

Supply-management proposals stoke debate

Some groups support market-access fees to curb price volatility

By [CAROL RYAN DUMAS](#)

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Legislation that would manage the milk supply by charging market-access fees to producers who want to increase production is meeting with industry opposition. Under the Dairy Price Stabilization Act, introduced by Rep. Jim Costa, D-Calif., individual dairies would have the choice of maintaining their current production level -- plus an allowable year-over-year growth rate based on market indications -- or expanding their production and increasing their share of the market.

Dairies choosing to increase their market share would pay a fee during the first year of expansion. The money would be paid out to fellow dairy farmers who are maintaining their current share of the market. "This bill will help the dairy industry get back on track and curb the milk price volatility that is driving dairy farmers ... out of business," Costa said in a press release. He introduced the bill May 12.

California Dairies Inc. does not support the bill, said Tom Mendes, a Riverside dairyman whose term on the board recently expired. Board members sat down with Costa's staff in January, and Costa said he would set up subcommittees to address concerns. "He never did. We told them what our concerns were, and they ignored it," Mendes said. "California Dairies informed Costa we're really not going to waste any more time trying to make the bill work. It reads like election-year politics (to benefit) possibly one or two large dairies in his district." The legislation would be a step backwards for the industry, he said, adding that supply management is no longer a viable component in any crop or livestock industry.

"It makes us uncompetitive in the market, brings in (foreign) exports. You just lose, lose, lose market share," he said.

There are too many supply-management proposals out there, and those promoting them need to sit down together and come up with one plan, he said.

Western United Dairymen also has concerns. Its board of directors reviewed the plan and noted 11 issues that need to be addressed, said Michael Marsh, executive director. He hasn't seen the final bill and doesn't know if all of them were addressed. The main concern was the ability to transfer base in the program around the country, and that appears to have been resolved, he said.

"The board will continue to look at this as well as other supply-management plans out there," he said.

National Milk Producers Federation does not support the legislation, said Chris Galen, NMFP communications director,

Nor does Rep. Mike Simpson, R-Idaho. "The Idaho dairy industry has some serious concerns of how it will drastically impact supply management," said Nikki Watts, Simpson's communications director. Idaho Dairymen's Association Executive Director Bob Naerebout declined to comment on the bill.

Costa said the plan would provide a tangible financial incentive for most dairies to manage production growth. Under the plan, the secretary of agriculture would announce quarterly the allowable year-over-year growth, which could be a negative number, as well as the market access fee for dairies that exceed allowable growth. Both numbers would be based on the milk-to-feed ratio. The fees would be distributed to dairies that stayed within their allowable growth. The secretary would also appoint a national producer board to advise on any necessary adjustments to the program.

Darigold and the Northwest Dairy Association support the bill. "We believe this proposal is a positive step in creating necessary dialogue on dairy policy to bring the entire industry together," board Chairman Jim Werkhoven said in a press release.

Calls to Land O'Lakes and United Dairymen of Arizona have not yet been returned.

Costa was joined by four other members of Congress from across the country in introducing the bill, including Reps. Peter Welch, D- Vermont, Joe Courtney, D-Conn., Rick Larsen, D-Wash., and John B. Larson, D-Conn.

How it would work

Milk Feed Ratio Allowable milk marketing growth rate (in percent)

Milk Feed Ratio greater than/equal to 2.00 3.0

Milk Feed Ratio 1.75 - 1.99 0.0

Milk Feed Ratio less than/equal to 1.74 -3.0

Market Access Fees

Standard Market Access Fee: a lower fee per-hundredweight on all the milk of an expanding facility

Milk Feed Ratio Market Access Fee

Milk Feed Ratio greater than/equal to 3.00 \$0.03

Milk Feed Ratio 2.50-2.99 \$0.13

Milk Feed Ratio 2.00-2.49 \$0.25

Milk Feed Ratio less than/equal to 1.99 \$0.50

Alternative Market Access Fee: a higher fee per-hundredweight on only the additional milk produced beyond a facility's allowable production. (5 times the standard market access fee)

Producers may choose which fee they pay based on their own unique dairy needs