

Coalition to Support the Dairy Price Stabilization Program



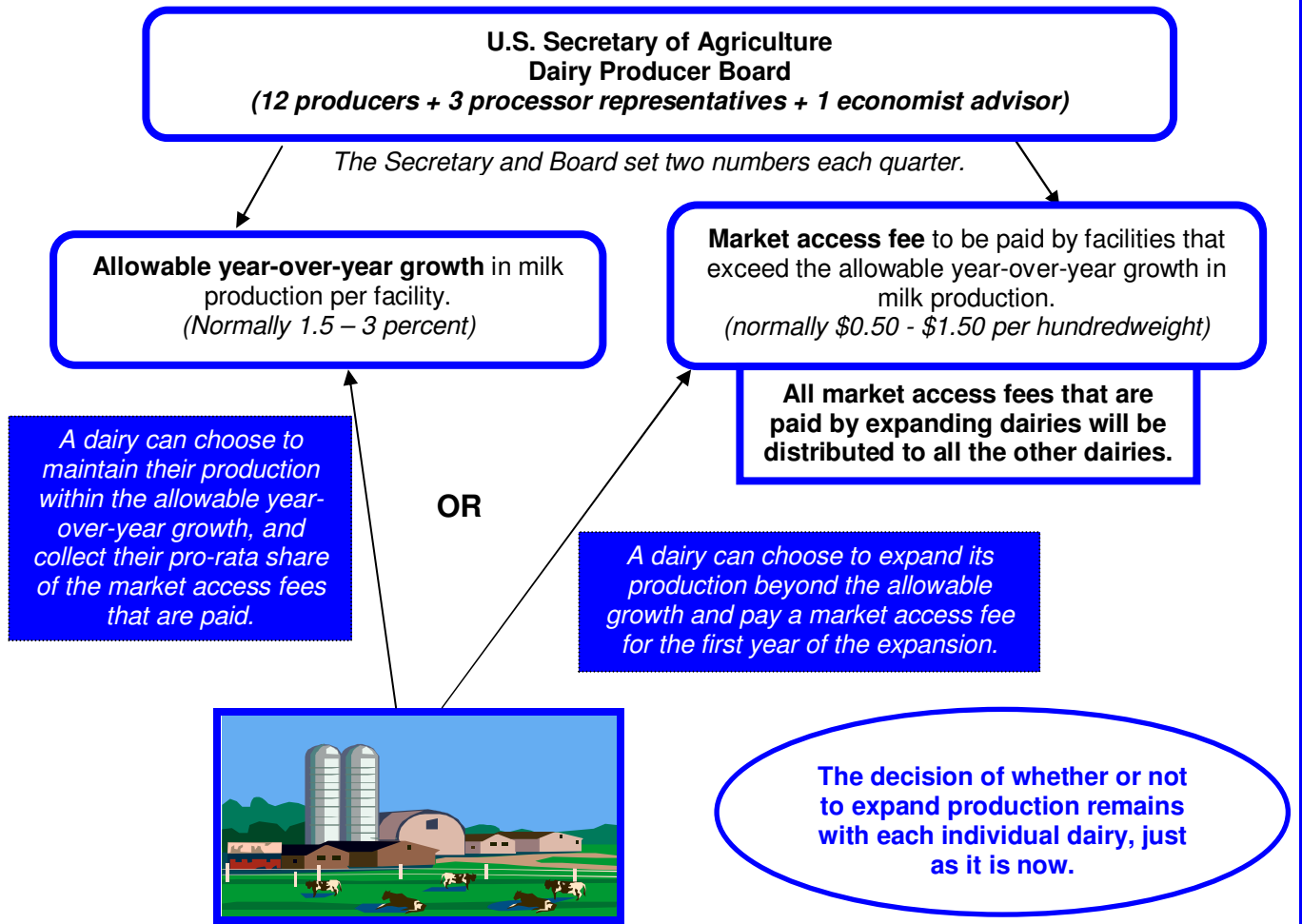
Summary of the Dairy Price Stabilization Program

Goal of the Program

The Dairy Price Stabilization Program, or the DPSP, is a national program aimed at giving individual dairy facilities a financial incentive to manage their milk production. By creating this incentive, the industry can better align national supply and demand, avoiding the extreme booms and busts we see in the milk price.

Operation of the Program

The Basic Structure



More Detailed Summary

On a quarterly basis, each dairy facility will be assigned an “allowable milk marketings,” or AMM, for that quarter.

