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Federal program could give local dairies a boost

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Local dairy farmers who have been struggling to turn a profit could get some relief under a new federal program effective until Oct 31.

On July 31, Agricultural Secretary Tom Vilsack announced that the Obama Administration is taking immediate action to support struggling dairy farmers by increasing the amount paid for dairy products through the Dairy Product Price Support Program (DPPSP).

A press release by the USDA said the increase will raise the price paid for nonfat dry milk from \$0.80 per pound to \$0.92 per pound, the price paid for cheddar blocks from \$1.13 per pound to \$1.31 per pound, and the price of cheddar barrels from \$1.10 per pound to \$1.28 per pound.

USDA estimates show that the changes will increase dairy farmers' revenue by \$243 million.

Darren Turley with the Texas

Association of Dairymen (TAD) said dairy farmers have experienced a downward trend in prices since late last fall and bottomed out in March. For the last six months, revenue has fallen below production costs. Turley said farmer's have been losing approximately \$3 per head per day.

"Nobody alive today that's milking cows has seen it this bad," Turley said.

TAD Executive Director John Cowan agreed and said he supports the president's efforts to help stabilize the dairy industry.

"The dairy economy has been depressed much longer than it's ever been in recent history," Cowan said.

USDA estimates that the milk price received by dairy producers will increase and will result in the government purchase of an additional 150 million pounds of nonfat dry milk (NDM) and an additional 75 million pounds of cheese.

Officials expect the increase in

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support prices to have an immediate effect upon dairy farmers' bottom line.

Temporarily raising the price of these dairy products increases the price that dairy farmers receive for their milk.

Cowan said the industry should see product movement in about 30 days with about a 40-60 day lag in consumer prices. But he also said the price tag consumers see on the shelf is not a direct reflection of what the dairy farmer's receive on the market.

Consumer price trends follow different cyclical patterns than the price trends for farmers. And, similar to gasoline prices, end prices tend to go down at a slower rate than they go up.

Cowan said farmers are paid based on the quality of the milk itself. The milk is then processed, making products that fit into four different categories - ranging from milk and yogurt, to butter and dried milk. Often it is the processor that reaps the highest profits.

DPPSP is only the latest attempt to bring some relief to the sluggish dairy market.

In the press release, USDA said they had taken several steps to provide support for dairy farmers.

In March, USDA transferred approximately 200 million pounds of nonfat dry milk to USDA's Food and Nutrition Service, which will not only remove inventory from the market, but also support low-income families struggling to put nutritious food on their tables.

USDA expects to spend more than \$1 billion in fiscal year 2009 on purchases of dairy products (Dairy Product Price Support Program) and payments to

producers (Milk Income Loss Contract (MILC)).

On March 22, USDA reactivated USDA's Dairy Export Incentive Program (DEIP) to help U.S. dairy exporters meet prevailing world prices in addition to encouraging the development of international export markets in areas where U.S. dairy products are not competitive due to subsidized dairy products from other countries.

Since March 22, USDA has encouraged the export of 20,000 tons of nonfat dry milk.

From July 2008 through June 2009, DEIP has announced allocations of 68,201 metric tons of nonfat dry milk; 21,097 metric tons of butterfat; 3,030 metric tons of various cheeses and 34 metric tons of other dairy products.

According to the release, USDA is working with the Department of State to identify foreign assistance programs such as U.S. Agency for International Development (USAID) and McGovern-Dole International Food for Education and Child Nutrition Program to make several opportunities available.

One would provide at least 1 million pounds on a competitive basis for the production of casein; about 500,000 pounds for use in the McGovern-Dole International Food for Education and Child Nutrition Program; and about 1 million pounds for use by the U.S. Agency for International Development, based on anticipated requests from the State Department.

The USDA is also reviewing federal dairy policy to determine what changes are needed to reduce price volatility and enhance farmer profitability.

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