

**Minutes of the Dairy Industry Advisory Committee
Tuesday, December 14, 2010, through Thursday, December 16, 2010**

A fifth public meeting of the Dairy Industry Advisory Committee (DIAC) was held at the USDA Headquarters, Washington, DC, on Tuesday, December 14, 2010, through Thursday, December 16, 2010.

Committee members present included the following:

Name	State Business
Andrew Novakovic, Chairman	NY Cornell University
Erick Coolidge	PA Le-Ma-Ra Farm
Paul Bourbeau	VT Paboco Farms, Inc.
Jay Bryant	VA Maryland and Virginia Milk Producers Cooperative Association
Timothy Den Dulk	MI Den Dulk Dairy Farm, LLC
Debora Erb	NH Springvale Farms/Landaff Creamery, LLC
James Goodman	WI Northwood Farm
James Krahn	OR Oregon Dairy Farmers Association
Edward Maltby	MA Northeast Organic Dairy Producers Alliance
Randy Romanski	WI Wisconsin Department of Agriculture, Trade and Consumer Protection
Robert Schupper	PA Giant Food Stores
Manuel (Ray) Souza	CA Mel-Delin Dairy
Patricia Stroup	CA Nestle
Sue Taylor	CO Leprino Foods Company, Inc.
Edward Welch	MN Associated Milk Producers Inc.
James (Ricky) Williams	GA Williams Dairy Trucking, Inc.
Robert Wills	WI Cedar Grove Cheese Inc.

All officers from USDA were in attendance for all or part of the meeting, including:

- Brandon Willis, Deputy Administrator for Farm Programs, Farm Service Agency,
Serving as Executive Secretary
- Dana Coale, Deputy Administrator for Dairy Programs, Agricultural Marketing Service,
Serving as Alternate Executive Secretary
- Solomon Whitfield, Acting Director of the Price Support Division, Farm Service Agency,
Serving as Designated Federal Official
- Erin Taylor, Marketing Specialist, Agricultural Marketing Service,
Serving as Alternate Designated Federal Official

Tuesday, December 14, 2010

Call to Order and Opening Remarks, 1:00 PM

Solomon Whitfield, Designated Federal Official, called the meeting to order.

Review Final Draft of First Report: Options Under Current Law

Andrew Novakovic provided a detailed meeting agenda to the committee. He asked committee members to review a draft of the report produced by Subcommittee A, *Existing Laws and Programs to Impact Dairy Farm Profitability and Milk Price Volatility*.

James Krahn referred to page 31 of the report, commenting that significant changes have been made to LGM-Dairy to the benefit of dairy farmers and that these changes should be reflected in the report. Dr. Novakovic pointed out that the changes are indicated on page 16. Mr. Krahn stated that the language on page 31 should also reflect the changes and that the committee supports the changes that were made.

Patricia Stroup stated that in some places, the word “could” that had been in a previous draft has been changed to “should.” She would like for the word to be changed back to “could” in these places. Dr. Novakovic asked her to go through the report and circle those occurrences. Two of the occurrences appear in the second paragraph of page 4.

Randy Romanski pointed out several typographical errors that needed to be fixed. He stated that he would go through the report to note where the errors occur.

Sue Taylor asked for “massaging of the language” concerning tariff rate quotas on page 8. She stated that the U.S. agreed to increase market access through replacement of the strict import quota system with a tariff-based system.

Ms. Taylor recommended a change of wording from “commercial production” to “commercial sales” in the third paragraph from the bottom of page 3.

Ms. Taylor disagreed with the language in the bottom paragraph of page 7 stating that the replacement of the Dairy Price Support Program (DPSP) with the Dairy Product Price Support Program (DPPSP) contributed significantly to price volatility. Edward Welch responded that the range of products that could be sold to the government was reduced when the DPSP was replaced with the DPPSP. Dr. Novakovic stated that both the statements of Ms. Taylor and Mr. Welch are accurate.

Ms. Taylor pointed out that there is some nonsensical language at the bottom of page 15 and the top of page 16 that needs to be fixed.

