THE DAIRY REVITALIZATION PLAN

A VISION FOR THE FUTURE OF DAIRY

DAIRY TOGETHER

LESS TALK, MORE ACTION

With America's Dairy Industry In Crisis, the 2023 Farm Bill Matters More Than Ever.

Dairy farmers have experienced boom and bust price cycles for decades. These volatile cycles are trigged by an imbalance between supply and demand.

When milk prices are high, farmers respond by increasing production to meet the demand. But when prices are low, dairy farmers also respond by increasing production to help their bottom line, unintentionally flooding the market and driving prices down further. The wild price swings that result make it difficult to manage a business.

There is a better way.

The **Dairy Revitalization Plan** is a growth management strategy that coordinates milk production growth among all dairy producers to stabilize and improve prices for everyone.

Unlike quota, which is often viewed as overly restrictive, growth management offers a series of incentives and disincentives to better align milk production growth with demand growth.

The Dairy Together coalition of farmers, farm groups, and dairy industry stakeholders is pushing for this plan to be included in the 2023 Farm Bill.

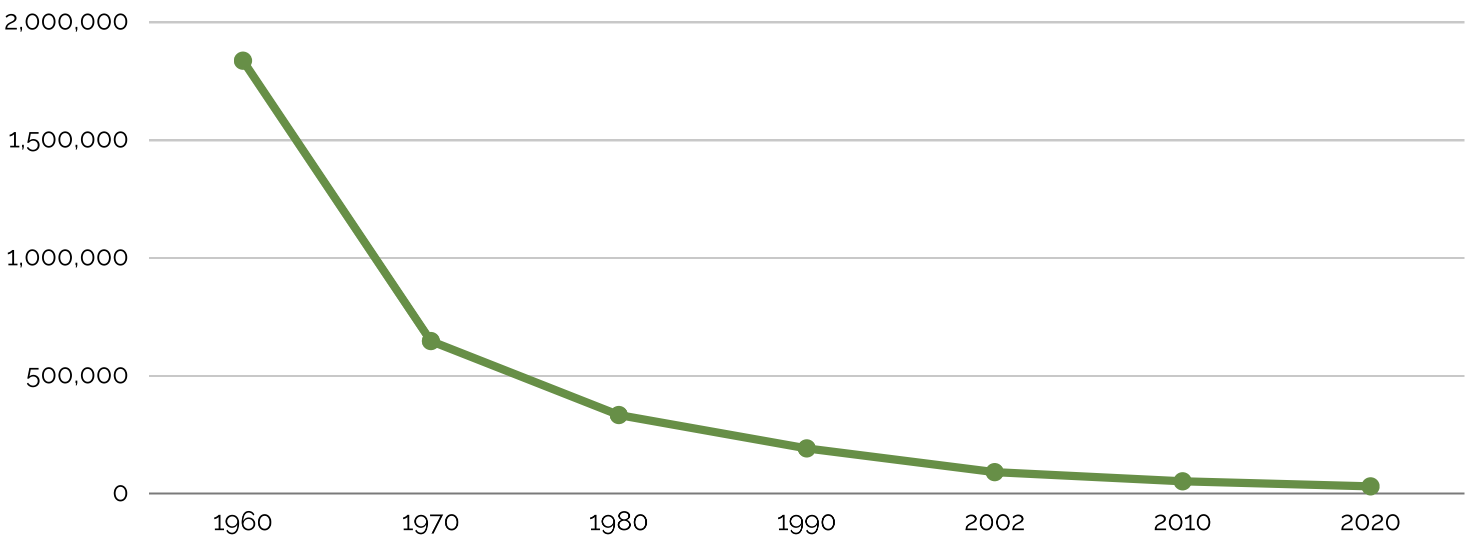
Afdahl family farm, Arkansaw, WI

"My grandson asked me recently 'Grandpa, do you think the farm is still gonna be in business when I want to farm?' We're survivors, but, honestly, I don't know how much more farmers can take."

