

## **1. NMPF Board of Directors Overwhelmingly Adopts Multi-Faceted Proposal To**

### **Make Major Changes in U.S. Dairy Policy (NMPF News Release)**

The National Milk Producers Federation's Board of Directors overwhelmingly agreed today move forward with a variety of changes in federal dairy policies that will better protect dairy producers, and position them more favorably in an increasingly volatile global marketplace.

The NMPF Board voted Wednesday to support the package of concepts contained in the Federation's approach to reforming dairy policy entitled "Foundation for the Future." NMPF President and CEO Jerry Kozak said that package will be used as the basis for the future direction of the dairy provisions in the next Farm Bill, or in some other form of federal legislation that Congress may consider in the future.

"If there is anything good that has come out of the past 18 months of economic struggle, it's the shared feeling among NMPF's members that we can use this experience as the catalyst to make needed changes in dairy policy," said Randy Mooney, NMPF Chairman and dairy farmer from Rogersville, MO. "'Foundation for the Future' is a carefully and meticulously prepared set of programs that not only will help our industry prevent a repeat of what happened in 2009, but also provide for a most prosperous future for dairy producers and their cooperatives."

The features of NMPF's plan include: transitioning the existing safety nets of the Dairy Product Price Support and Milk Income Loss Contract programs into a new Dairy Producer Margin Protection Program to guard against periods of severe financial pressures; establishing a Dairy Market Stabilization Program to help address periodic imbalances in milk production and demand; and reforming the Federal Milk Marketing Order program.

Kozak said that the Foundation for the Future is the result of 12 months of detailed deliberations concerning the most appropriate course to follow in reforming federal dairy policies, some of which have been in place for many decades.

"It's clear we need a new safety net that focuses on margins, not just milk prices," said Kozak. "It's also clear we need a system that sends timely, unmistakable signals to farmers that less milk is needed during periods of relative imbalance. The Foundation for the Future addresses

both of those key issues, and it does so in a fiscally responsible, politically-realistic fashion."

The Federation's proposal to revamp the federal safety net involves creating an insurance program tied to the margin between the national average cost of feed, and the national

average all-milk price. After farmers choose to enroll in the base level of the Dairy Producer

Margin Protection Program at no cost to them, they would receive indemnity payments during periods when their margins are severely compressed, as they were for most of 2009. In

addition, farmers would have the option of purchasing supplemental coverage to protect a higher margin level between feed costs and milk prices.

Another key element of the Foundation for the Future will be a Dairy Market Stabilization Program that sends a signal to producers that an imbalance in the marketplace could result in

lower farm-level margins. Like the Dairy Producer Margin Protection Program, the Stabilization

Program is tied to farmers' margins that could be reduced either by low milk prices and/or high feed costs.

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The Stabilization Program was shaped by some key principles: that it allows for the growth of U.S. production, doesn't encourage imports or hinder exports, and keeps government intervention at a minimum.

Lastly, the Foundation for the Future also calls for changes in the Federal Milk Marketing Order program to create a competitive milk price, maintain Class I differentials, and eliminate unpopular aspects of the current system, such as make allowances. The changes in the Federal Order system are intended to be revenue neutral so that farmers' milk checks are not adversely impacted.

Kozak said that NMPF will now begin a comprehensive education effort to inform the entire dairy producer community, as well as policymakers, about the merits of Foundation for the Future. 6-09-10