



FOR IMMEDIATE RELEASE-
October 24, 2011

Laurie Fischer
DBA Executive Director
lfischer@widba.com
920-366-1880

Contact:
John Umhoefer
WCMA Executive Director
jumhoefer@wischeesemakers.org
800-999-2454

Wisconsin Dairy Business Association & Wisconsin Cheese Makers Association Oppose Dairy Security Act

Economic Modeling Shows that with Strong Participation by Dairy Farms, USDA Could Spend Up to \$3 Billion – About \$2 Billion More than Current Dairy Programs

A recent presentation by economist Dr. Mark Stephenson, Director of Dairy Policy Analysis at the University of Wisconsin-Madison, has convinced the Wisconsin Dairy Business Association and the Wisconsin Cheese Makers Association to remain steadfastly opposed to U.S. House bill H.R. 3062, the Dairy Security Act.

This dairy policy bill recently introduced by Minnesota's U.S. Representative Collin Peterson includes a proposed "Dairy Market Stabilization" program which would restrict the amount of milk that U.S. dairy farmers are paid. Dr. Stephenson revealed impacts of the Dairy Security Act using the first in-depth economic analysis of the legislation completed since the Congressional Budget Office scored an early draft of the bill.

"The Dairy Security Act is bad policy," said Jerry Meissner, President of the Wisconsin Dairy Business Association. "Dr. Stephenson's modeling shows that there would be a Milk Price Reduction of \$.80 to \$1.63 per hundredweight for all size farms with only moderate milk price volatility improvement. We recognize that volatility has been a real problem, but dairymen can't be willing to accept any type of change, just because it is something new. We don't need another dairy policy program of the same nature. Farmers need to be better educated on using risk management tools that are currently available. Our industry cannot afford this severe net revenue loss on every load of milk that farmers sell," Meissner said.

Dr. Stephenson created the systems dynamic economic model of U.S. dairy industry with professor Chuck Nicholson at California Polytechnic State University in 2005. The model has been used to examine multiple dairy policy concepts in recent years.

Nicholson and Stephenson's modeling shows that the accumulated cost of the Dairy Security Act, over the 5 years of the Farm Bill, will exceed \$3 Billion dollars (if half of the milk supply registers to cover 50% of their milk at a level of \$7 margin protection). This is much higher cost than the Congressional Budget Office calculations. In the economic model, domestic dairy sales are expected to increase; but at the expense of farms more rapidly going out of business. Exports volumes will increase; but total dollar value of export sales declines in the model.

The Dairy Security Act includes a dairy price margin risk management tool designed to help farmers survive during difficult times. Meissner pointed out that while this program could provide effective protection for dairy producers, the milk revenue losses that would likely result from Rep. Peterson's broader policy package would not bode well for Wisconsin's dairy industry. "Risk management tools like margin insurance are important, but should not be packaged with other programs that surely will have unintended consequences," Meissner said. "We need to enact policy that will help our dairy sector compete in today's global marketplace."

Dr. Stephenson's conclusion that small farms will leave the dairy industry at a faster pace is a troubling outcome in the model, according to DBA's Meissner. "We hope Representative Peterson will take the economic modeling by Dr. Stephenson and Dr. Nicholson seriously, since this work has provided our industry with the only evidence on impacts since the initial CBO budget scoring," Meissner said.

John Umhoefer, executive director of the Wisconsin Cheese Makers Association, said that his organization is looking for a reduced role for government in dairy policy. "The Dairy Security Act is a complicated proposal for milk production and pricing," Umhoefer said. "Dairy producers and processors need to seize the opportunity in the upcoming Farm Bill to diminish the role of government over time."

Wisconsin Cheese Makers Association, representing Wisconsin's growing cheese industry, has seen members add jobs, find new export opportunities and build new cheese plants during America's economic downturn. "Wisconsin's dairy industry is poised for solid growth and job creation," Umhoefer said. "A Dairy Stabilization program designed to cut back on U.S. milk production is out of step with the free market and the opportunities we see for Wisconsin's dairy industry."

###