

**Northeast Dairy Leadership Team**  
**Meeting notes and report**  
**February 2, 2010, Binghamton NY**  
**9:30 – 3:30**

**Summary: Excellent reporting, interaction, and discussion on US dairy policy. Notes below reflect each segment of the meeting. At the bottom of this report, in yellow, are Guidelines for Agreement relative to US Dairy Policy.**

State Reports

1. Vermont Agency of Agriculture

- Vermont Farm Show
  - Annual dairy banquet sold out
- Animal welfare & animal health
  - Had to close a slaughter facility with USDA
- Created an Animal Standards Board
  - Modeled after Ohio
- Keep Local Farms
  - Hannafords
  - UVM
  - Harvard
- Increasing Methane Digester interest
  - VT has most methane digesters per capita in the nation
- Met with US Deputy Secretary Kathleen Merrigan – Local Foods Effort
- US Secretary Vilsack visiting VT – Hilton, NOFA Conference, St. Albans Coop meeting on Feb. 13<sup>th</sup>

2. New York Agency of Agriculture

- Tail Docking
  - ABC Nightline footage of farm in NY and PA
  - Veterinary medical community not real clear on tail docking
  - NYSCHAP
  - Go to NY Agency of Ag for resources
  - Keep open communication amongst dairy industry folks to stay on top
  - 7.4 billion dollar deficit in NY
  - Issue bigger than tail docking – these folks want to end animal agriculture
  - Affects Processors too, affects all levels.
  - Keep educating consumers
  - No benchmarks on public image

3. Pennsylvania Agency of Agriculture

- CME's – milk futures are DROPPING
  - Time to Act is NOW
  - Going to lose farms
- PA Congressional delegation actively looking for solutions from PA Agency of Ag

- \$500 million dollar shortfall will end up \$5 billion shortfall by end of year
- HSUS legislation to go forward in OH to ban gestation crates
- 2007 Farm Bill - dairy product reporting system – not happening
- Farm Bill - NEDLT should work on price discovery
- Farm Bill - Trade Agreements – look at all trade agreements and look at the dairy components to that
- Risk Management
  - Making LGM more user friendly (Livestock Gross Margin)
- Flooring Class I Milk Pricing interested in
- Marginal Milk Plan interested in
- There is an over order premium that is not making it back to dairy producers, petitioning to rectify
- Like to see dairy in the NE grow, grow our exports, reduce price volatility
- Cannot wait until 2012 Farm Bill, situation too dire

### **Northeast Farmers Cooperatives – Bob Gray**

- Crop Insurance has a poor reputation in D.C., want to cut by 10 million dollars
- Congress is WAITING for Dairy to come together; skeptical; or they will drive the train; Dairy Industry needs to tell Congress we are working on a framework
- No chance CAP & TRADE will be passed this year; HOWEVER; endangerment finding, have the authority to regulate greenhouse gases – EPA.
- Concerned a lot of effort going into solar and wind, little effort going to animal manure
- Immigration – One large farm advertised 90 positions for weeks. Only got ONE application. Very doubtful immigration legislation passed this year.
- Obama administration not pushing big trucks legislation - \$50 billion. Extra axle does not wear down highways quicker. VT & ME doing one year pilot. Would like to see done in PA.

### **Global Dairy Markets? What's Ahead and What's at Stake? Tom Suber** SEE HANDOUT

- U.S. Dairy Export Council = 1995
- **Fortress USA** could work by blocking import trade, but need to pay trade partners (NZ, Australia, and Europe)
- **Status Quo** – will continue to weaken dairy industry
- **Consistent Exporter – Preliminary Recommendation by IC Board**
- **Global Dairy Player**

### **2010 US Dairy Market Outlook – Ed Gallagher**

- Not much activity by farmers in northeast using milk futures
- Ethanol's impact on feed prices was the leading contributor to the record losses (record low returns in 2009, however some prices better than 2006)
- Cost of production – 2009-\$16.59, 2008-\$18.79, 2007-\$16.72, 2006-\$14.88.  
Average cost of production = average long range price of milk.

