



# Professional Dairy Managers of Pennsylvania

*Seeking to Advance the Dairy Industry in Pennsylvania  
Through Improved Productivity and Profitability.*

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## Long-term Viability of the Dairy Industry

*A Position Paper from the Professional Dairy Managers of Pennsylvania*

The Professional Dairy Managers of Pennsylvania is driven by a very clear mission. It is on all PDMP documents and it is central to all that the organization does. **PDMP exists to advance the dairy industry in Pennsylvania through improved productivity and profitability.** Dairy producers who chose PDMP membership want to be in a position to be in the business for the long haul.

The industry is at a critical juncture. In the current economic climate and with the growing pressures on how dairy farms operate, the future of the industry is at stake. PDMP leadership believes it is this organization's responsibility to examine what it will take to ensure that our members can realize their dreams. The industry must act to guarantee that it will continue to be a leading force in the U.S. and World economies, and that consumers will continue to have access to a supply of dairy products produced within its own borders.

Many forces have come into play to create a situation where dairy producers are not able to make enough money on their production to support the basic costs of doing business.

In keeping with the positive, progressive-minded attitude of this association's membership, the Board of Directors is making recommendations on dairy policy.

Given these desperate times, many solutions are being proposed by various sectors of the industry. **Some of these solutions would provide immediate short-term relief from our current problems; however, they are not long-term solutions for the industry. The PDMP Board has been guided by the overall philosophy that it is in the best interests of the industry to make constructive changes based on a desire to create permanent, long-term solutions that will ultimately make the dairy industry stronger.**

In a meeting on September 24 the PDMP Board of Directors established the following four position statements that summarize our core beliefs:

- 1. PDMP believes that, in general, the dairy industry would be best served if the government stopped purchasing excess dairy products, many of which are not made to world specifications. These products need to be replaced by products that can be sold on the world marketplace.**

Government purchase of excess products in the past provided a safety net and allowed our industry to grow. Today this safety net continues to allow our industry to grow but it has caused manufacturers to become complacent in the products that they produce. Manufacturers are not producing products that meet the world demand, which has resulted in world markets looking to the United States as a last stop for what they need. As long as the government continues to purchase our products (i.e. butter, cheese, & powder) that are not made to world specifications, the dairy industry will not change what it makes. Manufacturers will keep making what they always make because they know eventually their products will be bought by the government at a profit. It would be better for the long-term prosperity of our industry to make products that strengthen our ability to compete in international markets. While it is agreed that certain issues are best maintained as part of the government regulatory process, the dairy industry should be allowed to operate in a free market system just as other businesses do. If the government

ceases to buy the products that no one wants, then manufacturers will stop making them. They will instead produce products that everyone wants and that can be sold in the growing world marketplace that is in need of dairy products.

**2. PDMP believes that the Federal Pricing System needs overhauled.**

The \$350 million Dairy Assistance proposal is a short-term bandage with no long-term solutions. We believe funds should be earmarked for the overhaul of the Federal Order System. Currently our milk is priced using the Chicago Mercantile Exchange (CME), a mechanism through which only 1% of the nation's milk production is sold. This market is thinly traded and has very few buyers and sellers. Yet, this mechanism is allowed to price all of our milk and it is being viewed by many as the future of how we price milk and how we either lock in our profits or loses. The industry will be better in the long-term if we stop reliance on the CME and develop a more transparent pricing system that pays producers for what they produce and takes into consideration the cost of producing it.

**3. PDMP believes that the industry should be focused on economic growth rather than supply management.**

It's essential for our industry to be operating under a growth model. Growth is a key business concept for our dairy producers and industry infrastructure because a business that is not growing tends to be moving backwards. We need to encourage our system to be developing new products and models that allow growth in the industry. We may need to operate under a more controlled growth, and rely more on the world market versus the domestic market. Thus, PDMP's points 1 & 2 are essential to having growth occur. Supply management gives unfair advantages to certain geographical locations and certain size farms. We believe in letting the marketplace decide who has cows and who doesn't. Given the honest opportunity to compete on the world marketplace, the dairymen in the industry that can adapt and manage effectively will succeed.

**4. PDMP believes that direct government payments are short-term solutions to long-term problems.**

Continuation of programs that provide direct payments to farmers does not provide for any long term relief. Direct payments are viewed as welfare for the dairymen and do not reflect well on the dairy industry. These funds would be better used to help provide long term solutions and plans that help our industry compete on the world marketplace.

It is the intention of the PDMP Board to solidify these concepts through bi-weekly conference calls over the coming months leading to development of action steps for the industry and for government regulators. Comments and questions are welcomed at [info@pdmp.org](mailto:info@pdmp.org). A list of Board members, their email addresses and follows:

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