

Summary of Dairy Advancement Act

The Dairy Advancement Act captures the federal policy concerns expressed by the industry at countless public forums held across the United States. This bill takes a refreshing and progressive approach at improved transparency, growing global markets, encouraging new product development and offering safety net options. These issues are important to the dairy farmer milking 60 cows and the dairy farmer milking 6,000 cows, as well as the processors and manufacturers of dairy products.

Many manufacturing plants are designed to produce inventoried commodities covered by the current Dairy Product Price Support Program, not necessarily products that the markets demand. Repealing the Dairy Product Price Support Program saves taxpayer dollars and sends a clear signal to our global trading partners that the United States will be a dependable supplier of dairy products that are in demand and to clear those inventories even when market prices are low. This bill makes available low interest loans to manufacturers to encourage investment in retrofitting their plants to adjust to this change by focusing on making products that have broader demand. The U.S. dairy industry needs to take advantage of all marketing opportunities by aligning our increasing production with the expanding global opportunities as well as developing new domestic products.

This bill also directs the Secretary to establish a two-class system for classifying milk under the federal milk marketing orders. Simplifying classification with two classes, fluid milk and manufactured products, will allow market forces to work and put competition back in the federal order system for milk used for manufactured products. The competition will result in improved producer revenue and encourage new product development.

This bill also improves dairy price and volume reporting by expanding the reportable commodities and increasing the frequency of reporting to enhance market transparency and to better reflect current market prices. This in turn will improve price discovery.

Since 2002, dairy farmers have benefited from the Milk Income Loss Contract (MILC) safety net. This bill gives dairy producers a choice by allowing them to continue to participate in the MILC program or to receive support for the Livestock Gross Margin-Dairy (LGM-Dairy) program as a risk management tool by insuring their margins for future months. Producers may also buy-up coverage on additional pounds of milk at their own expense.

The Dairy Advancement Act aligns federal dairy policy with the global realities of the 21st century. It was developed by listening very closely to dairy producers and experts from all segments of the dairy industry. It simplifies and adds transparency to an overly complex system and gives producers safety net options.