



**National Farmers Union
Special Orders of Business 2011**

DAIRY POLICY: AN OPPORTUNITY FOR IMPROVEMENT

WHEREAS, American dairy farmers remain in crisis, having endured low milk prices and high input costs for several years, and those who have survived have been left extremely vulnerable despite recent modest price increases which have not been sufficient to help dairy farmers fully recover; and

WHEREAS, effective dairy policies with a proven record of success are needed now more than ever, including the Milk Income Loss Contract (MILC) program, which is a critical safety net mechanism for all dairy farmers and the Dairy Product Price Support Program (DPPSP), which has the potential to provide a degree of support for dairy producers; and

WHEREAS, budgetary constraints will be of ever greater concern for policymakers, resulting in a challenging legislative environment in which it will be difficult to create new programs and will be easier to defend and strengthen existing programs; and

WHEREAS, the General Accounting Office (GAO) concluded that the Chicago Mercantile Exchange (CME), the market that wields the most influence in setting dairy prices, is a thinly-traded market dominated by a handful of players, is not a fair or transparent price discovery system, and is vulnerable to market manipulation; and

WHEREAS, the overall U.S. free trade agenda allows importation of food products from countries not required to meet the same high standards as U.S. producers, including imports of milk protein concentrate (MPC) and casein, of which 60 percent is used for food production despite not being an approved ingredient in standardized cheese by the Food and Drug Administration; and

WHEREAS, NFU has a long history of advocating for a comprehensive dairy policy that provides producer profitability, income stabilization, and effective tariffs on imports, competitive markets and inventory management;

THEREFORE BE IT RESOLVED that Congress and the administration must take swift action to sustain family dairy farmers during this prolonged period of crisis; and

BE IT FURTHER RESOLVED the availability of low-interest and emergency loans must be increased, including foreclosure mitigation program to stem the tide of loan foreclosures as a result of the lingering dairy crisis; and

BE IT FURTHER RESOLVED that NFU continues to support a strong supply management program and urges consideration of including a "Class V milk" to be used as a classification for milk produced in excess of levels set by the supply management system to be sold at the world price; and

BE IT FURTHER RESOLVED that a proposed, untested insurance program should not be used as a replacement for a fully-funded MILC and enhanced DPPSP, both of which are mandatory programs; and

BE IT FURTHER RESOLVED the current definition of milk in the regulation of standardized dairy products be upheld and enforced, the trade loophole that allows unlimited importation of MPC and casein be closed, and the creation of a 100% USA label for dairy products; and

BE IT FURTHER RESOLVED NFU opposes the increased use of dairy forward contracting, which is based on class III milk prices or the lowest common denominator of milk quality, allows processors to shift all economic risk onto producers, encourages vertical integration of America's dairy production and dismantles the Federal Milk Market Order (FMMO) system; and

BE IT FURTHER RESOLVED the FMMO pricing equation should include consumer price indexing for dairy products; and

BE IT FURTHER RESOLVED that oversight and reporting of the dairy product pricing system and imports of MPC and casein are needed immediately to ensure transparency, fairness and competitive markets.