

September 8, 2010

After Meeting With Dairy Farmer's Across Upstate, Arcuri to Cosponsor "Dairy Price Stabilization Act"

Bill Would Promote Market Stability, Dairy Industry Growth by Better Aligning Supply with Demand

CLAYVILLE, NY -During a visit to Atrass Farm in Clayville, NY, U.S. Rep. Michael A. Arcuri (NY-24) announced that he will cosponsor legislation that would promote market stability and curb price volatility in the dairy industry. After visiting with local farmers this month and comparing their concerns with the benefits that *the Dairy Price Stabilization Act (H.R. 5288)* would bring to the Upstate New York dairy industry, Arcuri sent a letter to bill sponsor Rep. Jim Costa (CA-20) asking to be included as a cosponsor as soon as the 2010 legislative session resumes next week.

After a drastic collapse in milk prices in the past year, and a 2010 that has seen only modest price increases, hundreds of farms in New York have been forced to shutter their businesses, sometimes driving farm families from their homes and farmland in foreclosures. The disparity in the price of milk and the cost of production has so eroded profits that some local farmers even organized a milk dump earlier this summer to highlight the urgency of the situation to the U.S. Department of Agriculture (USDA).

"Our local dairy farmers cannot afford another year of low milk prices that still do not meet their cost of production," **said Arcuri, a founding member of the Congressional Dairy Caucus.**

"By working to better aligning supply and demand, this legislation cuts right to the heart of the milk price volatility issue that resulted in such low prices in 2009 and that continues to drive our family farms deeper and deeper into debt. If we do not act now to prevent future dairy crashes, I fear our dairy farmers will hit their breaking points, putting an entire industry at risk-something the Upstate New York economy cannot afford."

The Dairy Price Stabilization Act would help stabilize dairy prices by better aligning supply and demand. Under the program, individual dairies would have the choice of either 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 which paid out to their fellow dairy farmers who are maintaining their current share of the market. This creates a rational system that allows the market to absorb increases in production by providing a tangible financial incentive for most dairies to manage their production growth.

The structure of the bill is based on unbiased economic analysis and modeling conducted in the past two years. Both the growth rate and market access fee would be determined according to market indicators based on feed costs, the largest cost factor for producers. A producer board of directors would be established to advise the Secretary of Agriculture on any necessary adjustments to program operations. The bill empowers farmers by allowing them to vote on whether to enact the program and, three years after it commences, to vote on whether to continue it.

In 2009, dairy farms throughout the country experienced one of the worst price crises of the last 40 years. Last June, prices dropped as low as \$10.97 per hundredweight (cwt), which is dramatically below the cost of production. An inconsistent national support system and the absence of a national supply management plan has exacerbated the price instability and created an unsustainable business cycle for many dairy families. In 2009, America's roughly 65,000 dairies lost over \$12 billion. Sharp losses forced dairy farmers to lay off workers and, in many cases, shutter their operations.

This Congress, Arcuri has continually fought to reduce the disparity between the price of milk paid and a farmer's cost of production exacerbated by the 2009 collapse. In that time, Arcuri has worked administratively with USDA Secretary Thomas Vilsack and with fellow members of

Congress on the following actions on behalf of ailing dairy farmers:

- In March 2009 when Class I milk prices dropped, Arcuri urged USDA to begin sending MILC (Milk Income Loss Contract) payments to farmers as expediently as possible;
- In May 2009, Arcuri lead a bipartisan group of Congressional colleagues from across the Northeast in asking USDA Secretary Vilsack to consider the cost of production when setting federal milk prices;
- In July 2009, Arcuri sent two letters, to Secretary Vilsack and Office of Management and Budget Director Peter Orszag respectively, requesting dairy price increases under the Dairy Product Price Support Program- within days the USDA responded by raising support prices from August through October of 2009;
- In September 2009, Arcuri, Rep. Lee (NY-26), and colleagues requested that the FY10 Appropriations bill include \$350 million in assistance for the dairy industry. In October 2009 the bill was signed into law by the President with \$290 million in direct support to dairy farmers and \$60 million to purchase cheese and other dairy products for food banks and nutrition programs;
- In March and June 2010, Arcuri again urged the Secretary to raise support prices and to use his authority to take the cost of production into account when determining Class I milk prices. Class I, or fluid milk, has the highest value, and likewise the price of Class I milk at market is one of the most important factors used to calculate the blend price farmers are paid at the gate for their product;

Arcuri has also worked to address the high cost of production affecting dairy farmers by introducing legislation to eliminate the transportation-related fees that they are currently forced to pay to processors, and by working to retroactively increase MILC payments beginning from the second quarter of 2009 and indexing MILC payment rates to inflation so that they coincide with increases in feed costs.

Shortly after taking office in 2007, Arcuri established three regional Agriculture Advisory Committees where he receives first-hand accounts of the issues facing Upstate New York farmers and ways he can assist them in Congress.

