

DRAFT
US Dairy Growth, Management, and Opportunity Proposal

Concept document developed by the:
Pennsylvania Department of Agriculture & Center for Dairy Excellence

This document reflects ongoing discussions being had in Pennsylvania to address US dairy price volatility and other issues affecting dairy farm profitability. In our opinion, the goal of any policy proposal should meet the following guidelines:

- Incentivize the participation of all dairy producers
- Mitigate extreme price and margin volatility
- Provide a vehicle for individual accountability through the management of risk
- Encourage the development of export marketing opportunities
- Include changes which provides simplification and complete transparency in supply and value indicators
- Represent our industry to the consumer in the most positive way
- Encourage product innovation, development, and marketing
- Promote increased consumption of dairy products

In addition, any US dairy policy program goals must include:

- Ongoing opportunity for young dairy producers to enter the industry
- Ongoing opportunity for industry infrastructure and business
- WTO compliance

Based on these guidelines, the following policy components have been developed.

1. The implementation of a mandatory system of daily reporting for all dairy product inventories and marketing's. This would increase the immediacy and transparency of market pricing and resulting product values;
2. A replacement safety net system for the dairy price support program;
3. The funding of a dairy risk management insurance program;
4. The implementation of a Marginal Milk base excess program concept to effectively manage production growth and mitigate margin volatility;
5. A study on a 2-class system of milk pricing along with a study of the de-coupling of class1 from other products; with a goal of price simplification;
6. The establishment of a US Milk Market Board which would include numerous dairy producers, who would meet a minimum of every 3 months. The board will function with an elected Chairman who would report to the industry and to USDA The primary functions of the Board will be:
 - a. To evaluate current and projected milk supply and demand information and determine what, if any, actions should be taken to achieve balance of product supply and demand
 - i. The board will evaluate current economic conditions in the US and world dairy export activity
 - ii. The board will use key economic and market demand triggers and indicators to evaluate the implementation of different tools designed to achieve equilibrium.
 - b. To implement and oversee a Marginal Milk base excess program designed to achieve market equilibrium and reduced margin volatility.
 - c. To provide oversight of a mandatory Milk Stabilization Fund that would represent all dairy producers and fluctuate in contribution based on current price or margin values. Funds would be used for:
 - i. Export assistance
 - ii. Herd reduction programs