

**Minutes of the Dairy Industry Advisory Committee
Teleconference, Thursday, March 3, 2011**

An eighth public meeting of the Dairy Industry Advisory Committee (DIAC) was held by teleconference on Thursday, March 3, 2011.

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 (formerly) 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

Call to order and welcome, 1:05 PM

Solomon Whitfield, Designated Federal Official, called the meeting to order. A roll call verified that all persons on the Committee and officers from USDA were in attendance.

Opening Remarks

Andrew Novakovic explained that during this meeting the Committee would vote on the final report. He stated further that he emailed changes in two sections of the report that day addressing member concerns that he had received. The previous version had been sent on either Monday, February 28, 2011, or Tuesday, March 1, 2011. Dr. Novakovic explained that he would describe his changes in each section for any committee members that did not have the opportunity to review the newest version. He stated that after reviewing each of the sections' changes they would have the opportunity to accept the changes in each section.

Review of Changes to the Final Report Recommendations

Dr. Novakovic explained the first section of changes which addressed Recommendation 8 - Collect and Publish Price Data. The first change, to the second sentence of the second paragraph, was meant to clarify that the information to be collected would assist the industry in understanding the possible consequences of using a competitive price for Federal orders instead of the current product formulas. Erick Coolidge motioned to accept the change. Robert Schupper seconded the motion. The motion passed via voice vote. No member voiced opposition to the motion.

The second section of recommended changes addressed Recommendation 16 - Enhanced Fluid Milk Solids Standards. Dr. Novakovic proposed deleting the third and fourth sentences under the second paragraph of the section "How will consumers respond?" That section makes inference regarding the impact of the higher standards for California milk solids versus the rest of the U.S. He said that some members had questioned whether there is clear evidence to substantiate the claims made. Dr. Novakovic stated that he investigated the available data and concluded that there was inadequate data for markets outside of California to substantiate consumption levels based on the solids content of beverage milk. For the same section, he proposed adding the phrase "(and other specialized types of milk)" in the last sentence of the first paragraph to clarify that producers and bottlers of some specialized types of milk besides organic milk would have difficulty in meeting enhanced fluid milk solids standards. In the same sentence, he proposed removing the word "as" for grammatical reasons and proposed adding the word "even" to this sentence to add to the tone of the sentence. Manuel (Ray) Souza stated that he believed adding the word "even" changed the intent of the sentence. The Committee agreed to remove the word "even" from the sentence. Sue Taylor commented that for consistency that

the words “and other specialty” needed to be inserted into the fourth sentence of the same paragraph between the words “organic” and “NDM.”

In the first and second sentences of the same paragraph (the first paragraph following the section “What is the availability of nonfat solids and how will this impact trade?”), Dr. Novakovic proposed adding statistics about sales to the Commodity Credit Corporation in 2009 to illustrate that there has not been a surplus of milk solids in recent years. Also, whereas the draft mentioned the potential of a scarcity of milk solids encouraging imports of milk protein concentrates from New Zealand, he proposed broadening the language to indicate that such a scarcity could increase imports of milk solids in general.

Dr. Novakovic recommended a change to the first sentence under the section “What are the regional disparities?” to more clearly reference a supplemental report by Dr. Scott Brown of the Food and Agricultural Policy Research Institute (FAPRI). Patricia Stroup mentioned that in the first sentence under this section, Dr. Novakovic had changed the word “would” to “could” and that this was inconsistent with some other parts of the paper. There was some discussion among committee members on whether “would” or “could” was appropriate in discussing results of stochastic modeling techniques used by FAPRI. The Committee agreed to the word “would” for research results.

Dr. Novakovic’s next proposed change was to delete the last sentence of the first paragraph under the section “What are the regional disparities?” In place of the last sentence, Dr. Novakovic proposed adding a new paragraph, which indicated enhanced fluid milk solids standards would be a “welcome development” for butter-powder manufacturers. He proposed adding another new sentence, which added that the Secretary needs to consider to different perspectives of the industry members.