- Going forward dairy farmers need an extra \$3/cwt above production costs, on a years milk, to attain LR Price = LR Cost
- Don't look at daily cheese prices, look at TRENDS
- Need a \$2.30 cheese price to indicate upper cheese price trend
- Farm financial CRISIS is hitting NOW...instead of last year
- Slowly increasing economy will help dairy economy
- Wild card this year with U.S. milk production
- CWT helped take product off market. Without CWT milk prices would still be \$11-\$12 milk
- Supply management can work if suppresses price volatility
- USDA Forecasts = Domestic Demand +0.5%, Export Demand: +16.5%, Milk Production -2.0% minus 3 billion pounds. That would shock the milk markets and equal strong milk prices.
- Worse case scenario – 20-30% probability, still better than last year's prices.
- Going to take all year to catch up from 2009
- Less cash available this year than last year because they have loaned through their credit
- Should send powder to Haiti
- Seeing upper Midwest growing, west growth is slowing, thinks NE will start growing too. Increased number of larger farms. Water regulations in CA, some herds may re-locate to TX, Idaho
- Less than 5% of our dairy producers are using Risk Management tools. Thinks this is changing. Doing webinars and meetings for producers. Takes time and effort to go out and help farmers understand how to use these tools. Maybe some financial incentives to get producers to participate.
- Risk Management will need to be in place to get loans.

### **Dairy Policy Options – What is the Problem to Solve?**

- Price Adequacy or Price Volatility?
- Income Adequacy or Income Volatility?
- What is the Goal? Can you do it with One program or a Portfolio of programs?
- If you want prices to continue up over time you will get a shrinking industry. = Total elimination = Canada
- OR, take viscous volatility and try to compress it? = U.S. our market share has grown 50% since 1960s.

### **NMPF Proposal – See Handouts**

- Reform Federal Orders
- Revamp dairy safety nets
  - Price Support Program
  - MILC
- Create a producer income insurance program (elimination of price support and MILC to pay for this)
- Improve participation in CWT – challenge don't know if CWT will survive another year...some producers getting a free ride.

- Growth Management Guidelines
  - Be market oriented for growth domestically & internationally
  - Be responsive to quickly changing market conditions
  - Have 100% participation
  - Be global in nature to consider the impact of imports and exports
  - Be national in scope with the ability to implement regionally
    - Public/private partnerships to suppress price volatility
    - Operates much like promotion check-off dues with DMI
      - Mandatory check-off
      - Private business, DMI, receives the funds and develops programs
      - Check & balances...
  
- DGMI Program Considerations
  - Herd Reductions
  - Dairy commodity production incentives that allow for the displacement of imported dairy products, such as casein
  - Risk management tools
  - Inventory management
  - National or regional base programs
  - Export assistance programs, if in compliance with WTO (maybe CWT continue)
    - May leave this out and let producers fund on a voluntary basis, more flexibility to fix it, not federally mandated that way
  - Other programs could come under the umbrella as well
  
- DGMI Governance
  - 30 board members
  - Regional members
  - Quarterly meetings
  - Block voting
  - Funding – 0.8% of Class III
  - USDA audits everything

## NEED TO GO FORWARD SUPPORTING A PLAN TO BRING TO CONGRESS

Bob Wellington – Marginal Milk Pricing – SEE HANDOUT

- Farmers are independent. Do not like being told what to do.
- 1200 members for Agrimark (half of them are in NY) all saying the same thing – got to do something different. End of the day it's the net income. 2009 got lowest net income, not lowest prices in 30 years.
- Holstein Association came out with plan early on. But farmers need to buy into it.
- 14 farmers on Agrimark Board of Directors.
- Need to affect relationship between supply and demand = 2-3% misalignment in supply or demand = 20-30% movement in prices.

- Get paid lowest amount for excess milk produced = aligning supply and demand
- Can get 85% of milk through FMMO rather easily, However, remaining 15% difficult to get
- Price will be the signal
- Have a program that goes in and out. Not in place all the time to give producers control.
- Most important piece is farmer acceptance.
- What happens with areas not regulated by FMMO? Need to figure out
- Goal of this program = maintain an adequate price paid to farmers, recognizing not fixing all other problems.
- **Discussion: Flooring Class I Price “Mover”?**
  - Level floor across the country
  - Simple
  - Compress volatility over the long-term
  - Could work in conjunction with other plans
  - Could make a petition tomorrow to the Milk Marketing Commission
  - Get coops and Agencies of Ag all on board
  - Has to be National, West will not like it, but West has gotten more \$\$\$ from MILC

## TABLE DISCUSSIONS

### KEEP IN MIND FOR “TABLE” DISCUSSIONS:

- Never going to completely agree on everything. 80% we can agree on, don't let the 20% divide us.
- Range of things we can consider.
- What is the Goal
- What are the Guiding Principles
- What are the Solutions