Robert Wills asserted that the section beginning on page 30 should not be titled or described as countercyclical intervention. From his perspective the interventions described should only be used to counter extreme market shocks. After considerable discussion of the section, Dr. Novakovic suggested that the first paragraph of the section be deleted and that the title of the section be changed to Emergency Intervention.

The committee further discussed changes to page 31 concerning the LGM-Dairy Program. Mr. Krahn suggested that the wording of page 16 be reflected on page 31 and that it express support for the LGM-Dairy Program. Dr. Novakovic recommended that the discussion of AGR-Lite be separated from the discussion of LGM-Dairy. Ms. Stroup stated that the report should recommend that USDA continue to monitor the program. Mr. Romanski was of the opinion that the LGM-Dairy is not used to a great extent because it is perceived as very complex by dairy farmers.

There was some debate regarding the Dairy Export Incentive Program (DEIP) text on page 30. Dr. Novakovic recommended that the discussion of DEIP be deleted from the section, noting that the program is discussed on pages 14-15.

Mr. Krahn stated that he disagreed with the first sentence of the second paragraph on page 7 stating that "...net income for dairy farmers is much improved in 2010..." He recommended that the word "much" be deleted.

Dr. Novakovic asked the committee to consider the section on page 31 titled Comments on Unintended Consequences. Mr. Welch suggested dropping the second paragraph of the section. Paul Bourbeau suggested dropping the second sentence of the paragraph. After some discussion, the committee reached a consensus to drop the second sentence of the second paragraph.

James Goodman asked if the report should include a discussion of Section 608 (c) (18) of the Agricultural Marketing Agreement Act of 1937 (Act). The section states that milk prices are to "...be adjusted to reflect the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk..." Dr. Novakovic stated that there are other parts of the Act that suggest other criteria for setting minimum milk prices—for example, achieving an adequate supply of milk. He recommended that discussion of Section 608 (c) (18) be considered for the final report that the committee will present.

Mr. Wills moved that the committee accept Subcommittee A's report with the changes and corrections that had been discussed by the committee. Edward Maltby seconded the motion. The committee voted unanimously (17-0) in favor of the motion.

Committee Work Session, 2:00 PM

Dr. Novakovic summarized the previous meetings discussion on price discovery and competition and asked the committee to discuss the issues. The committee then discussed the issues of the Chicago Mercantile Exchange being used as a price discovery tool, electronic price reporting, the merits of using a competitive pay price for Class III in the Federal order system, the complexity of Federal orders, the merits of replacing the current 4-class system with a 2-class system, concentration in the dairy industry, the spread between farm and retail prices, the assertion that Federal orders are contributing to volatility, the impact of the dairy industry on rural communities, and enforcement of antitrust laws.

Break, 3:00 PM

Committee Work Session Continued, 3:40

There was considerable discussion concerning the Federal Milk Marketing Order (FMMO) program and the amount of detail to include in any recommendation regarding FMMOs. Taking into account points brought up during the discussion, Dr. Novakovic suggested subcommittees draft resolutions concerning the competitive pay price, the classification, and issues that warrant further discussion.

Dr. Novakovic stated that, from his discussions with dairy farmers, he believes many dairy farmers feel that they do not have a voice in determining the prices they receive for their milk. The discussion then turned to past and present State and regional over-order programs including those of Maine, Pennsylvania, Massachusetts, and the Northeast Dairy Compact. The committee discussed the impact of current regulations. Ms. Stroup and Manuel (Ray) Souza stated that the committee should look for ways to more equitably share in the market returns. Committee members discussed shifts in milk production among regions; growth management; enforcement of existing regulations; consolidation of producers and plants; and the impact of the dairy industry on rural communities.

Dr. Novakovic asked the committee if they believe a competitive pay price for the FMMO program would lead to a higher price. Several committee members indicated that they believe this would be the case. He asked, if this is the case, why not get rid of Federal orders altogether?

