



Milk Producers Council

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PRESS RELEASE

MPC Board Officially Endorses Rep. Peterson's Legislation Implementing "Foundation for the Future"

CALIFORNIA – This week, the Board of Directors of Milk Producers Council (MPC) voted to endorse legislation unveiled last week by Congressman Collin Peterson (D-Minnesota), which would implement reforms to our national dairy policies and is based on National Milk Producers Federation's (NMPF) "Foundation for the Future" proposal. The "discussion draft" of the legislation, along with a detailed summary of the bill, can be found at: <http://democrats.agriculture.house.gov/press/PRArticle.aspx?NewsID=1118>.

"With this vote, the MPC Board sent a strong message that it's time for dairy farmers from coast-to-coast to rally behind a common plan," said MPC President Sybrand Vander Dussen, a dairyman from Corona, California. **"We have a rare opportunity to get much-needed fundamental improvements for the producer side of our industry, and Rep. Peterson's legislation is the only shot we have at getting those positive reforms approved by Congress and implemented."**

The legislative draft released by Peterson, who is the Ranking Democrat on the U.S. House of Representative's Agriculture Committee, includes the three main pieces outlined in NMPF's Foundation for the Future:

- Dairy Market Stabilization Program (DMSP)
- Dairy Producer Margin Protection Program (DPMPP)
- Reform of Federal Milk Marketing Orders

Prior to endorsing Foundation for the Future, the MPC Board had the opportunity to review Congressman Peterson's draft of the legislation, which includes some modifications from the original plan outlined by NMPF. These changes were made in an effort to make the legislation more appealing to a Congress that is clearly in a serious cost-cutting mode.

"While we'd probably all prefer to operate in a world where Congressional budget constraints don't exist, the fact is that they do, and these changes are part of that reality," said Rob Vandenhoevel, MPC's General Manager. **"At the end of the day, the structure of the legislation remains intact, with a standby, rarely-used Market Stabilization tool that will empower dairy farmers to collectively respond to market imbalances while not impeding our ability to grow the industry long-term, a dramatically improved safety net that treats all dairies the same and fundamental reforms of Federal Orders. This is a package of reforms that the MPC Board is proud to support."**

The International Dairy Foods Association (IDFA) – the main lobbying organization for the nation's dairy product processing companies that purchase a majority of the nation's milk supply – has come out strongly against this legislation. They aim most of their opposition at the Dairy Market Stabilization Program that could temporarily trigger in when needed and empower the nation's roughly 60,000 dairy farmers to collectively

respond to market imbalances. IDFA is counting on dairy farmers doing what we often do: letting regional or size differences get in the way of unifying behind a common plan.

“I’ve often said that if you put 10 dairymen in a room, you’ll get 12 opinions, and they’re all firm,” said Vander Dussen. **“We’ve had that luxury in the past. But the last 2 ½ years have taught us a valuable lesson – we have a woefully inadequate system that leaves our nation’s dairy farmers powerless in this highly volatile market. As dairy farmers, we need to put aside perceived differences and act as one unified industry.”**

“This legislation will have things that producers like and things they don’t,” said Vandenneuvel. **“In an industry with farmers in every region and of every size, that type of comprehensive package is the only chance we have of unifying our industry. It’s time to show Congress and the processors that buy our milk that dairy farmers are capable of working together to improve the lives of all dairies from coast-to-coast.”**

Background

The three pieces of Rep. Peterson’s legislation are:

- **Dairy Market Stabilization Program (DMSP)** – This is a stand-by program that triggers in only when the “margin” (U.S. all-milk price *minus* feed cost calculation) dips below \$6.00 per cwt for two consecutive months. The DMSP provides a temporary incentive for all dairies to cut back milk production. Once markets recover and the “margin” is greater than \$6.00 per cwt for two consecutive months, the DMSP is lifted, and is on standby again until the next time the margin calculation compresses below \$6.00 per cwt.
- **Dairy Producer Margin Protection Program (DPMPP)** – This is a safety net program that would replace the Milk Income Loss Contract (MILC) and Dairy Product Price Support Program (DPPSP). The DPMPP would provide “margin protection” for all dairies when the margin (again, U.S. all-milk price *minus* feed cost calculation) dips below \$4.00 per cwt. Individual dairies can elect to increase their “margin protection” above \$4.00 per cwt. for a pre-determined annual premium (this is called the “supplemental margin protection”).
- **Reform of Federal Milk Marketing Orders (FMMO)** – In short, these reforms would remove end-product pricing and the use of make allowances for milk sold to all plants other than Class I bottling plants, and replace it with a competitive, market-based system.

More information can be found on National Milk Producers Federation’s website at www.futurefordairy.com.

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