



News Release

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

FOR IMMEDIATE RELEASE
Tuesday, April 24, 2012

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New FAPRI Analysis Indicates Effectiveness of Dairy Policy Changes Proposed for Farm Bill New Approach to Dairy Safety Net Endorsed by AFBF, NCFC

ARLINGTON, VA – A new analysis of the dairy policy changes being considered by the House and Senate Agriculture Committees finds that the reforms will have a minimal effect on milk production and dairy product exports, the National Milk Producers Federation (NMPF) said today.

At the same time, two other national farm groups, the American Farm Bureau Federation (AFBF) and the National Council of Farmer Cooperatives (NCFC), have endorsed the changes in dairy policy that NMPF is pushing for on Capitol Hill. The groups [sent a letter today to the Senate](#) in support of the dairy reforms.

The new analysis was prepared by Dr. Scott Brown of the University of Missouri and the Food and Agriculture Policy Research Institute (FAPRI), and was commissioned by the House Agriculture Committee, which is holding a hearing this Thursday on dairy policy. [Brown's report analyzes the Dairy Security Act](#) that the Senate Agriculture committee is also including in the Farm Bill draft it will consider this week. The program features a voluntary margin insurance program to protect against low milk prices or high feed costs, with a basic level of coverage available to all producers for free, and a supplemental, expanded level of coverage available for farmers to purchase. If farmers enroll in the Dairy Producer Margin Protection Program, they will also be subject to the Dairy Market Stabilization Program, which asks them to reduce their milk output when margins are very low.

The key take-away from the FAPRI report is that the dairy reforms reduce margin volatility at the farm level, without negatively affecting the supply of milk to either domestic or international markets, according to NMPF.

"This new assessment should calm any concerns on Capitol Hill that the U.S. dairy industry will be in any way diminished or hobbled by the changes we want to make," said Jerry Kozak, President and CEO of NMPF. "In fact, by reducing the chances that farmers will lose their equity, these policy reforms will strengthen our industry and make it more competitive in the long term."

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Brown's study shows that, on average over the period of 2012-2022, there are only small effects on milk availability if the provisions of the Dairy Security Act are in place. Even with 70 percent of the milk supply participating in the program, the analysis shows that supplies average just one tenth of one percent (0.1%) less than the without the program [p. 9].

The impact of the Dairy Market Stabilization program on exports is minimal as well. For example, exports of nonfat dry milk would average just four million pounds lower, or 0.3 percent.

The program's impact on consumer prices also would be minimal. The Brown analysis shows that during the eleven-year period studied, the national farm-level All-Milk price would average just five cents per hundredweight higher, or less than one-half cent a gallon [p. 10]. Such a small change is not likely to have any impact on retail prices for milk, cheese or other consumer products.

"This report corroborates the research that our own economists have conducted on this program, and demonstrates that margin volatility for farmers is reduced without milk prices being unduly raised. There are only small effects on the milk supply, so dairy product trade impacts are very small. Importantly, neither the margin protection nor the market stabilization programs will operate often, or for long periods of time. They are triggered in when needed, and they trigger back out when they are not," Kozak said.

The National Milk Producers Federation, based in Arlington, VA, develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF's 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 32,000 dairy producers on Capitol Hill and with government agencies. Visit www.nmpf.org for more information.