There was considerable discussion concerning the impact of Federal orders on innovation and their impact on long-term contracts. Ms. Stroup said that a competitive pay price system would stimulate more innovation which would lead to a higher pay price for dairy farmers. Mr. Souza spoke in support of the Federal order system, stating that with the current system producers “at least have some foot in the market.” He was of the opinion that deregulating price is not as harmonious as some would argue. Ms. Stroup stated that profitability for dairy farmers is more likely to come from more units sold rather than more dollars per hundredweight of milk and therefore innovation is vital to greater profitability. Dr. Novakovic pointed out that economic theory indicates that with a rightward shift in the demand curve, benefits are shared by

producers, processors, and consumers. The economic theory assumes that competitive markets exist, and there was some discussion as to the validity of this assumption for the dairy industry.

Dr. Novakovic noted that there has been discussion of problems with Federal orders among committee members but that when he had suggested that consideration of getting rid of Federal orders, a number of committee members were not eager to get rid of them right away. That suggests that there is something about Federal orders that they like. He suggested that in their subcommittee discussions they think about what aspects are beneficial

Adjournment: 4:20 PM

Wednesday, December 15, 2010

Call to order, 8:15 AM

Mr. Whitfield, Designated Federal Official, called the meeting to order.

Committee Work Session

The committee discussed reports drafted by Subcommittee B concerning dairy farmer profitability and Subcommittee C concerning milk price volatility. Dr. Novakovic urged committee members to keep in mind the problems that they are trying to solve in their discussions. He complimented Subcommittees B and C for the work that they have done in drafting reports. The following are some highlights of the discussion:

- Ms. Taylor stated that Subcommittee C had not reached conclusions regarding DPPSP, Milk Income Loss Contract Program (MILC), and growth management proposals.
- Jay Bryant stated that the main criticisms contained in Subcommittee C's discussion of current programs were that the DPPSP impedes innovation and that there are objections to a MILC program payment limit.
- Mr. Bryant stated that Subcommittee C seemed to be in favor of a margin protection program, but that they had not reached a conclusion concerning the details.
- Mr. Maltby stated that he believed Subcommittee C was unanimously in favor of continuation of the MILC program, with modifications such as moving to a margin based trigger.
- Mr. Welch stated that there was discussion among some Subcommittee B members that a growth management plan was needed in addition to the MILC program. Not all committee members were in agreement with this assertion.
- Timothy Den Dulk stated that the DPPSP not only puts floors on the domestic U.S. prices, it also floors the world prices.
- Mr. Wills stated that if the DPPSP continues, its product mix should be expanded.

- Ms. Taylor listed problems with the DPPSP from her perspective, including negative effects on exports, reduction of market innovation, and budget limitations. She also said that while the DPPSP reduces volatility, it aggravates dairy farmer profitability issues.
- Mr. Souza stated that DPPSP packaging requirements need to be changed.
- Mr. Wills asserted that protecting margins could mute market signals to farmers.
- James (Ricky) Williams reminded members that DPPSP purchases eventually come back on the market, making export assistance very important. He also noted that all of these policy tools were available in 2009, yet dairy farmers still lost one-third of their equity.
- Deborah Erb stated that if DPPSP and MILC are eliminated, a transition plan is needed.
- Mr. Romanski was of the opinion that the MILC program works as intended and that it already has a margin component since it includes a feed price adjuster.
- Ms. Taylor stated that she believes a margin insurance program could be implemented that does not insulate producers from price signals. She also commented that as MILC payments dampened a supply adjustment to lower market prices, the decreased revenue received by larger producers is not made whole with MILC payments.
- Ms. Erb stated that with an effective growth management program, the MILC program may not be needed.
- Ms. Stroup believes that a program that provides some protection for margins would be more effective than programs that protect prices.
- Mr. Goodman pointed out that feed costs are only part of the costs that dairy farmers face. He believes that programs should look at milk prices.
- Mr. Bryant believes that government policy should be oblivious to region or farm size, everyone should be treated fairly.
- Mr. Krahn asked if committee members could name three to five items in the reports that would increase producer revenue. He said that if MILC is eliminated that is money that producers will no longer receive. He also added that while economic studies indicate that a growth management program will reduce volatility, he is not sure they have recommended a program to increase producer profitability.
- Mr. Coolidge stated that Subcommittee B made several recommendations in its report that, when taken together, could have a positive effect on the bottom line for dairy farmers.
- Dr. Novakovic asked the committee to consider whether or not programs that stabilize prices without raising average prices would bring about more profitability for dairy farmers.
- Mr. Williams stated that programs need to help dairy farmers of all different sizes. He was of the opinion that larger dairies provide substantial benefits to rural communities because of the people they employ.
- In discussing margin protection versus price protection, Mr. Romanski stated that it does not need to be an either-or proposition. A margin insurance program could complement an MILC program.

