



**US Department of Agriculture  
Dairy Industry Advisory Committee**

Final Report  
Outline

**1 24 September 2010**

**2**

**3 Recommendations Concerning Policies and Programs  
4 to Improve Profitability on US Dairy Farms and to  
5 Mitigate Milk Price Volatility**

**6**

**7 [This document is a working draft of the Dairy Industry  
8 Advisory Committee as it proceeds towards its final  
9 recommendations to the Secretary of Agriculture. Until  
10 such time as the DIAC formally adopts a final report, any  
11 intermediate working document should be considered a  
12 work in progress and should not be taken as a certain  
13 indication of the committee's final recommendation. Any  
14 and all parts of the current document remain subject to  
15 review and revision. This includes completely eliminating  
16 a section or substantively changing a recommendation.]**

**17**

**18 I. Forward**

- 19 a. Recognize committee charge**
- 20 b. Identify committee membership**
- 21 c. Acknowledgements**

**22 II. Executive Summary**

- 23 a. Short**
- 24 b. Focus on conclusions and recommendations**
- 25 c. In light of committee charge and boundaries of our scope**
  - 26 i. Focus on programs under or likely to be under the USDA**
  - 27 ii. Do not limit focus to existing programs**

**28 III. Introduction**

- 29 a. Recognize market conditions**
  - 30 i. Current/recent**



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- 1**                   ii. Near term outlook
- 2**                   iii. Longer term
- 3**                   iv. Extent to which this justifies need for intervention
- 4**           b. Recognize problems/challenges deriving from these conditions
- 5**                   i. Dairy farm profitability
- 6**                   ii. Milk price volatility
- 7**                   iii. Others
- 8**           c. Define the problem
- 9**                   i. What is the problem with dairy farm profitability
- 10**                         1. How do we measure this concept
- 11**                                 a. Cash flow coverage (short term)
- 12**                                 b. Returns to farm labor, management and equity (long
- 13**   term)
- 14**                         2. Is this calculation
- 15**                                 a. National
- 16**                                 b. Regional
- 17**                                 c. By farm size or type
- 18**                         3. What goals would we establish for desired outcomes
- 19**                                 a. Establish minimum desired goal
- 20**   i. Never go below
- 21**   ii. On average over 5 years
- 22**   iii. Applies to:
- 23**   1. US average
- 24**   2. All farms
- 25**   3. Top 80% of farms
- 26**                   ii. What is the problem with milk price volatility
- 27**                         1. How do we measure this concept
- 28**                                 a. Standard deviation or range of change (amplitude)
- 29**                                 b. Frequency of change



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- 1 c. Depth of troughs (compared to a benchmark, probably
- 2 related to dairy farm profitability)
- 3 d. Monthly or something else
- 4 2. Is this calculation
- 5 a. National
- 6 b. Regional
- 7 c. Relative to
- 8 i. the All Milk Price,
- 9 ii. the Class III price,
- 10 iii. the Mailbox Price
- 11 3. What goals would we establish for desired outcomes
- 12 a. Establish minimum desired goal
- 13 i. Never go below
- 14 ii. On average over 5 years
- 15 iii. Applies to:
- 16 1. US average
- 17 2. All farms
- 18 3. Top 80% of farms
- 19 IV. Analysis
- 20 a. What programs currently exist to achieve these goals
- 21 i. Refer to earlier report
- 22 ii. Update as necessary
- 23 iii. How would these programs need to be modified to achieve the
- 24 goals
- 25 b. What are leading proposals for new or revised policies and how do they
- 26 relate to these goals
- 27 i. Foundation for the Future
- 28 ii. Costa/Sanders
- 29 iii. Others?
- 30 iv. What rule do we use to decide what to include or exclude



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- 1** 1. Formally introduced as a bill (would now exclude FFTF but
- 2** include Specter/Casey)
- 3** 2. Has endorsement of a major dairy organization, representing
- 4** a broad base of industry members
- 5** 3. Other
- 6** c. Are there other proposals or ideas that might achieve these goals
- 7** i. Farm Savings Accounts
- 8** ii. Federal Order Reform
- 9** 1. Price discovery
- 10** a. Competitive pay price at farm level,
- 11** b. CME at wholesale level
- 12** 2. Price calculation
- 13** a. Product formula pricing
- 14** b. competitive pay prices
- 15** c. other?
- 16** 3. Pooling
- 17** iii. Price monitoring and reporting
- 18** iv. Demand Oriented Programs
- 19** 1. Countercyclical Food Assistance
- 20** a. Government subsidies – in-kind or cash – to target
- 21** economically disadvantaged and vulnerable
- 22** populations
- 23** 2. Countercyclical Price Assistance to promote sales generally
- 24** 3. Non-countercyclical programs to expand sales
- 25** a. Domestic
- 26** i. Subsidies
- 27** ii. Promotion and research
- 28** b. International
- 29** i. Subsidies
- 30** ii. Promotion and research



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- 1** c. Nutritional labeling
- 2** d. CA fluid milk standards
- 3** e. Standards of Identity
- 4** v. Supply Oriented Programs
  - 5** 1. Dairy Indemnity type programs on existing or other targeted
  - 6** cow populations
  - 7** 2. Milk quality and Grade A standards, e.g., minimum SCC
  - 8** standard
  - 9** 3. "Mandatory" CWT
  - 10** 4. Herd Buyout
  - 11** 5. Other
- 12** vi. {What is missing?}
- 13** d. To what extent does government budget constrain these options
  - 14** i. How much government money could be spent in the next budget
  - 15** cycle
  - 16** ii. What are longer term prospects
  - 17** iii. Are there viable funding alternatives
  - 18** iv. If budget constrains performance, what could be accomplished
  - 19** under these programs given budget constraints
- 20** V. Recommendations
  - 21** a. What combination of programs might best achieve goals for both dairy
  - 22** farm profitability and milk price volatility
    - 23** i. Given expected budget constraint
    - 24** ii. Ignoring budget constraints
  - 25** b. When should the process begin
    - 26** i. What should be done before or regardless of the 2012 Farm Bill
    - 27** ii. What should be done in conjunction with the 2012 Farm Bill
    - 28** iii. What can be done separately from or after the 2012 Farm bill
  - 29** c. Related items that warrant further attention