



A Northeast Farm Bill Agenda

Background: The Northeast has an unprecedented opportunity to shape the 2007 Farm Bill to be more responsive to our region. Groups from across the Northeast have been working together to agree on and advance ten "must have" policy priorities. This is part 3 of a 10-part series in which we look at each priority in more detail. The full Agenda is available at www.northeastagworks.org.

Priority 3: Support the Northeast dairy industry.

Why support the Northeast dairy industry?

The dairy industry represents approximately one third of Northeast agricultural sales and 18% of U.S. dairy sales. Dairy farms are the "anchor tenants" of N.E. agriculture. They steward the vast majority of the region's working open spaces and play a critical role in the viability of the Northeast agriculture sector. While diversity in the Northeast farm base develops, dairy farms support the necessary infrastructure (feed, vet, equipment, etc.) that all types of farms require to survive. A collapse in the Northeast dairy sector would ripple throughout the region's economy.

The federal government has been involved in milk pricing since 1949. The federally determined base price does not reflect regional differences. Northeast farmers have higher cost of production on our relatively smaller dairy farms (average 78 cows per farm), particularly in the context of the dramatic rise in dairy consolidation, herd size and the industry's migration west. (Consider that one county in California has more dairy cattle than all of New England's dairy farms combined.)

How has federal dairy policy addressed Northeast needs?

In its entirety, dairy policy is the most arcane and complex in all federal agriculture policy. The 1996 Northeast Dairy Compact set prices for Class 1 fluid milk sold in the region. Recognizing the regional character and benefits of the Northeast dairy industry, the Compact assured the region an adequate supply of milk and allowed individual states to act collectively to regulate milk prices. The price support to farmers was paid for by milk processors. The controversial Compact expired in 2001 from pressure by lawmakers from other regions who argued that it gave unfair advantages to Northeast dairy farmers.

The 2002 Farm Bill established the Milk Income Loss Contract (MILC) Program, a national price support program in which the deficiency payments to producers are funded by the treasury, not milk handlers. While MILC has helped N.E. dairy producers, it too is not without controversy. There are arguments that its production cap discriminates against larger farms (even those in the N.E. region), and that it has been considerably more expensive than anticipated.

How can the next Farm Bill help Northeast dairy farmers?

The next Farm Bill can play an important role by recognizing that one size does not fit all when it comes to dairy pricing and support programs. Milk prices paid to the farmer should reflect local value, not national price. While policymakers and the public may agree that dairy farmers – like other producers -- need a safety net, there is no consensus on the best policy approach. At minimum, and within a larger framework of dairy policy reform, MILC should be continued. At the same time, federal policy must allow for regional solutions. The future of the Northeast's dairy industry depends on an effective federal policy response coupled with state and regional initiatives.

See the full Agenda for proposed policy reforms and innovations. Visit www.northeastagworks.org.