



# News Release

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*“Connecting Cows, Cooperatives, Capitol Hill, and Consumers”*

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## **Dairy Analysis Disputes Anecdotal Claims about Dairy Title of Farm Bill** Expert Review of Dairy Security Act Finds Little Impact on Consumers, Exporters

ARLINGTON, VA – As efforts move forward this year in both the House and Senate to complete work on the 2012 Farm Bill, the economic analysis performed of the major dairy policy option in play helps demonstrate the effectiveness of that program, according to the National Milk Producers Federation (NMPF).

That analysis was developed by Dr. Scott Brown of the University of Missouri, who was asked last month by the House Agriculture Committee to thoroughly review a modified version of the Dairy Security Act. Brown presented his analysis to the House Agriculture’s Livestock, Dairy and Poultry Subcommittee at a hearing on April 26<sup>th</sup>, the same day that the Senate Agriculture Committee approved a farm bill containing essentially the same program in its dairy title.

Now that the Senate is expected to act on that bill in the coming weeks – and with the House Agriculture Committee also expected to begin marking up its own version of the farm bill – lawmakers “should be certain to take a look at the findings of Dr. Brown’s analysis and understand the merits of what the dairy producer community is advocating,” said Jerry Kozak, President and CEO of NMPF. “The bottom line is that the ideas on the table on Capitol Hill are ones that will work on the farm once they’re part of this new farm bill.”

[Brown’s report](#) shows that the revised safety net under consideration will help protect farmers economically from the effects of catastrophically-low margins, reverse those low margin conditions more quickly, and not adversely impact consumer prices or exports of U.S. dairy products. The modified Dairy Security Act contains two key provisions: a margin protection program that farmers can opt to use to insure against low margins; and market stabilization programs that uses milk payments to more quickly and effectively send market signals to farmers when conditions are poor.

According to Dr. Brown’s analysis of the period 2012 through 2022, the average growth in milk production would be just one-tenth of one percent (0.1%) less what would occur if the stabilization program were not part of the dairy title. The analysis says the stabilization program would be in effect only 7.5 percent of the time studied: 10 months, out of the 11 years covered in the analysis.

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Because of this, U.S. output of dairy products is two-tenths of one percent (0.2%) less throughout the analysis period, which should not significantly affect exports. The analysis shows that the worst-case scenario is a potential reduction in Nonfat Dry Milk exports of just three tenths of one percent (0.3%).

“This analysis clearly shows that U.S. milk output and dairy sales will hardly undergo the devastating impact that processors are claiming the program would generate,” Kozak said. He also noted that farm-level milk prices would average just four-tenths of a cent per gallon higher during the period analyzed, and that as a result, retail cheese prices are little changed on average.

Kozak said that “the opposition to the market stabilization provision of the Senate farm bill dairy title has been merely based on anecdotes, not on economic reality. The bogeyman of dried-up sales, either domestically or from exports, disappears when exposed to the light of reality.”

The analysis concludes that the dairy title will:

- Reduce dairy farmer margin volatility
- Have only small effects on the milk supply
- Increase dairy farmer margins when needed the most
- Have minimal impact on exports of dairy products
- Result in insignificant increases in consumer prices for milk and dairy products
- Not result in long periods of operation of the market management program.

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](http://www.nmpf.org) for more information.