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Foremost Farms USA Supports Peterson-Simpson Dairy Reform Bill

BARABOO, WI — Foremost Farms USA has announced its support for a bipartisan bill in the House of Representatives that would reform the federal dairy program.

The “Dairy Security Act of 2011,” introduced Friday by Representatives Collin Peterson (D-MN), and Mike Simpson (R-ID), refocuses dairy policy to protect farmers’ margins, rather than the current approach focusing on farm-level milk prices.

“Today’s program no longer serves the best interests of producers and will not survive in its present form, given the pressure on the federal budget,” said Dave Fuhrmann, president. “The comprehensive reforms offered by Representatives Peterson and Simpson are a once-in-a-generation opportunity to enact a new approach that better protects dairy farmers, allows for growth, assures consumers an abundant supply of milk, and saves taxpayers dollars.”

“For these reasons, Foremost Farms strongly supports the Peterson-Simpson bill. It is the best path forward for dairy programs in the years ahead,” Fuhrmann said. Foremost Farms is a member of the National Milk Producers Federation, the national dairy farmer organization that helped developed the reform concepts contained in the Dairy Security Act.

Introduced in the House of Representatives on Sept. 23, the Dairy Security Act incorporates the key elements of a dairy reform proposal initially developed by NMPF’s member cooperatives, including Foremost Farms. And like the most recent version of the NMPF plan, the Peterson-Simpson bill allows farmers to choose between receiving a basic level of government-sponsored financial protection, or opting out of that protection if they choose.

The Dairy Security Act has three primary components:

- A voluntary safety net that would activate when margins for dairy farmers are at critically-low levels. Insurance payments would be issued when the difference between average milk prices, and feed costs, dips below \$4 per hundredweight. Basic insurance coverage would cover 80 percent of a farm’s production history, and farmers would have the option to obtain a greater level of coverage insuring both a higher margin level, and the growth of their milk production. Producers participating in the margin insurance program would be required to participate in a market stabilization program (below);
- The market stabilization program will limit production for short periods to prevent steep milk price declines or prolonged low-margin situations. Under this program, producers would receive clear signals to reduce production and help stabilize the market. Producers choosing not to participate in this program would be ineligible for the margin protection program;
- Reforms to the Federal Milk Marketing Order system. The bill directs the Agriculture Department to eliminate cumbersome end-product price formulas and make allowances for Class III milk, and create a new, more market-oriented means of establishing farm-level prices. A majority vote of producers would be needed put these changes into effect.

The Peterson-Simpson approach would address the wild swings in farm margins of recent years, including the devastating situation of 2009, when low milk prices combined with high feed costs to wipe out dairy farmers’ savings, and force some out of business.

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Dairy producer Dave Scheevel, Preston, Minn., is the chairman of Foremost Farms. “The crisis we saw two years ago proves that the current program doesn’t work,” said Scheevel. “The National Milk Producers Federation and its members spent more than a year crafting the basic elements of this package, and then updated those details based on additional input this summer from producers. The plan offers farmers broader protections compared with the current program, and costs less than the status quo policy. It deserves the support of all producers and is the best plan for adoption by Congress.”

Scheevel added that this is the only comprehensive reform proposal on the table as Congress begins its initial discussions about writing a new multiyear farm bill. He said that his organization is urging members of Congress to co-sponsor the new legislation.

Chief sponsor Peterson is the ranking Democrat on the House Agriculture Committee, and a former chairman of the committee. Simpson, a seven-term Republican, is an influential member of the House Appropriations and Budget committees.

Foremost Farms USA is a dairy cooperative headquartered in Baraboo, Wis., and is among the top ten dairy cooperatives in the U.S. based on milk volume. Its 2,100 dairy farmer members live in Wisconsin, Minnesota, Iowa, Illinois, Indiana, Michigan and Ohio. The cooperative marketed 5.6 billion pounds of milk in 2010. Foremost Farms has nine cheese plants, five dairy ingredient plants and one butter plant. In 2010, the cooperative’s revenues were \$1.4 billion.

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