



News Release

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"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"

FOR IMMEDIATE RELEASE
Monday, September 21, 2009

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NMPF Strategic Planning Task Force Moves Forward on Proposals to Make Major Changes in U.S. Milk-Pricing System

ARLINGTON, VA – The National Milk Producers Federation's Strategic Planning Task Force agreed last Friday to pursue a four-part approach to implementing sweeping changes as to how federal dairy policies protect producers and how farm-level milk prices are established.

Recognizing the need to promote programs that will help reduce price volatility and protect producer income, the Task Force agreed last week at a meeting in Chicago to take action on the further development of a multi-pronged approach that, if fully implemented, would assist in maintaining the on-going viability of the nation's dairy farms and revise some of the more perplexing and less popular aspects of the national milk pricing system.

The four features of NMPF's plan include: revamping the safety nets of the Dairy Product Price Support and Milk Income Loss Contract programs; creating a new dairy producer income insurance program; addressing the need to improve participation in the producer self-help program, Cooperatives Working Together, while allowing it to better address periodic imbalances in the milk supply; and reforming the Federal Milk Marketing Order program.

"These four tracks are the foundation for a new future direction for milk pricing in the U.S.," said Jerry Kozak, President and CEO of NMPF. "With the concurrence of the Task Force, we will immediately begin hammering out the specific details of each element of this new and comprehensive program. We will move quickly, but responsibly, to fashion a dairy safety net and milk pricing system that work in tandem, leveraging the outcome of one program to the benefit of another, whenever possible. For example, we believe a producer income insurance program can be structured to achieve a measure of production control now advocated by a segment of our industry."

"We shouldn't underestimate how big a challenge these changes represent, but we also shouldn't underestimate the shared desire to dramatically alter the current system. Both the Task Force members and our staff recognize that the status quo is not as attractive as the potential to make far-reaching, positive changes down the road," Kozak said.

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The Strategic Planning Task Force has been meeting to analyze what long-term steps are in the best interests of the U.S. dairy producer sector. As a result of Friday's meeting, the Task Force instructed NMPF staff to immediately begin fleshing out the operational aspects of the four elements.

In particular, the Task Force is pursuing how an income insurance program would be designed in such a way as to provide a better safety net to protect the net profit margins of farmers, which the current price support program and the MILC don't always do during times of high production costs. In addition, the Task Force is exploring not only improving price discovery mechanisms and how changing the Federal Milk Marketing Order program would improve the pricing signals sent to farmers, but also the elimination of unpopular aspects of the current system, such as make allowances. Rounding out its assignment from the NMPF Board of Directors, the Task Force is also seeking new ways to address the free-rider issue associated with participation in the CWT program and how the program itself can become even more effective in the future.

As this long-term approach progresses, NMPF continues to focus on short-term steps to help farmers, including urging the Congress to appropriate \$350 million in dairy aid to farmers in the fall. House and Senate appropriators are expected to decide in the coming days on the extent of the aid package, and how it will be used. NMPF has recommended that Congress allocate the money for purchases of cheese products that would then be donated to food banks and similar charitable organizations that serve needy populations.

In other recent action taken to combat the persistent slump in milk prices, NMPF'S Cooperatives Working Together program is concluding its second herd retirement of the past five months and examining immediate next steps.

The National Milk Producers Federation, based in Arlington, VA, develops and carries out policies that advance the well being of dairy producers and the cooperatives they own. The members of NMPF's 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies. Visit www.nmpf.org for more information.