



News Release

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New White Paper Demonstrates Advantages of Dairy Security Act Over Alternative Approach Offering Only Margin Insurance

ARLINGTON, VA – A [new analysis released today](#) by a group of university economists demonstrates that the Dairy Security Act (DSA) – the farm bill proposal advocated by the National Milk Producers Federation (NMPF) – provides the most effective economic safety net for farmers. The DSA provides catastrophic risk insurance, helps enhance farmer revenue, and does so in a way that minimizes government outlays.

That assessment was generated by the Midwest Program on Dairy Markets and Policy, a team of six economists who specialize in farm bill analysis. It includes doctoral student John Newton and Dr. Cameron Thraen of Ohio State University; Dr. Marin Bozic of the University of Minnesota; Drs. Mark Stephenson and Brian Gould of the University of Wisconsin; and Dr. Christopher Wolf of Michigan State University.

"This new report provides independent corroboration of why the DSA is the best choice for saving dairy farmers while protecting taxpayers. Congress needs to heed this report and pass the Dairy Security Act in 2013 as part of the farm bill," said NMPF President and CEO Jerry Kozak.

In particular, the report "debunks any concerns that the DSA's market stabilization element will hinder the growth of our industry or detrimentally affect the future of the dairy business. This says those fears are unfounded," Kozak said. "In fact, we need the DSA in order to give our farmers a future."

The paper compares the dairy farmer-backed DSA, a voluntary program featuring margin insurance paired with a Dairy Market Stabilization Program, with an alternative approach that offers a smaller-scale, limited margin insurance program alone. The paper addresses four critical questions comparing the DSA to the margin insurance-only proposal offered last year by Reps. Bob Goodlatte and David Scott (G-S), members of the House Agriculture Committee. The paper estimates how the programs would operate in 2013.

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The issues addressed in the report include the extent to which the DSA and G-S offer effective catastrophic risk insurance; whether they reduce government costs; and whether they present a long-term obstacle to the growth of farms wishing to expand.

After running a variety of milk price, feed cost, and participation scenarios, the academic report offered several conclusions:

- The Dairy Security Act does provide effective risk insurance, removing 66.6% of the catastrophic risk a typical farm would face in the future. It noted that the Goodlatte-Scott measure would force farms with growth plans to rely more on private markets, rather than the farm bill, to effectively protect against catastrophic risks, because the G-S does not provide a means to insure future milk production;
- The DSA's market stabilization plan helps reduce the frequency and severity of insurance indemnity payments, **generating higher milk prices for farmers and reducing the taxpayer burden**. The report notes that the main limitation on government financial liability in the G-S measure is achieved by limiting farmers' ability to insure their production to 80% of a farm's production history.
- The DSA's market stabilization plan does not present a long-term obstacle to farm growth, even for those operations with a very aggressive farm growth plan.

The Dairy Security Act was approved by both the House and Senate Agriculture Committees during consideration of last year's farm bill. The full Senate also approved the bill, but the House failed to vote on the farm bill last year, so Congress is now beginning efforts to pass a farm bill this year.

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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.