

2013 Special Order of Business The Dairy Crisis

Federal dairy policy has failed dairy farmers across the country, resulting in a decrease of 81 percent of the dairy farms since 1980. The crisis today caused by chronically low dairy producer prices and record high production costs, particularly feed costs, has caused multigenerational family dairy farms to go out of business at a record pace. It is not possible to produce milk with 2013 costs and sell that milk at 1970 prices, and yet today the price paid to dairy farmers has remained virtually unchanged for the past 43 years except for occasional, usually very short-term, price spikes.

While the cost of doing business in this country has certainly risen and the value of a dollar has declined in purchasing power, today's dairy farmer gets the same return per hundredweight of milk in unadjusted U.S. dollars that he or she got nearly a half-century ago.

The debate over the "dairy cliff" alerted all to the fact that a parity-level milk price would result in more than doubling the price to dairy farmers. The "dairy cliff" demonstrated that dairy producers are substantially underpaid under the current system. Currently, those dairy farmers who are managing to hang on are doing so by heavily subsidizing their family farms operations with off-farm work, borrowing from family and friends and mortgaging their children's futures.

Critics cite the incredible complexity of the dairy pricing system, with its adjustments and readjustments, as setting impossible impediments to making changes in the current sorry state of affairs. We believe that these seemingly impossible complexities merely serve to hide the simple truth that the current dairy pricing system is not keeping current with the realities of the marketplace. This is particularly true if one considers that domestic production levels have historically tracked closely with consumer demand. What has happened bears no relation to supply and demand and does not reflect the true value of milk in the market today. We sincerely and earnestly do petition Congress to pass a farm bill or additional legislation that will:

- Establish a dairy price discovery system that is open and transparent, representing a balance of buyers and sellers;
- Establish a producer self-funded inventory management system, which provides incentives to producers that manage production, paid for by producers who exceeded market demand;
- Improve the Dairy Product Price Support Program to provide an effective safety net at a level equal to feed costs plus \$4.00 with a mechanism to enable producer cost-share, if necessary. Consolidation in the dairy processing sector necessitates an effective product price support to foster competition;
- Include all major milk producing areas in the Federal Milk Marketing Order system to end discounting of milk in certain regions that decreases prices paid to all dairy producers; and
- Close the trade loophole that allows unlimited imports of milk protein concentrate, casein and other concentrated dairy imports.