- Ms. Erb would like to see an analysis that would estimate the level of margin insurance protection that would be needed to equal that of the MILC program.
- Mr. Bourbeau stated that he believes it would be worthwhile for the committee to examine the idea of implementing compacts similar to the Northeast Dairy Compact.

Break, 10:00

Committee Work Session Continued, 10:30

- Ms. Taylor pointed out that margin insurance protection would take prices into account.
- Mr. Souza stated that the committee should focus on industry sustainability.
- Mr. Den Dulk asserted that both large and small farms have potential positive impacts on rural America. He also agreed with Ms. Taylor's views on the MILC program.
- In illustrating that profit depends upon perspective, Robert Schupper stated that in his career he has worked for three companies that each focused upon different accounting measures of profitability.
- Mr. Goodman asserted that some people, such as the Amish, may not want to participate in a mandatory margin insurance program. The committee needs to be careful not to impinge upon people's freedoms.

After some discussion concerning how the committee would proceed, Mr. Williams made a motion that the members of the committee discontinue debating the merits of the DPPSP. Mr. Bourbeau seconded the motion. After discussion, the motion failed, with 5 voting in favor, 7 voting against, and 5 abstaining.

The committee then continued their discussions of the issues.

- Ms. Erb outlined some specifics that she would like to see in a growth management plan: it should only operate in emergencies, it should not create an asset value, and it should allow for demand growth.
- Mr. Bryant stated that he would not be in favor of a Canadian-style growth management plan but that he may be in favor of a plan such as that proposed by the National Milk Producers Foundation (NMPF).
- Mr. Wills stated that a margin insurance program could bring about greater supply and that if it were used along with a growth management plan, the growth management plan may be used more frequently.
- Ms. Taylor referred to historical information in the report of Subcommittee C, pointing out problems with supply management programs of other countries and past programs of the U.S. She added that econometric study results of various growth management programs should not be viewed as reality. She also said that the members should

consider the possible impact on manufacturing investment decisions should a growth management plan be adopted.

- Mr. Souza advocated for a growth management program that would have no producer board, specific trigger levels, not operate continuously, works equally for all producers, and gives consideration to global markets.
- Ms. Stroup does not believe that it is necessary to have both a supply management program and a margin insurance program.
- Mr. Bryant responded that a growth management program would send the strong market signals necessary to hold down supply so that the cost of a margin insurance program does not become too expensive.
- Dr. Novakovic made the point that a growth management plan would have little cost to the taxpayer, but a margin insurance program, depending upon its parameters, could be very expensive.
- Ms. Stroup believes that the committee should focus on the causes of over production, stating that she believes that market-wide pooling is one of the root causes.

Mr. Williams made a motion that the members of the committee support a supply management program. Ms. Erb seconded the motion. There was discussion from some committee members that the motion was vague and that the issue needed further discussion. The motion failed with 3 for, 9 against, and 5 abstaining.

The committee continued discussion of the issues:

- Mr. Wills asserted that government programs have the potential to undermine private programs that provide risk management.
- Dr. Novakovic stated that "...until farmers find some way to discipline their own supply, you will not find any improvement in price." He believes that the root cause of the problem is the notion that "if I leave a can at the end of the road, you've gotta pick it up." The discipline can come from government policy or from negotiations between buyers and sellers.
- Ms. Erb stated that in 2009 there was a lack of demand. She said that in New England, dairy farmers suffered even though it is a milk deficit area. She believes that a supply management program would help alleviate some of the difficulty.
- Mr. Welch remarked that 45 loads of cheese were sold on the CME that day. Supply and demand has set the price of domestic cheese at \$1.32 per pound even though the world price is \$1.91 per pound.
- Mr. den Dulk stated that the NMPF plan would make a very small difference. He added that the industry is just beginning to see some people exit dairy farms. He was of the opinion that if a growth management program were put in place, dairy farmers would choose to stay in business and take steps to increase their base.

