

Closer to What We All Want and Need
US Dairy Policy Update and Opinion by Dave Forgey,
IPDP Board Member, DPAC Board Member, Logansport Dairy Farmer

Wednesday, July 11th, there was a bipartisan amendment presented at the markup of the Farm Bill to the House Ag Committee. It was prepared by Congressman Goodlatte (R-VA) and Congressman David Scott (D-GA). The Goodlatte/Scott amendment would include a two-tier margin insurance program and would have eliminated the supply management program. Look closely at the comparison presented in part by Scott Brown from the University of Missouri and Mark Stephenson of the University of Wisconsin. It shows the current Senate Farm Bill, the House version (could change) and the Goodlatte/ Scott amendment as it was proposed.

All three programs eliminate the Dairy Product Price Support Program (DPPSP), the Milk Income Loss Contract (MILC) and the Dairy Export Incentive Program (DEIP).

Both the Senate and the current proposed House version include supply management, producer revenue deductions and new producer fees to the government based on annual production.

The Goodlatte/Scott amendment does not include any of these constraints. All three programs are two tiered meaning if you annually produce less than 4 million pounds of milk the premium is at one price and for larger producers their production over 4 million pounds has a slightly increased cost. Margin insurance premiums are very similar. All three programs have a CBO critical score to satisfy budget constraints. The Senate title is expected to save \$59 million over 10 years. The proposed House version will save \$38 million over 10 years and the Goodlatte/ Scott amendment would have been in the middle and saved \$47 million over 10 years.

Unfortunately the House Ag committee voted 29 to 17 to reject the Goodlatte/ Scott amendment within hours after receiving it. I believe this is because they had spend so much time assuming producers needed supply management they didn't want to reconsider the issue.

We must realize that any US supply management program, when enacted, will allow all other world dairy producers to set their price just under our US price and clear their markets while our market clearing is slowed or stopped. This has been the problem with the DPPSP in the past. Our cooperative always had this program to protect the backsides as they balanced our supply of dairy products. They feel the need for continued supply management rather than producing what the world demands and then getting out there and marketing it.

The US returned to and is increasing in sales in the world markets during the improved prices of 2010 and 2011 even though US processors are not yet making enough of the products in great demand in the world markets. We need to make more Whole Milk Powder (WMP), Skim Milk Powder (SMP) and several levels of Milk Protein Concentrates (MPC's). We currently make excessive amounts of Non-Fat Dry Milk Powder (NFDM) which requires both US and world food processors to test each batch because it doesn't have exact standards to fit their food labeling requirements. WMP, SMP and MPC's have those standards.

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The House will need to allow floor debate on the Farm Bill to be able to reintroduce the Goodlatte/Scott amendment. I encourage you to contact your Indiana District House Representative and ask them to floor debate the Farm Bill and include the Goodlatte/Scott amendment. I have included emails for the Ag liaisons for each of the Indiana districts. Please send a message to your congressman and ask for floor debate on the Farm Bill and reintroduction of the Goodlatte/ Scott amendment.

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