NATIONAL MILK PRODUCERS FEDERATION

News Release

2101 Wilson Blvd., Suite 400, Arlington, VA 22201
703-243-6111 • www.nmpf.org

"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"

FOR IMMEDIATE RELEASE
Tuesday, November 26, 2013

Contact: Christopher Galen
(703) 243-6111 ext. 356
Email: CGalen@nmpf.org

New Congressional Analysis of Farm Bill Finds Senate Dairy Title Costs Less than House Version

ARLINGTON, VA – A recent analysis by the Congressional Research Service (CRS) of the competing House and Senate farm bills shows that the Senate's dairy program costs less than the House version, the National Milk Producers Federation (NMPF) said today, helping fortify the case for the Senate's dairy title as negotiations continue in the congressional farm bill committee.

The House farm bill's dairy title is projected to cost $418 million above the baseline, according to the CRS report released in October, while the Senate dairy program costs $302 million more over the next ten years. [These figures are in Tables 4 and 5 of the report, starting on p. 22].

Incoming NMPF President and CEO Jim Mulhern said Tuesday that the CRS report – the first to compare the two competing farm bill versions that conferees are attempting to reconcile – buttresses the point that NMPF has been making about the need to couple margin insurance with a market stabilization program, as the Senate bill does, to achieve cost controls.

"While even this analysis seriously underestimates what we and other independent analysts believe would be the real cost of the badly-flawed House approach, the CRS report demonstrates that the Senate plan is the most fiscally responsible program," Mulhern said. "Without the market stabilization program to both reduce the duration of low margin conditions, and reduce government outlays for insurance payments, the House plan would be a budget-buster – and one that we urge the conferees to reject, in favor of the Senate's more prudent approach."

House Agriculture Committee Chairman Frank Lucas (R-OK) made the same observation last Friday in a radio interview with Ron Hays of the Oklahoma Farm Report (a transcript of which is available here), in which he responded, when asked about the prospects for the dairy title, that "if you don't have supply management, can you restrain the cost in the rest of the [dairy margin insurance] proposal? Probably not."

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Both the House and Senate farm bill dairy programs replace existing safety net programs with a new margin insurance program. But only the Senate version couples the margin insurance with a market stabilization component that would encourage farmers to temporarily reduce milk production when conditions warrant. NMPF has long contended that this formula makes the program more effective for farmers, and also better protects taxpayers by reducing the government's costs.

Mulhern also said that the market stabilization element will not adversely impact consumer prices for dairy products, contrary to bogus claims made by those opposing the Senate's Dairy Security Act.

"If the market stabilization program ever kicked in – and that's a big if – it would only be when farm milk prices are in the tank. The Senate plan would simply put a floor under the price to keep it from falling further and would not have a noticeable impact on the cost of milk to consumers. Nor would it affect the milk bought through government food assistance programs," he said. "The purpose of market stabilization is to keep farmers' milk prices from staying too low, for too long a period. Any suggestion that it will spike retail prices to abnormally high levels is a deceitful and deliberate misinterpretation of the studies done on the impact of the DSA."

Mulhern was referring to efforts to distort the analysis done by University of Missouri agricultural economist Scott Brown, who has examined the impact of the Senate's Dairy Security Act versus the processor-backed House plan (which would retain margin insurance but eliminate market stabilization from dairy reform). In Brown's analysis of the DSA, if it had been in effect from 2009 to 2012, the market stabilization element would have been activated for only four out of 48 months.

Also, the average difference in farm milk prices between the two approaches was only two cents per gallon over four years. "That's one half of one cent per year, a tiny amount compared with the monthly price swings currently experienced by farmers and hardly a major impact on consumers," Mulhern said.

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