- Dr. Novakovic stated that there are two ways that new programs are evaluated that may bring a false sense of security: (1) by looking backwards at past data, or (2) looking at small average impacts while not considering potential large impacts to certain individuals.
- Ms. Taylor stated that if the NMPF program were to work as intended, it would benefit everybody, but she does not believe, from an examination of history, that it will.
- Mr. Souza does not believe all government programs have been failures. He discussed pros and cons of supply management programs of the 1980s. He believes that the committee can learn from experiences of the past when considering a growth management plan.
- Dr. Novakovic stated that the buyout program of the 1980s had a beneficial effect on people who exited. They could exit with dignity without having to file bankruptcy.

Adjournment, 12:30 PM

Thursday, December 16, 2010

Call to Order, 8:13 AM

Mr. Whitfield, Designated Federal Official, called the meeting to order.

Committee Work Session

During the committee work session, the committee considered recommendations for a report to be made to the Secretary of Agriculture based upon recommendations of Subcommittees B and C. Dr. Novakovic explained that the purpose of this work session was to finalize recommendations for the report, but not to finalize the report. A document entitled Subcommittee Recommendations for Dairy Advisory Committee was passed out to committee members. In cases where Subcommittee B had made a similar recommendation to that of Subcommittee C, both recommendations were listed under the same Roman numeral in the document.

The committee worked through the recommendations listed from the beginning of the meeting until nearly the time of adjournment at 3:20 PM that afternoon, with breaks from 10:00 AM to 10:35 AM, 12:00 noon to 1:10 PM (for lunch), and 1:30 PM to 1:35 PM. Mr. Coolidge, Chairman of Subcommittee B, introduced recommendations from Subcommittee B as motions for the committee to consider, and Mr. Bryant, Chairman of Subcommittee C, introduced motions from Subcommittee C as motions for the committee to consider. In cases where the subcommittees had similar motions, at times Dr. Novakovic chose between the recommendations

in making an invitation for a motion. At other times, the subcommittee chairmen chose among themselves as to which recommendation to bring about as a motion. There were cases where language elements of both recommendations were cooperatively combined to bring about as a motion. At times, committee members made motions to amend recommendations made on behalf of the subcommittees. There were also motions made by individual committee members in addition to those proposed on behalf of the subcommittees.

The following actions regarding recommendations were taken by the committee:

Motion by Mr. Bryant on behalf of Subcommittee C, second by Mr. Bourbeau.

MAINTAIN AND EXPAND PROGRAMS FOR EXPORT MARKET DEVELOPMENT. Continue and expand programs like the Market Access Program and the Foreign Market Development Program.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Williams.

DEVELOP A SYSTEM THAT PROVIDES AN ACCURATE ASSESSMENT OF PROFITABILITY IN THE DAIRY INDUSTRY. Develop a data gathering and reporting system that expresses farm profitability in the dairy industry using an index to provide an impartial overview of the general level of profitability at the farm level based on the milk price-feed cost margin.

Passed: 12 for, 5 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Maltby.

SIMPLIFY AND IMPROVE RISK MANAGEMENT PRODUCTS FOR DAIRY FARMERS. Continue to simplify and improve Livestock Gross Margin-Dairy and Adjusted Gross Revenue-Lite in order to make them more accessible and easier for dairy farmers to use and adapt Livestock Risk Protection for use by dairy farmers. Expand risk management education.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Bryant on behalf of Subcommittee C, second by Ms. Taylor.

ESTABLISH RISK MANAGEMENT MARGIN LINES OF CREDIT. A USDA based credit mechanism (direct lending or credit guarantee) for first buyers of milk (cooperative or proprietary) to cover the margin deposits required on contracts for risk management between first buyers and producers of raw milk should be developed.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Bryant on behalf of Subcommittee C, second by Ms. Taylor, with amendment by Mr. Bourbeau seconded by Mr. Krahn.

