



June 21, 2019



Dairy Margin Coverage (DMC) Will Lower Milk Prices

A recent analysis conducted by Chuck Nicholson from Cornell University concluded that the new Dairy Margin Coverage (DMC) program will reduce milk prices and lower net farm operating income. Throughout the farm bill debate, California Dairy Campaign (CDC) warned that the DMC would make milk production less responsive to market demand which the Cornell analysis has now confirmed. The study is linked [here](#).

According to the Cornell study, under the DMC milk prices would decrease by 50 cents per cwt compared to the past farm bill that included the Margin Protection Program (MPP). The DMC increases taxpayer expenditures by \$4.4 billion and lowers net operating dairy farm income by \$2.4 billion from 2019 to 2023. Net farm income would decrease the most on larger dairy operations, with dairies between 500 to 1,999 cows losing \$52,000 per year, and dairies with 2,000 or more cows losing more than \$180,000 per year.

California Dairy Campaign (CDC) opposed passage of the DMC for a number of reasons, but considered the biggest problem with the DMC to be the program's impact on milk supply which will now be less responsive to changes in market demand.

Dairy Supply Management More Critical Under DMC

The new farm bill will have an impact on milk production. Through the passage of the Dairy Margin Coverage (DMC), milk production is expected to increase and milk prices are expected to decline. As more dairy producers are supporting nationwide milk supply management policies, under the new farm bill, milk production will be less responsive to changes in market demand.

Working with dairy producers and dairy organizations across the country through the [Dairy Together](#) campaign, CDC is supporting a nationwide farmer-led supply management plan to balance milk production with market demand and establish fair milk prices for dairy producers. Federal dairy policy has an impact on milk supply and it is critical that dairy producers call on lawmakers to enact federal dairy policy that enables dairy producers to manage milk supply to improve milk prices and sustain dairy operations.

(Below: Analysis by Chuck Nicholson at Cornell University)

Summary of DMC

Outcome	Baseline with DMC	MPP-Dairy to 2023	Difference compared to MPP
All milk price, \$/cwt	17.95	18.45	-0.50
Net Farm Operating Income, \$/farm/year			
1-99 cows	53,757	43,035	+10,721
100-499 cows	101,026	107,171	-6,145
500-1999 cows	399,050	451,156	-52,106
2000+ cows	1,413,799	1,595,264	-181,464
Total Government Expenditures, \$mil	4,012	-404	+4,416
Annual Average Value of Exports, \$bil/year	10.6	10.3	+0.4

\$2.4 billion overall reduction in NFOI 2019 through 2023



Producer Review Board

Votes to Decrease Quota Assessment



This week the Producer Review Board (PRB) met in the California Department of Food and Agriculture (CDFA) auditorium in Sacramento to discuss the Quota Implementation Plan (QIP). The board voted to lower the quota assessment from 38 cents per cwt to 32.5 cents per cwt beginning this fall. One reason for the reduction is due to the fact that over the last 7 months the QIP assessment has brought in almost \$6.7 million more in funding than was paid out to quota holders. In addition, the reduction will to address a \$5.5 million equalization reserve fund that was left over from the former California State Order. The board voted to utilize the QIP to distribute \$10 million in funding to dairy producers while maintaining a \$2 million reserve. The decrease to 32.5 will be temporary and likely to increase the following year to 35 cents per cwt. The board makes recommendations to the CDFA Secretary for further action.

During the public comment period, a proponent of the "Stop QIP" petition requested information about why petition signatures were not accepted by CDFA which prevented the petition from achieving the 25% threshold required for further consideration. CDFA staff explained that the legal department was preparing a formal response.

The next review board meeting is scheduled to take place in October.

Congressman Jim Costa
cordially invites you to attend a
town hall meeting he is hosting with
United States Secretary of Agriculture Sonny Perdue
Also in attendance will be Congressmen TJ Cox and Josh Harder

You are cordially invited to a townhall meeting with

U.S. SECRETARY
of
AGRICULTURE SONNY PERDUE



FRIDAY
JUNE 28th

TIME:
12:30pm - 1:30pm
(Please arrive no later than
12:15pm)

MERCED COUNTY
FAIRGROUNDS

GERMINO
BUILDING
403 F Street,
Los Banos, CA
93635



Please RSVP to Lillie Brady lillie.brady@usda.gov

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