- In the first year under the DPSP, each facility’s AMM will be based on their highest annual production from the previous three years (2006, 2007 or 2008).
- After that initial year, a facility’s AMM will be calculated by taking the facility’s production in the same quarter the previous year (*i.e., the facility’s AMM for the 3rd quarter of 2009 will be based on the facility’s production in the 3rd quarter of 2008*) and adjusting it to reflect an allowable year-over-year growth, as determined by the Producer Board and the U.S. Secretary of Agriculture (*more on that below*).
- The quarterly production that is used to calculate a facility’s AMM cannot be reduced. *For example, if a facility produces 1,000,000 pounds of milk in the 1st quarter of 2008, and 900,000 pounds of milk in the 1st quarter of 2009, that facility’s AMM for the 1st quarter of 2010 will be based on the 1,000,000 pounds of milk produced in 2008.*

Prior to each quarter, the U.S. Secretary of Agriculture will announce two numbers:

- **The allowable year-over-year growth in production**, as a percentage, allowed by each facility without any payment being required (this will normally be in the 1-3 percent range). *This percentage will be added to a facility’s production from the same quarter in the previous year to calculate the AMM.*
- **The market access fee, or MAF**, on a per-hundredweight basis, that must be paid by any dairy that exceeds their AMM.
 - Dairies that exceed their AMM will pay the lower of:
 - The “standard” MAF, which is assessed on all that facility’s milk for the quarter. (*This fee is estimated by Cornell University’s Program on Dairy Markets and Policy to normally range from \$0.50 - \$1 per hundredweight*)
 - The “alternative” MAF, which is assessed only on the milk produced in excess of your AMM. *This fee will be five times higher than the “standard” MAF.*
 - *This option is a recent addition to the DPSP. The program, as originally unveiled, only had the “standard” MAF, which some saw as favoring large-scale growth. Therefore, the “alternative” MAF was added to the program, which provides a better option for facilities that want to grow more incrementally. However, the incentive remains the same, since only facilities that stay below their AMM are eligible for a MAF Dividend (more information below).*
- Both the allowable year-over-year growth and the MAF will be adjustable by the U.S. Secretary of Agriculture – under advisement by the Producer Board – on a quarterly basis.

Transferring a facility’s AMM

- A facility’s AMM can be transferred, in full, to:
 - An individual or entity that takes over a dairy facility.
 - Another dairy facility under the same ownership (*i.e., combining the AMM’s from multiple facilities*)

Collection of the MAF’s

- If a dairy exceeds their AMM in any quarter, the MAF will be deducted from the facility’s revenue during the next quarter and deposited into a protected account.
- For the four quarters after a facility exceeds their AMM, the MAF to be paid by the facility will be the lower of: the market access fee for the first quarter the AMM is exceeded, or the current quarter’s MAF. In other words, your MAF will not be increased beyond the rate in the first quarter you expanded, but can be decreased.

Payment of the MAF “Dividends”

- **100 percent of the MAF’s paid each quarter will be distributed to facilities that do not exceed their AMM during that quarter. This payment is called a MAF Dividend.**
- The MAF Dividend will be distributed on a “per hundredweight” basis, in the form of a check or direct deposit following the end of each quarter.

Overseeing the Program – The Producer Board

The “Producer Board” will be established to advise the U.S. Secretary of Agriculture in administration of the DPSP.

The board will consist of 12 producers (2 from each region), 1 representative for dairy consumers, 1 representative for fluid milk bottlers, and 1 representative for dairy product processors. The Secretary will appoint the members of the board based on nominations. The secretary will also appoint an economist to the Producer Board who will be a non-voting advisory member.

Support for the DPSP

The following organizations are supporting the Dairy Price Stabilization Program, and the list continues to grow.

- California Dairy Campaign
- Dairy Farmers Working Together (Vermont)
- Georgia Milk Producers Inc.
- Milk Producers Council (California)
- Lanco-Pennland Quality Milk Producers (Pennsylvania/Maryland)
- Oregon Dairy Farmers Association
- Washington State Dairy Federation



California Dairy Campaign
“Dairymen Working For Dairymen”



GEORGIA MILK PRODUCERS, INC.
“Returning Georgia Dairy Farming To Profitability”



**Washington
State
Dairy
Federation**

Our coalition is working hard to promote the DPSP as a long-term policy for the U.S. dairy industry, and we’d love to have your support! If you have any questions or comments, please contact dpsp@stabledairies.com or call Rob Vandenheuvel, General Manager of Milk Producers Council at (909) 628-6018.