



NAVIGATING

— A NEW COURSE —



NMPF Town Hall Meeting

Tuesday, November 15, 2011



**NATIONAL MILK
PRODUCERS FEDERATION**

HR 3062

Dairy Security Act of 2011

&

Foundation for the Future



Several key improvements

- Basic Margin Protection coverage expanded to 80%
- Supplemental option will cover growth in milk production history
- Market Stabilization is not mandatory; producers have a clear choice as to whether to subject themselves to production reduction requirements
- All monies collected go to purchase products
- Federal Order changes to focus on Class III reform, ending make allowances

What happened to the dinosaurs?



Dairy Producer Margin Protection Program



FFTF	HR 3062 DSA
Basic plan covers 75% of production history on margin below \$4.00	Basic plan covers 80% of production history on \$0.00 up to \$4.00 margin
Supplemental plan covers up to 90% of production history <ul style="list-style-type: none">• Premium rate per cwt. fixed	Supplemental plan covers up to 90% of production history with growth coverage option <ul style="list-style-type: none">• Premium rate per cwt. fixed

Dairy Producer Margin Protection Program

FFTF	HR 3062 DSA
<p>No production growth is covered in either Basic or Supplemental Plans</p>	<p>Growth coverage is optional under Supplemental Plan</p> <ul style="list-style-type: none"> • Percent of production history covered; coverage per cwt. and premium rate per cwt. are fixed • Production history would change as the producer's production grows under the Supplemental Plan
<p>No administrative fee</p>	<p>Annual administrative fee required:</p> <ul style="list-style-type: none"> • Less than 10 million pounds = \$100 • 10 to 40 million pounds = \$400 • Over 40 million pounds = \$1,000

Dairy Market Stabilization Program



FFTF	HR 3062 DSA
<ul style="list-style-type: none"> • Mandatory, covers all dairy producers • Requires that 50% of monies collected go to the Treasury 	<ul style="list-style-type: none"> • Only applies to producers choosing to be protected by DPMPP • All monies collected go to purchase dairy products
<p>When DMSP is in effect, all producers are paid on less than 100% of production base or current milk marketings (whichever number is higher)</p> <p>Program margin triggers: \$6.00, \$5.00, \$4.00</p> <ul style="list-style-type: none"> • 98% of base or 94% of current • 97% of base or 93% of current • 96% of base or 92% of current 	<p>Only applies to producers choosing margin protection under the Dairy Producer Margin Protection Plan</p> <p>No change</p>

Dairy Market Stabilization Program



FFTF	HR 3062 DSA
<p>Base = 3 month rolling average or same month in previous year, producer chooses annually</p>	<p>No change</p>
<p>If either U.S. NASS cheddar cheese price or NFDM price is 20% or more above World (Oceania) price for 2 consecutive months, DMSP program is suspended unless the margin is below \$4.00</p>	<p>When the margin is:</p> <ol style="list-style-type: none">1. \$6.00 or less and NASS cheddar or NFDM price is equal to or higher than the FOB Oceania price for 2 consecutive months, DMSP is suspended; or2. \$5.00 or less and NASS cheddar or NFDM price is 10% higher than the FOB Oceania price for 2 consecutive months, DMSP is suspended; or3. \$4.00 or less and NASS cheddar or NFDM price is 20% higher than the FOB Oceania price for 2 consecutive months, DMSP is suspended

Federal Order Reform



FFTF

- Specifies language that replaces or adds to existing federal order language, reducing 4 classes to 2:
 - Class I = fluid
 - Class II = all manufactured products
- Specifies a competitive pricing methodology and how specific proceeds are pooled and distributed

HR 3062 DSA

- Replace the use of end-product price formulas, including make allowances, with a competitive price for determining Class III milk prices, all pricing provisions of current system remain unchanged
- Only allows the hearing to consider this amendment through an expedited process including the same provision on a producer vote
- Maintains requirement to hold balancing hearing in an order if petitioned

There is no status quo...

- The Dairy Product Price Support Program is gone
 - The milk price level it would generate provides no equity protection for dairy producers
 - Ag budget cuts would drive the levels even lower
- MILC would be cut (September 2012)
 - The volume of milk covered drops by 20% to 2.4 million pounds of annual production
 - The price difference paid falls from 45% to 34%
 - Ag budget cuts will reduce this coverage further

The choice is clear...

- Producers must support HR 3062 – Dairy Security Act of 2011, it provides:
 - A much improved financial safety net to protect equity
 - A program to address market imbalances if a producer chooses the protection the safety net provides
 - A pricing system for the largest use of milk in manufacturing that moves away from end-product price formulas that put all the risk on producers

Now, it's up to farmers...

- Dairy farmers need to call, write, email or fax their member of Congress
 - Find congressman at www.nmpf.org
 - Click on Dairy Great and enter your zip code
 - Urge them to co-sponsor HR 3062 – the Dairy Security Act of 2011





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