



HOUSE COMMITTEE ON AGRICULTURE



Ranking Member Collin Peterson

Fact Sheet: The Dairy Security Act of 2011

House Agriculture Committee Ranking Member Collin C. Peterson, D-Minn., and Rep. Mike Simpson, R-Idaho, have introduced The Dairy Security Act of 2011, making significant reforms to current dairy policy.

Creating a Stronger Safety Net

Nearly three years ago the dairy industry was devastated by the combination of declining milk prices and escalating input costs. The dairy safety net did not work in 2009 and it won't work if similar events occur now.

The Dairy Security Act of 2011 replaces outdated programs with new risk management tools addressing the realities of today's dairy industry, such as rising input costs and a growing export market. The legislation provides a more effective, yet lower cost, safety net for dairy producers; a simplified milk marketing system for processors; and an abundant and safe food supply for consumers.

Dairy Producer Margin Protection and Dairy Market Stabilization Programs

Dairy producers will have the option to sign up for the basic margin program, helping them to better manage risk by addressing the gap between milk prices and feed costs. Producers that sign up for the margin program would then automatically be enrolled in the stabilization program which will alert producers when additional production may affect their overall margins.

The Dairy Producer Margin Protection Program will provide producers with options to best protect their margins, offering security they have not had in the past. The basic margin program would provide a floor for producer margins by providing a government funded catastrophic loss safety net for all producers. Producers may also elect to purchase additional coverage under a supplemental margin protection program.

The Dairy Market Stabilization Program will help prevent extreme margin volatility. The program alerts producers when additional milk production may have significant consequences on their overall margins. This program also takes into account the importance of 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 pricing system will be simplified through a formal hearing process conducted by USDA.

The Secretary of Agriculture is directed to hold hearings on eliminating the complicated end-product pricing formula to determine milk prices for milk used in the manufacturing of cheese as well as effective balancing programs for milk markets.