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Sec. Vilsack boosts dairy price supports for an extra \$243 mil.

By Agri-Pulse Staff

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Responding to mounting dairy industry problems, on Friday Agriculture Secretary Tom Vilsack announced a sharp increase in government payments for dairy products through the Dairy Product Price Support Program (DPPSP). USDA estimates show that this increase for August 1st through October 31st this year will boost dairy farmers' revenue by \$243 million.

Vilsack explained that "The Obama Administration is committed to pursuing all options to help dairy producers. The price increase announced today will provide immediate relief to dairy farmers around the country and keep many on the farm while they weather one of the worst dairy crises in decades."

House Agriculture Committee Chair Collin Peterson (D-MN) immediately welcomed the USDA announcement. Noting that his committee has held three hearings on the economic conditions facing the dairy industry and that Ag Committee members have asked Vilsack to increase help for dairy farmers, Peterson said "We got a clear message at our hearings from dairy farmers nationwide that the industry needed help during this difficult time and I am pleased that USDA has recognized this crisis and responded quickly. Increasing the prices they receive will bring greatly needed relief to dairy farmers who need it desperately right now."

Jerry Kozak, President and CEO of the National Milk Producers Federation (NMPF) also welcomed the announcement, saying that "Once again, Agriculture Secretary Vilsack has used the tools at his disposal to help dairy farmers cope with the extreme drop in farm-level prices, and we appreciate his hard work on our members' behalf. . . This step by USDA to raise farm-level milk prices comes at a critical time, and is yet another important effort the agency has made to help dairy farmers survive the worst recession in their lifetimes."

Kozak added that "Elected officials understand that an important part of their constituency, and often a forgotten part, is truly suffering right now because of the recession. We appreciate the attention this issue has gotten in Washington at USDA and in Congress. . . Secretary Vilsack and his staff have been extremely responsive to the crisis on dairy farms, and will look forward to continue working with the USDA to help address the pain that producers are feeling."

The increases announced Friday raise the price paid for nonfat dry milk from \$0.80 per pound to \$0.92 per pound, the price paid for cheddar blocks from \$1.13 per pound to \$1.31 per pound, and the price of cheddar barrels from \$1.10 per pound to \$1.28 per pound. USDA expects this increase in support prices to have an immediate effect upon dairy farmers' bottom line since raising the price of dairy products increases the price that dairy farmers receive for their milk. USDA expects the announcement to increase the all milk price received by dairy producers as a result of government purchases of an additional 150 million pounds of non-fat dry milk (NDM) and an additional 75 million pounds of cheese.

Additionally, USDA is reviewing federal dairy policy to determine what changes are needed to reduce price volatility and enhance farmer profitability.

USDA had already taken several steps to provide support for dairy farmers. In March, USDA transferred approximately 200 million pounds of nonfat dry milk to USDA's Food and Nutrition Service, which will not only remove inventory from the market, but also support low-income families struggling to put nutritious food on their tables. USDA expects to spend more than \$1 billion in fiscal year 2009 on DPPSP purchases of dairy products and payments to producers through the Milk Income Loss Contract (MILC) program.

On March 22, 2009, USDA reactivated USDA's Dairy Export Incentive Program (DEIP), to help U.S. dairy exporters meet prevailing world prices in addition to encouraging the development of international export markets in areas where U.S. dairy products are not competitive due to subsidized dairy products from other countries.

Since March 22, USDA has encouraged the export of 20,000 tons of nonfat dry milk. From July 2008 through June 30, 2009, DEIP has announced allocations of 68,201 metric tons of nonfat dry milk; 21,097 metric tons of butterfat; 3,030 metric tons of various cheeses and 34 metric tons of other dairy products.

USDA is working with the Department of State to identify foreign assistance programs such as U.S. Agency for International Development (USAID) and McGovern-Dole International Food for Education and Child Nutrition Program to provide at least 3 million pounds of dairy products.