



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

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

URGENT!
Please Act Now
U.S. Dairy Export Incentive Program (DEIP)

The U.S. dairy industry is strongly urging the US Trade Representative, Department of Treasury, Office of Management and Budget (OMB) and State Department to move swiftly to act in concert with USDA to exercise its authority to use the Dairy Export Incentive Program (DEIP) in order to help address the deteriorating situation facing dairy producers nation-wide. The 2008 Farm Bill directed USDA to use DEIP to the maximum extent permitted by the WTO. (DEIP is fully WTO-legal.) The time has never been more right to use the DEIP.

Congress passed DEIP to help build export markets for U.S. dairy products. U.S. producers expanded their herds to supply the growing export market. That market has evaporated for the time being. According to USDA, 2009 February dairy exports were 57% below those for the same month last year. U.S. dairy producers are now facing their 5th month of farm milk prices that are roughly half of what they were a year ago, yet input costs remain historically high.

Background:

DEIP is a much-needed tool at this critical time for the U.S. dairy industry. The 2008 farm bill calls for the use of only one direct export subsidy program for agriculture products – DEIP. The purpose is to counter the adverse effects of foreign dairy product subsidies.

For the past few years, export markets have been robust, and we have been exporting significant quantities of U.S. dairy export products commercially. Between 2004 and the fall of 2008, CCC purchases of nonfat dry milk had been small and there were no exports under DEIP. However, in late 2008, world market prices collapsed below U.S. support levels for all products, and the CCC has already resumed purchasing substantial volumes of nonfat dry milk. Given the current domestic and world dairy outlook, these purchases are forecasted to continue throughout 2009 and into the following year.

- Meaningful use of DEIP would help in limiting the total Dairy Product Price Support Program (DPPSP) outlays that may be required to see the industry fully through this crisis.
- DEIP could help to sustain important export markets relationships with a view towards supporting the long-term importance of the export market as an essential aspect of the full sales market for U.S. dairy products.
- DEIP is a short-term support to reduce the current over-supply and fight European subsidies.

Program Details:

- DEIP provides bonuses for limited quantities of cheese, nonfat dry milk (NFDM), and butterfat to assist in their export. This program serves as an essential leg of support to the U.S. dairy industry by countering massive export subsidies from Europe. In light of the EU's renewing of its dairy export subsidies program earlier this year, USDA must act quickly to do the same.
- Under World Trade Organization (WTO) rules, we are only permitted to use DEIP for 3,030 metric tons (MT) of cheese; 68,201 MT of non-fat dry milk; 21,097 MT of butterfat; and 34 MT of other dairy products each year. (The DEIP program year runs on a July to June calendar, so we are in the critical last days for the 2008-2009 DEIP year.)
- Although extremely meaningful to the U.S. dairy industry, the amounts authorized for U.S. usage are very small quantities compared to the much larger amounts used by European dairy exporters. The EU is allowed to export 321,300 MT of cheese; 272,500 MT of skim milk powder (essentially equivalent to non-fat dry milk); 399,300 MT of butterfat; and 958,100 MT of other dairy products such as whole milk powder.
- These amounts the EU is permitted to use are 100 times higher than US allowed levels in the case of cheese, 4 times higher in the case of NFDM/SMP, 19 times higher in the case of butter and an incredible 28,179 times higher in the case of other dairy products (e.g. whole milk powder)!

Please join us in urging USTR, Treasury, OMB, State and USDA to adhere to Congressional intent in the 2008 Farm Bill by moving immediately to fully and effectively use DEIP!

If you have additional questions please contact Dana Brooks, dbrooks@nmpf.org, 202-258-7029 (cell) or Jaime Castaneda, jcastaneda@nmpf.org, 703-294-4359.