also needed

2007 Farm Bill – use available tools

- Fund Section 1510 of Dairy Title – Mandatory Reporting
 - Establish electronic reporting system
 - Increase frequency of reporting (daily vs. weekly)
 - Take steps to increase accuracy of price and inventory reporting
 - Increase frequency of audits (quarterly vs. annual)
- Key elements of Section 1509 (Congress wanted evaluation)
 - Ensure competitiveness and transparency of dairy pricing
 - Ensure competitiveness of dairy products in domestic & world markets
 - Simplify Federal milk marketing order system

2012 Farm Bill

- Expand electronic reporting to include more dairy products
 - *Daily negotiated trades should reflect broad supply / demand factors*
 - EXAMPLE - 2009 USDA dairy products summary shows:
 - Italian Cheese 41.4% of total production
 - American Style (cheddar / colby) 41.6% of total production
 - But current NA SS reporting and end-product pricing uses cheddar
 - *Current reporting is inadequate:*
 - NA SS requires only reporting of prices for ‘spot market’ sales of four commodities
 - “ ..this represents less than 20% of butter production and less than 40% of cheese production...and prices are pegged to the CME, which may not consistently reflect broad supply and demand conditions.”
 - Dairy Policy Analysis Alliance (Univ of Wisc & FAPRI), Dairy Policy #8c, page 2
 - *Expanded reporting paves the way for simplifying federal pricing policy*

2012 Farm Bill - continued

- Remove Dairy Price Support Program
 - *Provide grants and low interest recourse loan programs*
 - Encourage innovation
 - Make products the marketplace wants

- Simplify 4 milk classes to 2
 - *Fluid & Manufacturing and/or a separate Global market class*
 - Alignment issues – new beverages and new products
 - *Goal #1: Increase competitiveness*
 - Move milk to highest value use
 - Encourage competitive market-based manufacturing decisions
 - *Goal #2: Improve market transparency*
 - Simplify and strengthen utilization reporting – source / use
 - Encourage fairness and a [REDACTED] flow of milk between Orders

Summary

- Current U.S. dairy policy:
 - Is too complex
 - Lacks good price discovery
 - Lacks transparency
 - Discourages product innovation for the market
 - Encourages “ gaming” of the system

- Policy makers need to fund Section 1510 of 2007 Farm Bill.

- Use “ review tools” in section 1509 to examine how Orders function

- Use 2012 Farm Bill to:
 - expand price discovery
 - improve transparency
 - simplify complexity of federal dairy policy

For more Information

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