

Mideast Area Production Base Program

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Why does DFA Mideast have base program?

- Milk production was growing faster than milk sales
- Increasing milk supplies above contract needs incur additional marketing and transportation costs
- Without a base program, all members share in the cost of marketing surplus milk
 - Question of fairness, i.e., those members contributing to the surplus ought to bear more of the expense of marketing the surplus
- The base program reallocates the cost of marketing surplus milk to the memberships that produce it

Mideast Area base program basics

- **Council took five months to draft base program language**
- **Base program was ratified by the Council in June 2021**
- **Implementation of the base program was January 1, 2022**
- **A membership can produce as much milk as it wishes; the program does not restrict milk production**
 - However, any milk produced in excess of a membership's assigned production base may be subject to charges to reflect the additional cost of marketing the milk
- **DFA will market 100% of every membership's milk**

Mideast Area program basics

- **The Mideast Area operates under a single base program**
 - The same rules apply to all states, regions and territories
- **Production bases are assigned to memberships**
 - Initially, calculated as the highest daily average milk production from 2018, 2019, or 2020
- **Production base is affiliated with a membership and is not transferrable**
 - Unlike many other base programs, base cannot be bought or sold
- **Production base does not hold any value**

Program exemptions

- **Memberships producing:**
 - Certified organic milk
 - Specialty milk programs under contract for customers
 - High protein milk
 - Pasture-based milk
 - Seasonal producers
 - Colleges or universities

Base Allocation Committee (BAC)

- **Considers member requests to adjustment to production base**
 - Committee makes recommendations to Council
 - Member base increases must be approved by Council
- **BAC is made up of five Council representatives**
 - Geographically represented within Mideast Area
- **Member requests for production base adjustments follow a defined process**
 - Members must apply for increases in production base
 - Helpful to provide supporting documentation in application
 - Competitive process, i.e., there is always more production base requested than available for allocation

Overbase charge

- **Reflects the actual additional costs to market surplus milk**
- **Calculated after the milk marketing month has concluded**
- **Follows a specific list of costs incurred**
 - For example, unmarketed milk, milk sent out of the area, cost of running balancing plants above a historic normal, etc.
- **An overbase charge applies if:**
 1. Milk production for the coop exceeds the sum of all memberships' production bases
 2. Coop incurs additional costs to market surplus milk
 3. One or more memberships produces milk in excess of its assigned production base

Effectiveness

- **No overbase charges since base program implementation**
 - Mideast Area is mostly in-balance and has been since 2021
 - Has the threat of a lower milk price applied the brakes on production?
 - Or have farm economics applied the brakes on production?
- **Council members believe the base program was necessary and has been effective**
 - Base program was controversial during development and early implementation
 - Today, the Council is a fierce supporter of the program
 - Intense discussions about rules, process, applications for increases
- **Council respects and trusts the BAC recommendations**

Questions?