

A Dairy Policy that Protects Family Farmers

America's dairy farmers are enduring a pricing crisis that is as serious as any we have seen. Milk is being sold at disastrously low prices. Even that tragedy is overshadowed by loads of milk being dumped because there is no market at any price for it.

There will, no doubt, be calls for policy proposals to address the current dairy price crisis. If history is any guide, those policy proposals will ignore a long-term problem with dairy farming in America. That problem is the disappearing family dairy farm.

When we have had a national dairy herd of 9-million cows, the supply and disappearance of milk has been in balance. We believe it would be better if these cows were dispersed on many family farms rather than concentrated on a few hundred mega farms.

Sensible dairy policy must somehow do a better job of balancing supply and usage. Not every program that balances supply and usage will benefit family-sized farms.

Because of this, NFO proposes and supports the following pricing policy. The heart of our proposal lies in what we call "Tier One Production" and "Tier Two Production."

Tier One Production would be defined as one million pounds of milk per month or less. If a farm produced more milk, the remaining milk would be called Tier Two Production. If a farm produced less than the Tier One cutoff level, all of the milk produced on that farm would qualify as Tier One.

Once Tier One and Tier Two levels have been set, a milk price would be established that would lead to a reasonable profit being obtained by a family farm

producing one million pounds of milk per month or less. Call this the Tier One price.

A cooperative would continue to sell all of its milk to processors as it does now. But the proceeds of those sales would be distributed as follows:

First, every farm would receive the Tier One price for all Tier One milk produced on the farm.

Once these payments have been made, the cooperative would take the remaining money and divide that by the total amount of Tier Two milk produced by all member farms. That would be the Tier Two price and it would be paid for all Tier Two milk produced by member farms.

In the event that the market price received by the cooperative for selling all milk was higher than the Tier One price, all milk from member farms would be paid that higher market price.

All details aside, the overall effect of what NFO is proposing is to pay every dairy farmer enough to operate as a family farmer. Any dairy farmer is free to grow larger, but in doing so, that farmer must face the market on prices for additional milk produced.

Notice that what we are proposing is unlike most supply management programs in this important way: there are no quotas in this system. It simply provides an incentive for farmers to remain family sized and a disincentive for unrestricted growth among mega-farms.