Robert Wills disagreed with the inclusion of the paragraph about benefits to butter-powder manufacturers and stated that this new paragraph gave support to the distortions caused by Dairy Product Price Support Program (DPPSP). According to Mr. Wills, the report implies that the Committee would like to see those distortions continued. Mr. Wills elaborated that the Committee had been very cautious to avoid statements that appeared to be giving or maintaining an advantage for producers in one region, and he thought that the added paragraph violates those objectives. Other committee members did not feel that the paragraph gave support to distortions of the market, but simply acknowledged that there would be a regional impact. Dr. Novakovic suggested the possibility of removing the words “welcome development” and instead stating that a “further study of this question is warranted.” Other committee members pointed out that there were many places in the report where different industry perspectives on proposed recommendations were acknowledged.

Randy Romanski noted that he felt that the Committee could have further discussion on many points in the report, but he thought that during this meeting there was only to be a brief discussion before voting on the final report. Other committee members agreed with Mr. Romanski. Ms. Stroup noted that the reason there was significant discussion was because the paragraphs had just been added in the last forty-eight hours. Dr. Novakovic asked the committee to move on to another section for which there was proposed changes and then the Committee could discuss the entire set of changes.

Dr. Novakovic pointed to the last proposed change was in the first sentence of the fourth paragraph under the section, “How will this impact fluid processors?” In this sentence he removed the words “enhanced-type fortification” and replaced them with the words “enhanced solids.” This change was meant to use language that was more grammatically clear. Also in the same paragraph, Dr. Novakovic proposed deleting the last sentence and replacing it with, “In light of this, the Committee believes it is appropriate to encourage additional comprehensive analyses of this concept.” Dr. Novakovic stated this change was made after discussions with committee members that felt that this sentiment deserved more attention.

A few committee members commented that they felt the changes were improvements. James Krahn motioned for the second section of changes to be accepted. Debora Erb seconded the motion. The vote passed with an audible vote in favor of the motion. There were no audible votes against the motion. Dr. Novakovic opened the floor to additional comments.

James Goodman referenced an email he sent earlier noting that in Recommendation 13 should read “CFTC [Commodity Futures Trading Commission] and DOJ [Department of Justice]” instead of “FTC [Federal Trade Commission]” since later in the text following Recommendation 13 the CFTC is referenced. Mr. Goodman wanted consistency in the report. One committee member noted that perhaps all three agencies should be referenced in the Recommendation 13. Dr. Novakovic pointed out the Recommendation 13 referenced the supply chain and that the FTC and DOJ have broad authorities throughout the supply chain. The CFTC was referenced in the text during the discussion on the Chicago Mercantile Exchange (CME) where the CFTC has authority, but the CFTC has no authority beyond the CME. Dr. Novakovic stated that including a smaller agency such as the CFTC in the recommendation with the larger agencies of the FTC and DOJ seemed disproportionate. In further discussion, it seems that there was some confusion about the agency acronyms. It was agreed to leave the section as written.

Final Vote on the Final Report Recommendations

Mr. Coolidge made a motion to adopt the report in its entirety as it had been amended during the meeting. Ms. Erb seconded the motion. Mr. Whitfield received vote on the motion by roll call. The following committee members voted in support of the final report:

Erick Coolidge
Paul Bourbeau
Jay Bryant
Timothy den Dulk
Debora Erb
James Goodman
James Krahn
Edward Maltby
Andrew Novakovic
Randy Romanski
Robert Schupper
Manuel (Ray) Souza
Patricia Stroup
Sue Taylor
Edward Welch
James (Ricky) Williams

The following committee member voted against adoption of the report:

Robert Wills

Mr. Whitfield announced that the motion to adopt the report passed by a vote of 16 to 1.

Brandon Willis noted that USDA editors would make one final review of the report for grammar and format before the report was printed. Mr. Willis stated that copies would be mailed to the Committee members and the Secretary in mid-March. Mr. Willis, Dana Coale, and Dr. Novakovic thanked the Committee for their hard work.

Adjournment, 2:00 PM