



Fact Sheet: Proposed Dairy Policy Reforms

House Agriculture Committee Ranking Member Collin C. Peterson, D-Minn., has put forward discussion draft language that would make significant reforms to current dairy policy.

Background: The 2009 dairy crisis showed us that the current dairy safety net is inadequate and in need of reform. The dairy industry has come together and proposed a package of necessary reforms, which save taxpayer dollars and ensure that we continue to have a safe and abundant supply of fresh milk. This package offers protection, creates stability and inspires growth through a multi-faceted approach.

Current Dairy Programs: The Dairy Price Support Program (DPPSP) allows the government to purchase dairy products and store them for future sale or use, and the Milk Income Loss Contract Program (MILC) compensates dairy producers when domestic milk prices fall below a specified level. Both programs are outdated and fail to provide the strong safety net producers need.

Proposed Reforms

The proposed reforms would offer protection, create stability and inspire growth in the dairy sector. These reforms would provide a safety net based on margin protection, rather than price, addressing the challenges facing today's dairy industry, such as increasing input costs.

The Margin Protection Program is margin insurance that provides a floor for producer margins by looking at the difference between the all-milk price and the average feed cost. It provides a government funded catastrophic loss safety net for all producers and establishes a supplemental program to purchase additional coverage.

The Dairy Market Stabilization Program will prevent extreme margin volatility. DMSP alerts producers when additional milk production may have significant consequences on their overall margins. This program also takes into account export markets, allowing the industry to continue meeting increased worldwide demand. The program is designed to act swiftly and infrequently to address brief market imbalances.

The Federal Milk Marketing Order is simplified and revised, reducing the number of classes from four to two – Class I is bottled or fluid milk and Class II is processing or manufacturing farm milk into something else.

Complicated milk pricing formulas are also eliminated, moving to a more market-oriented competitive pricing structure by replacing end product pricing formulas and mandated minimum prices with a competitive milk pricing system.

Summary

If enacted, this proposal will provide a more effective yet lower cost safety net for dairy producers, a simplified milk marketing system for processors and ensure an abundant and safe food supply for consumers.