

Proposed Amendment to Ag Bill Sparks Industry Debate

WASHINGTON — Congress returned from its August recess this week to a slew of unresolved items on its agenda including a controversial amendment to the fiscal year 2010 agriculture appropriations bill. The bill currently is in conference committee.

The Senate-passed amendment, offered by Sen. Bernie Sanders, I-Vt., appropriates \$350 million to USDA with the intent of assisting dairy producers.

According to Sanders, the extra \$350 million would provide farmers on average an estimated \$1.50 extra per hundredweight.

USDA in late July announced that through October, the support price for Cheddar blocks would increase from \$1.13 per pound to \$1.31 per pound; Cheddar barrels from \$1.10 to \$1.28 per pound; and nonfat dry milk (NDM) from \$.0.80 to \$0.92 per pound. Cash cheese prices on the Chicago Mercantile Exchange have hovered near government support levels over the past several weeks.

According to Sanders, an increase in the Farm Service Agency budget to more than \$1.6 billion would allow USDA to raise the support price for Cheddar blocks from \$1.31 to \$1.40; barrels from \$1.28 to \$1.37; and NDM from \$.92 to \$.97.

National Farmers Union (NFU) President Roger Johnson in a letter this week urged appropriators to maintain Sanders' amendment throughout conference negotiations.

"While there is no single option to solve the dairy crisis, the Sanders amendment is a lifeline," Johnson says. "Since dairy prices peaked last year, the market has precipitously collapsed to historic low levels and is now well below the cost of production. Many producers continue to lose \$100-\$200 per dairy cow per month."

The National Milk Producers Federation (NMPF) says it has looked at the economics of several different spending approaches. In a letter sent this week to Senate and House appropriators, NMPF says the \$350 amendment would be most effective if used to purchase consumer cheese products, such as American and Mozzarella. According to an analysis done by NMPF, appropriating that money to USDA for purchasing products commercially would enhance dairy farmer income by \$1.3 billion over a period of several months.

"It is dramatically clear from our results that the purchase of cheese for use in domestic feeding programs would provide the biggest benefit to the producer milk price at this time," says Jerry Kozak, president and CEO, NMPF.

As the House version of the agriculture appropriations bill did not include Sanders' amendment, the House and Senate will be in conference over the next week or so working on a compromise for the differences between the bills, with a final bill expected to pass before the end of September, NMPF says.

Some in the dairy sector, such as the International Dairy Foods Association (IDFA), have concerns about Sanders' proposed amendment.

IDFA says while it does not oppose the addition of more funds to the appropriations bill for the purpose of assisting struggling dairy farmers, it does not support using those funds to increase price support levels beyond those announced in late July.

Instead, IDFA urges Congress to use the funds for temporary assistance that would minimize market

impacts, such as direct payments to producers.

In a recent letter to Rep. David Obey, D-Wis., chair of the House Agriculture Appropriations Committee, IDFA says if House and Senate conferees accept Sanders' approach for assisting dairy farmers, federal feeding and nutrition programs will serve fewer participants and consumers across the country will pay higher prices for milk.

"We are opposed to the use of these funds to increase dairy price levels because of the many negative impacts this would have on dairy markets," IDFA writes. "There are other ways to provide assistance that are considerably less problematic for the dairy industry. For example, payments this calendar year under the Milk Income Loss Contract (MILC) program are expected to exceed \$1 billion and have not significantly distorted dairy markets."

Other suggestions abound.

The Wisconsin Farm Bureau Federation (WFBF) recently adopted a set of policies in hopes of improving the short- and long-term market prices that dairy farmers face.

WFBF's board of directors recently approved the recommendations of its 20-member Dairy Committee — made up of dairy farmers from across Wisconsin — whose short-term solutions include moving excess dairy products onto the world market instead of government warehouses, and making lines of credit available to cash-strapped dairy farmers.

"The Farm Bureau would like to see the maximum amount of funds allowed by the World Trade Organization to go into the federal Dairy Export Incentive Program (DEIP)," says Bill Bruins, president, WFBF. "These funds allow our processors to move dairy products onto world markets. A healthy export market for dairy is what gave us \$20 milk last year."

WFBF has endorsed a number of policy options to help debt-stressed farmers, including expanding USDA's Economic Emergency Loan Program to include economic disasters in addition to natural disasters, and doubling the funding for guaranteed loans in the 2010 budget and waiving the fees associated with obtaining guaranteed loans.

WFBF says it also would like to see a special guaranteed loan program created to help farmers make their payments, similar to the Small Business Administration's "America's Recovery Capital" loan program.

In addition, dairy products recently purchased by the U.S. government should be made available to food pantries and given away free to the hungry, WFBF says.