RECOMMEND THAT THE SECRETARY OF AGRICULTURE SUPPORT THE ADOPTION OF A MAXIMUM SOMATIC CELL COUNT OF GRADE A MILK in the amount of 400,000 cells per milliliter at the farm level at the Interstate Milk Shippers Conference. The implementation should occur over a period of time not to exceed 48 months.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, Second by Mr. Maltby, with amendment by Mr. Bourbeau seconded by Mr. Bryant.

ADOPT TAX-DEFERRED FARM SAVINGS ACCOUNTS. Dairy farm operators should have accounts available: no government match for contributions; no limit of dollars deferred per year; money must remain in an account a minimum of six months with withdrawal at account-holders discretion thereafter; and payment of taxes on contributions and interest would occur upon withdrawal.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, Second by Mr. Maltby, with friendly amendment by Mr. Bourbeau.

PROVIDE INCENTIVE PAYMENTS FOR ENVIRONMENTAL PRACTICES. The Secretary of Agriculture should increase the amount of money available for incentive payments to dairy farmers for environmental practices that address social, economic and environmental benefits to dairy farm communities.

Passed: 16 for, 1 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Souza.

CONTINUE THE EQIP AND GRANT PROGRAMS. Continue the EQIP program and give dairy farmers preference in grant programs for implementation of energy audits, infrastructure development for value-added processing and distribution facilities, construction of facilities to meet food safety regulations and farmland protection and allow beginning farmer loans for farm transfers between generations.

Passed: 15 for, 1 against, 1 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Bourbeau, with

amendment by Mr. Souza, second to amendment by Mr. Maltby.

RECOMMEND THAT THE SECRETARY OF AGRICULTURE SUPPORT PROGRAMS THAT ENHANCE VALUE-ADDED MARKET DEVELOPMENT FOR DAIRY FARMS AND DAIRY PRODUCTS. Explore opportunities, including, but not limited to development of educational training programs and technical assistance for farms, inspectors, and regulatory personnel to accommodate unique value-added dairy farm operations. A study should be made to examine the impact of user fees on value-added dairy product operations.

Passed: 12 for, 0 opposed, 5 abstaining

(Note: Ms. Erb motioned to table the original motion introduced by Mr. Coolidge that contained less specific language, with a second by Mr. Krahn. The motion to table passed with a vote of 11 for and 6 opposed. Mr. Souza later made a motion to take the motion off the table in order to propose amended language. After the amendment was approved, the motion passed.)

Motion by Mr. Bryant on behalf of Subcommittee C, second by Mr. Schupper.

PHASE OUT ETHANOL SUBSIDIES. Support the rapid phase out of the blender's credit and tariff on imported ethanol.

Passed: 16 for, 1 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Williams, with amendment by Mr. Coolidge, seconded by Mr. Krahn.

PROMOTE COMPETITIVE MARKET STRUCTURES. USDA, in operating FMMOs and in cooperation with the Federal Trade Commission and the Department of Justice, should promote competitive behavior by all market participants and a competitive market structure.

Failed: 7 for, 7 against, 3 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Maltby.

ADOPT CALIFORNIA MILK SOLIDS STANDARDS FOR FLUID MILK.

Passed: 9 for, 7 against, 1 abstaining

(Note: The motion originally failed when it was first introduced by Mr. Coolidge with 8 voting in favor, 8 against, and 1 abstaining. Mr. Goodman later moved that the motion be reconsidered. On the second vote, the motion passed.)

Motion by Mr. Goodman, second by Ms. Erb.

If fortifying fluid milk, real milk solids must be used.

Motion to table by Mr. Bourbeau, second by Ms. Stroup

Motion to table passed: 12 for, 3 against, 2 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Williams.

EXPLORE ELIMINATION OF THE DAIRY PRODUCT PRICE SUPPORT PROGRAM AND THE DAIRY EXPORT INCENTIVE PROGRAM AND USE BUDGET SAVINGS TO ENHANCE THE SAFETY-NET FOR PRODUCERS.

Passed: 16 for, 0 against, 1 abstaining

Motion by Mr. Wills, second by Mr. Krahn.

