



## July 18 Update

**\$2.05 Average Gap Between 4b and Class III Prices so far in 2014:** Since January of 2014, the average difference between the California 4b cheese milk price and the equivalent Federal Order Class III price has averaged \$2.05 per cwt. The gap between California prices and federal order prices for the first six months of 2014 is 20 percent greater than the first six months of 2013. The gap in May of \$3.23 is the second highest of any month since the 4b and Class III started to diverge substantially in 2010. According to 2013 CDFA data, the 4b utilization amounted to 44.5% of all pooled milk. Much media attention has been given to the increase in milk prices and the higher prices have meant that dairy producers are starting to recover from the sustained losses they have incurred since 2008. However, according to CDFA data, in all but two years since 2008 the average California producer price per hundredweight has fallen below average production costs and California dairy producers are paid the lowest average return per hundredweight of any state in the nation. CDC strongly supports efforts underway for California to join the federal order system to bring state producer prices in line with prices paid in the federal order system.

**Farm Bill - Dairy Margin Protection Program (MPP):** The United States Department of Agriculture (USDA) is expected to announce the proposed regulations for the margin protection program (MPP) by September 1, 2014 and sign up for the program will begin soon after. The MPP is a voluntary program which will provide margin over feed cost insurance protection when margins fall between \$4 and \$8 per cwt. Dairy producers are able to cover up to 90 percent of their production at the margin level and coverage level they select. The insurance takes effect when the margin falls below the selected level for two straight months. USDA is expected to have an online tool and other resources available to provide more details about the new MPP. CDC plans to meet with dairy producers when the MPP details are available from USDA. *Dairy producers can contact the CDC office at 209-632-0885 for more information.* A new report from University of Illinois economists John Newton and Todd Kuethe titled, "[Mapping the Size of Dairy Safety Net Programs: Comparing MILC and the Margin Protection Program](#)" compares the difference between the impact of the Milk Income Loss Contract (MILC) program and the new Margin Protection Program (MPP). The report concludes that significantly more milk production would be eligible for coverage under the MPP. In 2013, the amount of California milk production eligible for MILC was 5.71 billion lbs. However, under the MPP, 37.6 billion lbs of California milk production would have been eligible. In 2013, nationwide 48.6 billion lbs was eligible for MILC compared to \$122 billion lbs that would have been eligible under the MPP.

**CDFA Dairy Future Task Force:** CDFA Secretary Karen Ross has called for another meeting of the CDFA Dairy Future Task Force on Wednesday, August 13 at 1:00 p.m. in the CDFA Auditorium. The public is able to participate in the upcoming task force meeting. To RSVP, email [carol.tate@cdfa.ca.gov](mailto:carol.tate@cdfa.ca.gov). CDFA has set up an email address for questions and updates at [dairytaskforce@cdfa.ca.gov](mailto:dairytaskforce@cdfa.ca.gov). *CDC supports the policy option put forward earlier by the CDFA Dairy Future Task Force for California to consider adopting the federal milk marketing order system model. Given the wide gap between California prices and federal order prices CDC believes it is critical that California join the federal order so that California producer prices are in line with prices paid in other states.* The next task force meeting is likely to focus on proposals to partially or completely deregulate milk pricing in California. Deregulation would eliminate any regulation that sets minimum pricing on classes of milk. CDC strongly opposes deregulation of milk pricing because it would shift virtually all risk to dairy producers.

### Meeting Schedule Change:

**Our CDC Board and Membership Meeting Scheduled for Wednesday, July 30 in Hanford, CA has been rescheduled. The new tentative date is August 27, 2014 when information will be available from USDA About the new Dairy Margin Protection Program (MPP). For Additional Information, Contact Bertha Medina In the CDC Office at 209-632-0885**