



Mideast Industry Insider

DFA Mideast Area

June/July 2010

DFA Supports Producer Plan to Reduce Volatility and Increase Profitability

The National Milk Producers Federation (NMPF), based in Arlington, Virginia, develops and carries out policies that advance the well being of dairy producers and the cooperatives they own. The members of NMPF's 30 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies.

About the Mideast Area

The Mideast Area of Dairy (DFA) serves a milkshed extending into six states. DFA's Mideast Area represents 1,969 member farms that market more than 5 billion pounds of milk cooperatively. Average production per member farm is 2.5 million pounds of milk per year.



Dairy Farmers of America

"If there is anything good that has come out of the past 18 months of economic struggle, it's the shared feeling among NMPF's members that we can use this experience as the catalyst to make needed changes in dairy policy," says Randy Mooney, Chairman of both DFA and NMPF and a dairy farmer from Rogersville, Missouri.

For the past 18 months, DFA has played a leading role in working with others in the dairy industry, including NMPF, to identify and develop future dairy policy that will gain consensus nationwide. Now, DFA is shifting our efforts to see that a new policy can be put in place as soon as it is feasible.

On June 9, the National Milk Producers Federation board of directors voted to support the concepts proposed in the organization's Foundation for the Future plan. The decision was momentous and a clear demonstration of the overwhelming desire to bring about change in the industry in an effort to better protect dairy producers and position them more favorably in an increasingly volatile global marketplace.

"'Foundation for the Future' is a carefully and meticulously prepared set of programs that not only will help our industry prevent a repeat of what happened in 2009, but also provide for a most prosperous future for dairy producers and their cooperatives," says Randy.

The concepts in Foundation for the Future include:

- Transitioning the Dairy Product Price

Support and Milk Income Loss Contract programs into a new Dairy Producer Margin Protection Program to guard against periods of severe financial pressure

- Reforming Federal Milk Marketing Orders to ensure farmers receive a competitive milk price

- Creating a Dairy Market Stabilization Program that sends a direct economic signal to each individual producer to manage milk output in a manner that allows the farmer to remain in business while addressing supply/demand imbalances

DFA's Board of Directors has long been supportive of NMPF's plan and continues to actively work to make sure the final policy contains elements important to DFA members.

The dairy industry needs a policy that gives producers the tools they need to be profitable and successful, that addresses volatility and allows producers to respond to supply/demand imbalances while still producing the nutritious milk and dairy products consumers demand. Most importantly, the changes need to come quickly.

The NMPF plan will provide a strong foundation for building industry consensus, which is critical for gaining legislative support for dairy policy changes. DFA's legislative team continues to make dairy policy its number one priority. Members and DFA Directors will remain active in Washington, D.C., to voice their support and vocalize the urgent need for dairy policy reform.

Q and A with Mideast Area Council Chairman Tom Croner



Tom Croner

Mideast Area Council Chairman Tom Croner is chairman of DFA's Dairy Price Stabilization Study Committee. He serves as secretary/treasurer of the DFA Board. He serves on the National Milk Producers Federation (NMPF) board of directors. Tom and his son T Richard milk 200 Holsteins on their 700-acre dairy farm in Berlin, Pennsylvania.

Q. Why does Foundation for the Future (FFTF) have a better chance of success than previous efforts by the dairy industry to reduce milk price volatility?

A. Never before has the dairy producer community come together like this. Nearly everyone agrees that the status quo is unacceptable. Everyone had his or her own idea on how to fix the problem, as in the past. Now, dairy farmers are collaborating today to make tomorrow better.

Q. Much of the industry has agreed in principal to these ideas, but where do we go from here?

A. We are in the 7th inning and still have a lot of baseball to play. Opposition is mounting from the International Dairy Foods Association (IDFA), the milk processors' industry association, to challenge our efforts. Unity will be necessary

to win the game. I believe we have the best minds in the industry focused on these plans. It will require collaboration and compromise.

Q. FFTF has been approved by NMPF's Board of Directors. What is the next step? How long before FFTF can be implemented?

A. FFTF is a package with both long- and short-term components which means some will take longer than others to accomplish. Federal Order changes always take a long time. Some components may need to wait until the next Farm Bill. However, I think our chances for having a program to manage volatility will come to fruition more quickly.

Q. What can dairy farmers and industry partners do to support FFTF?

A. Dairy farmers, cooperative leaders and those interested in the long-term health of the dairy industry should talk to their representatives and senators and express support for FFTF. While not entirely a government program, many aspects of FFTF will require government cooperation in order to succeed. If you want more information about FFTF, please contact Heather Schofield, DFA Mideast communications manager at 800-837-6776, ext. 7986. You can also find more information at www.nmpf.org under "Foundation for the Future."

Marketing Minute: Why Farmers Need Price Stability Now More than Ever

John Turcinov, Director Accounting and Market Information

Up and down price trends are just part of the game in the dairy business. Through time, dairy farmers have developed a thick skin when it comes to price cycles. However, the price crash of 2009 wasn't any ordinary downturn; it changed the way we view the future for dairy farmer sustainability.

Some things farmers can control; others they can't. Both internal and external factors contributed to dairy's price crash. An early indication of trouble showed up in mid-2008 as overheated commodity prices began to cool off. Oil was trading at \$150 a barrel. Gasoline prices were about \$4 a gallon at the pump. World demand for energy was great. The underpinnings of financial instability arose as the first wave of financial institutions began to fail on Wall Street and elsewhere across the U.S. and around the globe.

Dairy prices were good from mid-2007 through mid-2008. Blend prices in our area averaged about \$19 per hundredweight and topped \$20 per hundredweight a few times. Milk production was growing between 2 to 4 percent. Internal U.S. demand was augmented by increasing exports. The increased global appetite for dairy drove exports.

The wheels came off dairy hard in the second half of 2008 and well into 2009. Let's use the Federal Order #33 blend

price as a measuring stick, as it covers most of the states in DFA's Mideast Area. The July 2008 blend was \$19.71. By the end of the year, it was \$14.42. By the end of March 2009, dairy farmers lived through a 46 percent decline in prices they received—down \$9 per hundredweight.

The road to recovery has been long and unpredictable. Prices received by dairy farmers are better today, but the financial damage incurred is not repaired yet. Some market forces are beyond the influence of the dairy industry (i.e., financial and credit meltdowns or the gulf oil spill). The industry should embrace efforts such as the Foundation for the Future and truly have a say on factors shaping the future.



Mideast Industry Insider

Editorial Team

Neal Linebaugh • Heather Schofield • Jane Sweet
1035 Medina Road • Suite 300
Medina, OH 44256 • 800-837-6776