Recommend that USDA support restriction of dairy descriptors, including milk, cheese, yogurt, butter, for use on products made from milk.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Bryant on behalf of Subcommittee C, second by Mr. Krahn, with amendment by Mr. Maltby seconded by Mr. Krahn.

REVIEW FEDERAL MILK MARKETING ORDERS. Recommend that the Secretary of Agriculture appoint a committee to review implications of FMMOs including their implications on volatility, inefficiency, and dairy farmer profitability, and recommend reforms.

Passed: 17 for, 0 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Bourbeau, with amendment by Mr. Wills, second by Mr. Krahn.

STRONGLY CONSIDER THE ELIMINATION OF END PRODUCT PRICING. Explore alternative measures to current end product milk pricing system such as, competitive pay pricing, mandatory price reporting, etc.

Passed: 17 for, 0 against, 0 abstaining

Motion by Dr. Novakovic, second by Ms. Erb.

Collect and publish data on alternative measures of a competitive pay price, considering but not limited to the proposals of the NMPF and Maine Dairy Industry Association.

Passed: 15 for, 2 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Romanski.

EXPLORE A TWO-CLASS MILK PRICING SYSTEM. Explore a two-class milk pricing system to provide opportunities for milk movement and innovations and to provide for a transition period for processors and producers.

Failed: 6 for, 10 against, 1 abstaining

Motion by Mr. Bryant on behalf of Subcommittee C, second by Ms. Erb, with friendly amendment by Mr. Romanski.

ADOPT A MARGIN INSURANCE PROGRAM. Revise the MILC program with a margin insurance program and eliminate DPPSP. The margin would be calculated as net return to milk production less feed cost. Three levels of insurance would be offered – 50%, 65% and 80% of the average margin from 2005-2009. The cost of coverage at the 50% level would be fully subsidized. The first 4 million pounds of covered milk production would not be charged a premium at any level of protection. The cost of coverage above 4 million pounds between the 50% and 65% level would have a partial producer responsibility. The cost of coverage above 4 million pounds between 65% and 80% level would be totally charged to producers.

Motion to table by Mr. Williams, second by Ms. Stroup

Passed motion to table: 17 for, 0 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Mr. Williams, with friendly amendments by Mr. Bourbeau, Mr. Souza, and Ms. Taylor.

MODIFY MILK INCOME LOSS CONTRACT PROGRAM AND PROVIDE A MARGIN INSURANCE OPTION USING FUNDS FROM THE ELIMINATION OF THE DPPSP. Continue MILC with production cap based on available funds with two important modifications: (1) use an all-milk income/feed cost margin trigger, and (2) provide an insurance program for production excluded by the cap to provide protection for larger producers.

Passed: 15 for, 2 against, 0 abstaining

Motion by Mr. Coolidge on behalf of Subcommittee B, second by Ms. Erb.

ADOPT A GROWTH MANAGEMENT PROGRAM. Adopt a growth management program that allows new producers to enter and allows producers to expand production.

Passed: 9 for, 8 against, 0 abstaining

(During discussion of the motion, Ms. Erb indicated that she wished to make an amendment that would include specific parameters for a growth management plan. Mr. Souza asked for a 5-minute break during the time that she was working on wording for the motion. Dr. Novakovic agreed and announced a 5-minute break. When Ms. Erb returned from the break, she withdrew her motion.)

Dr. Novakovic stated that he would ask Drs. Chuck Nicholson, Mark Stephenson, and Scott Brown to perform economic analyses with respect to parameters that had been proposed with the motion to adopt a margin insurance program.

Dr. Novakovic asked that the committee members commissioned to write the report (Mr. Bryant, Mr. Coolidge, Ms. Taylor, and Mr. Maltby) stay after the meeting to discuss plans for writing the report. Dr. Novakovic explained that the four people commissioned to write the report would work to have a draft circulated to committee members before the January meeting, in time for proper review. Dr. Novakovic plans for the committee to adopt a final report at that meeting. He foresees that there could be final items that would need to be resolved with a conference call after the January meeting.

Adjournment, 3:20 PM