



Legislative Watch

Issues important to today's dairy farmers

NMPF Relays Dairy Economic Crisis to Senate Ag Committee

At a recent Senate Agriculture Committee hearing examining possible responses to the current dairy economic situation, Nebraska dairy farmer and NMPF board member Doug Nuttelman told lawmakers that NMPF is working on a series of approaches to help address milk pricing in the longer term.

Nuttelman described to the committee the unprecedented financial stress on farmers caused by historically high input costs and low milk prices. While prices at the farm

level are beginning to recover, they are still not projected to reach break-even levels until early next year. Nuttelman said that the existing federal safety nets for dairy farmers, the dairy product price support program and the Milk Income Loss Contract program, have not made up for the billions in lost revenue so far in 2009. In addition, the Federal Milk Marketing Order program has not effectively helped stabilize prices.

Even though Congress, USDA, and the Cooperatives Working Together (CWT) program have individually taken steps to help the industry recover, Nuttelman explained that the underlying problems that caused the dairy crisis still must be addressed.

He went on to outline NMPF's "Foundation for the Future," a long-term strategic plan put together by NMPF's member dairy producer cooperatives. The plan is designed to positively impact the various factors influencing dairy supply and demand, and is intended to foster a climate of growth for the industry, while protecting dairy farmers. It involves the following elements:

1. New Risk Management Tools, in the form of a dairy producer income protection program, operating similar to a revenue insurance program. The purpose is to help dairy farmers survive financially difficult times by

paying them an insurance indemnity (payout) when losses occur in their dairy operations.

2. Revamping the Federal Price Support Program, by reallocating government resources away from existing safety nets and revising them to direct resources more effectively.

3. Federal Milk Marketing Order (FMMO) Reform, examining the best way to mend the present system, taking into consideration the various concerns by different regions of the country, as well as the different roles that the cooperatives play in balancing supply and demand in the United States. Specifically, Nuttelman pointed to the need to rectify the present system's "make allowance" provisions, which creates a winners and losers scenario.

4. A New Beginning for the CWT Program, looking at how to build on the proven track record of this dairy producer self-help program. In particular, CWT needs to involve more of the industry in funding it, and it must consider other means of reducing supply in the future.

Nuttelman urged the committee to thoughtfully consider recommendations to reform or reshape dairy policy in the future.

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