



News Release

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

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NMPF President Urges House Committee to Include Dairy Security Act in Farm Bill Kozak Tells Panel that Dairy Farmers Need Improved Safety Net

WASHINGTON, DC – America's dairy farmers need a dramatically revised safety net in the next Farm Bill, one that shifts its emphasis from milk prices to margins, the National Milk Producers Federation (NMPF) told a House of Representatives panel today.

At a hearing Thursday of the House Agriculture Subcommittee on Livestock, Dairy and Poultry, [NMPF President and CEO Jerry Kozak testified](#) that in a globalized dairy industry, buffeted by increased price volatility, dairy farmers needs a new safety net "that addresses both low milk prices, high input costs, or the combination."

Pointing to the collective loss of \$20 billion in farmer equity that occurred between 2007 and 2009, Kozak said that current farm bill dairy programs are inadequate, considering the higher cost of production that livestock producers are facing, and will continue to face. With America's farmers more reliant today on volatile export markets, better risk management tools are needed, Kozak said.

For that reason, NMPF has endorsed the Dairy Security Act (DSA), which was introduced in Congress last year by Rep. Collin Peterson, the ranking Democrat on the House Agriculture Committee, along with Rep. Mike Simpson, a leading congressional Republican. The DSA package "is proactive, budget conscious, and fixes long-term challenges that our current safety net can't address," he said, adding that because of its advantages, the legislative proposal is backed by the American Farm Bureau, the National Council of Farmer Cooperatives, the National Farmers Organization, the National Holstein Association, the Milk Producers Council, as well as a majority of other state dairy associations.

"This is an unprecedented level of support for such a major change, and has never happened before; shouldn't this say something?," Kozak asked.

The DSA replaces three existing farm bill dairy programs – the Dairy Product Price Support Program, the Milk Income Loss Contract program, and the Dairy Export Incentive Program – and uses the budget savings from those to help pay for the Dairy Producer Margin Protection Program.

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But the margin insurance program “isn’t a guarantee of profits or success. Farmers won’t be able to insure all of their milk production, or all of their costs. This is first about protecting against the worst-case scenarios, and second about giving farmers the tools to help them manage their risk,” Kozak said.

Kozak cited several advantages to the approach taken by the DSA. Most importantly, it shifts away from a sole focus on milk prices, to insuring farmers against poor operating margins caused either by low milk prices or high feed costs. The Dairy Producer Margin Protection Program provides a no-cost basic level of margin insurance under the program, while offering farmers the option to purchase supplemental insurance to indemnify a larger margin.

“The DSA allows farmers to better manage their risks, offers a better safety net, reduces government involvement in our industry, and positions our entire industry to compete in a global marketplace. It is simple, affordable, and convenient,” he said.

Importantly, Kozak noted that the DSA is voluntary. The farmer “has a choice to accept a free basic margin insurance, as well as subsidized supplemental insurance, in which they share the costs with the government. As part of that agreement, they will be asked to manage their milk output through the Dairy Market Stabilization Program when worst-case conditions appear. Or, they can forgo government assistance, and not be subject to the DMSP.”

He pointed to the fact that the Market Stabilization program also contains triggers so that it does not activate when the world price and the domestic price are out of alignment, “a situation that could negatively affect the ability of the U.S. to export our products,” he said. Critics of the Market Stabilization program have said that the program will choke off dairy exports, but Kozak pointed to the ongoing financial commitment that America’s farmers make in both the U.S. Dairy Export Council and the Cooperatives Working Together program.

“Why would NMPF support a program that would negatively impact the investment of all those producer dollars?,” Kozak asked.

Kozak said the DSA would not raise consumer prices, but “merely reduces price volatility, and frankly, that benefits farmers, processors and consumers alike.”

The full House Agriculture Committee is expected to write a Farm Bill later this spring, and today’s hearing was part of the effort to consider policy options as part of that process.

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 30 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.