### \*GOALS

Avoid collapse

Don't want a repeat

Avoid extreme price volatility

Assured Milk Supply

Maintain Consumer Confidence

Maintain sustainable Net Income

Minimize Price Volatility

Long Term Profitability

Achieve adequate price paid to producers to sustain their business, reduce price volatility, results in consistent price for consumers, good for processors

Consistent exporter

Not having complicated Government intervention

Work with groups to build consensus

Plans all need analysis to see if they really will work

Capture demand and minimize volatility  
Tom Suber Principles – Supply & Demand  
As long as consumers are still buying; is price volatility that bad?  
Is there a price that is okay for farmers and okay for processors?  
Market signals are difficult  
FMMO not covering all areas of the country  
Not everybody participates in CWT  
Page 41 from October meeting agreed upon  
National Milk and IDFA be our leadership/voice to Congress?  
Send consistent, confident, strong message to Congress/Vilsack. Have to work together to do this. Bring 1 or 2 things, not 10-15.

**\*Guiding Principles**

- Bring all stakeholders to the table for the process
- Keep Consumer in Mind
- Utilize Gov involvement but not in controlling way
- Get rid of free riders
- Maintain WTO compliance
- Focused on Net Income versus Straight Milk Price
- Incorporate Safety Provisions
- Take Government out of the system as much as possible
- A greater focus on margins
- Never going to achieve 100% consensus
- Under the right conditions utilize supply management
- Minimal Government involvement
- Rapidly responsive to market signals
- Mandatory participation
- Something that balances supply & demand
- Have a tool box to encourage capturing demand and minimizing price volatility

**\*Solutions**

- Strike now while the iron is hot
- Form Unity
- National Policy recognizing regional differences, Class I on level playing field across nation
- Move toward a more export friendly market
- Like Organic sector – Quota
- Need leadership consensus then take over and make things happen
- Establish Class 1 price
- Penalize over-supply
- Like DGMI guiding principles
- Have a basket of price discovery tools

**ED'S SYNOPSIS**

**GOALS:**

**CREATE A STRONGER INDUSTRY**

## HELP MANAGE VOLATILITY BETTER THAN WE HAVE

### GUIDING PRINCIPLES:

REDUCED GOVERNMENT INVOLVEMENT

PRICE COMPETIVENESS

ALL FARMS PARTICIPATE

GROW DEMAND

MAINTAIN STRONG EXPORTS

### SOLUTIONS/POLICY OPTIONS:

FLOORING CLASS 1 (REDUCES PRICE VOLATILITY) – going ahead with this, do not need consensus?

**Q: When can we do this? Keep analyzing and considering? When make a decision and act?** Minority farmers do not agree with concept.

Maybe integrate Marginal Price Plan WITH DGMI.

The Economic Analysis is missing from these plans. How can we sell it to our coop membership if can't prove it will work? What's the impact?

NEDLT = subgroup to consider a plan and work out an economic analysis? Keep in mind it will be discussed at a national level.

St. Albans coop supports DGMI framework, there will be farmer participation in the process. Also support flooring Class 1.

Some analysis has already been done.

Need a time-line. Not going to happen over night. Biggest challenge will be to have enough consensus to go to D.C. to start talking about it. If go too early with too many mixed messages will just confuse congress and get poor results. MAY not get implemented until the next Farm Bill in 2012.

Producers need this to happen NOW. Will not survive until 2012.

Principles from DGMI came from a broad group of people across the country. Objective of DGMI incorporate other plans and groups to get Guiding Principles. If start TOMORROW...MAY happen end of 2010. Being over optimistic about it.

**UNANIMOUS VOTE OF YES'S TO SUPPORT THE 6 PRINCIPLES BELOW:  
(SUPPORT OF THE GUIDELINES, NOT SUPPORTING DGMI 100%, NOT  
CONVINCED IT IS THE RIGHT THING. GROWTH MANAGEMENT GUIDELINES)**

- Be market oriented to allow for growth both domestically & internationally
- Be responsive to quickly changing market conditions

- Have 100 percent financial participation by producers
- Be global in nature to consider the impact of imports and exports
- Be national in scope with the ability to implement regionally
- Minimal government involvement

**ADDITIONAL UNANIMOUS VOTE OF YES'S TO SUPPORT THE BELOW PRINCIPLE:**

- Implementation of 2007 Farm Bill items
  - dairy product reporting system – not happening
  - price discovery
  - Trade Agreements – look at all trade agreements and look at the dairy components to that
    - Lean on analysis of WTO's that U.S. Dairy Export Council is doing