



Statement

2101 Wilson Blvd., Suite 400, Arlington, VA 22201
703.243.6111 • www.nmpf.org

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

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Contact: Chris Galen
(703) 243-6111 ext. 356
E-Mail: CGalen@nmpf.org

NMPF Statement in Response to Criticisms of *Foundation for the Future* Legislative Proposal Made by the International Dairy Foods Association

From Jerry Kozak, President and CEO of the National Milk Producers Federation

"While everyone is entitled to their own opinions about the best approach to reforming dairy policy, no one should be allowed to misrepresent the facts or make unfounded assertions. There are several misleading claims that were made in [Wednesday's statement from IDFA President and CEO Connie Tipton](#) regarding the release of a legislative draft by Rep. Collin Peterson (D-MN).

These include:

- The U.S.'s ability to export dairy products will be severely hindered or jeopardized.

FACT: Dairy farmers have invested millions of dollars in building and fostering an export capability, through the creation and continued funding of both the U.S. Dairy Export Council, and the Cooperatives Working Together program. We are fully aware that foreign sales of U.S.-made dairy products are crucial to the current and future health of our industry, and don't want policies that would detrimentally affect our export capabilities.

In fact, we believe export opportunities will be enhanced with the elimination of the Dairy Product Price Support program, which is contained in this proposal. Currently, the price support program acts as a government-funded buyer of last resort for a limited list of commodities, including cheddar cheese, butter and nonfat dry milk powder. Unfortunately, this program also acts as a disincentive to exports. Once this program is eliminated, markets during periods of surplus will clear more quickly. Product manufacturers will no longer have the incentive to make dairy foods intended only for the government, and every incentive to sell those products on the world market. The price support program has hindered our ability to fully develop and capitalize on foreign markets, as was the case in 2009, when U.S. dairy exports dropped and government price support purchases surged. Foundation for the Future (FTF) changes this for the better.

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- U.S. farm-level prices could become distorted and out of alignment with world prices.

FACT: While the triggers contained in the Dairy Market Stabilization Program (DMSP) are tied to margins, not price, the FFTF program was designed to account for the possibility that periodic discrepancies could occur where the U.S. farm-level milk price is above the world price, creating an imbalance that could incentivize more imports, and/or hinder exports.

That's why this proposal contains an explicit clause that prevents the DMSP from kicking in if U.S. prices are 20% or more above world prices for cheddar cheese and skim milk powder. This clause will ensure that any market stabilizing slowdowns in milk production don't unintentionally distort the relationship between U.S. and world prices.

- The program contains new taxes on farmers.

FACT: Any revenue collected from the DMSP will help ensure two things: one, that commercial products are purchased and used for feeding programs that benefit needy consumers; and second, that the costs of this overall package are mitigated through the DMSP revenue collection. The money collected is not a tax on consumers; it's a user fee paid by farmers which will, only as needed, be used to help stimulate demand, and help defray the overall costs of the Foundation for the Future program. Similar fees are already collected from farmers to pay for the operation of the Federal Milk Marketing Order system.

Dairy farmers understand the importance of this approach in order to keep government expenses down in a period when reducing federal spending is a key priority in Congress. In fact, the Congressional Budget Office calculates that the savings of this program will amount to \$166 million over five years, a 25% reduction from the current federal dairy program budget.

- The proposed Federal Milk Marketing Order reforms are insufficient.

FACT: This proposal establishes only two prices for milk: a Class I price for bottled milk, and a manufacturing price for all other forms of dairy products. There is no longer a minimum price for four separate classes of milk, as there is today under the current system. Under the new program, the manufacturing class of milk will be determined by a competitive pay price, and not tied directly to Chicago Mercantile Exchange prices for commodities such as cheese, whey, butter and nonfat milk powder. This evolution is the most significant change in milk pricing in a generation, and will eliminate controversial elements such as end-product pricing and make allowances."

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 40,000 dairy producers on Capitol Hill and with government agencies. Visit www.nmpf.org for more information.