- Jack Herricks, Cashton, WI dairy farmer

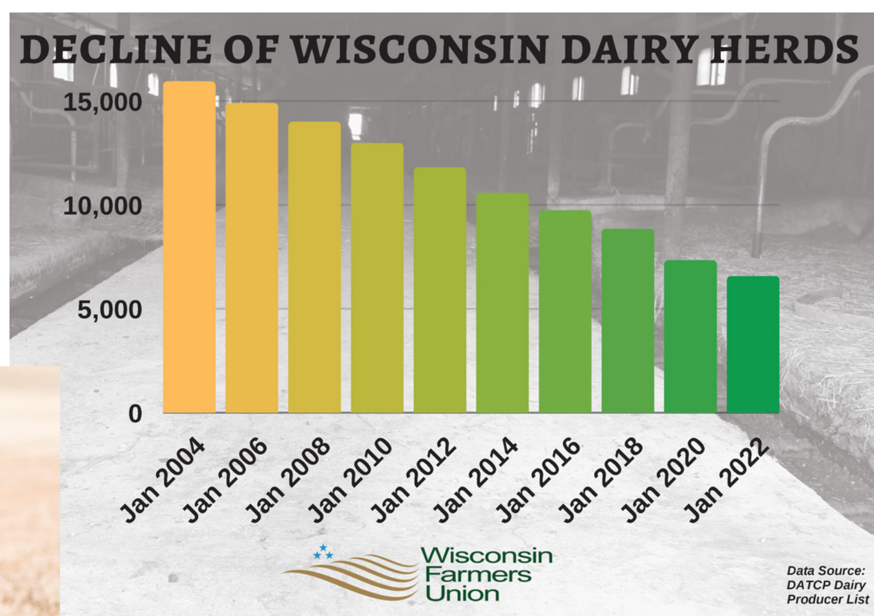
OUR CURRENT STATE

The number of American dairy farms has been in a steady decline. Continuing to lose dairy farms at this pace weakens rural communities as well as the American food system.



**US Farms with Milk Cows, Licensed herds*
USDA National Ag Statistics Service

Dairy farmers have been struggling through boom and bust price cycles for decades. **Over the last decade, the USDA recorded the loss of roughly 17,000 dairy farms.** Many of these farms have been driven out by government policies and industry practices that favor mass production of commodities over farm viability. The outlook is dire for the next generation.



Goplin Homestead Farm, Osseo, WI
By Leeza Marie Photography

DAIRY REVITALIZATION PLAN

Developed with feedback from farmers and stakeholders throughout the country, the Dairy Revitalization Plan was designed around the following attributes and outcomes:

- National in scope and mandatory for all U.S dairy producers.
- Managed by dairy farmers.
- Improve farm income and reduce price volatility.
- Provide entry for beginning dairy farmers and a strategy for producers to exit the business.
- Assign a base volume to all dairy producers determined by their historic production.
    - Base shall not be sold and does not carry value.
    - Base remains with facilities.
- Provide growth opportunities for dairy producers.
- Cause no significant increase in the cost of dairy products to consumers.
- Reduce the cost of government subsidies to the dairy industry.
- Be flexible and responsive to market growth and economic factors.
- Allow for dairy exports without conflicting with existing trade agreements.
- Function within any milk pricing system.

The Dairy Revitalization Plan was developed through a committee process involving leaders of the Wisconsin Farmers Union and Wisconsin Farm Bureau, convened by the University of Wisconsin Center for Integrated Agricultural Systems.

The proposal was analyzed in a 2021 study, "Analyses of Proposed Alternative Growth Management Programs for the US Dairy Industry," by University of Wisconsin agricultural economists Charles Nicholson and Mark Stephenson.

The figures in this document were taken from that study, and the full report is available at **www.dairymarkets.org**. The study was funded by the UW Baldwin Wisconsin Idea program, the Grassland 2.0 project, the Wisconsin Cover Crops Research and Outreach Program, and the UW Center for Integrated Agricultural Systems.

MEANINGFUL POLICY REFORM

Farmer-led and backed by research, the Dairy Revitalization Plan is a step forward.

Nicholson and Stephenson's research found that Growth management strategies such as the Dairy Revitalization Plan can:

- Increase milk prices and farm income
- Reduce milk price volatility
- Slightly increase dairy product prices
- Maintain growth in domestic demand, but at a lesser rate than without growth management
- Maintain growth in US dairy exports, but at a lesser rate than without growth management
- Significantly reduce government expenditures on federal dairy programs

The Dairy Revitalization Plan would stabilize prices and improve farm income. With farmers receiving more of their income from the marketplace, it would reduce reliance on taxpayer subsidies. While these benefits come with tradeoffs in the form of slightly higher product prices and reduced growth in dairy exports, the program was designed to minimize these impacts to balance the needs of everyone involved in the dairy industry.

Prioritizing the viability of family dairy farms will generate more wealth in rural communities and promote greater food security and economic resilience now and into the future.

"Too often, we farmers are pitted against each other, small and large. This plan, being a farmer-led, national program, will benefit all dairy farms. Had it been implemented in the last farm bill, I daresay my family would still be milking cows today, along with the countless others who we have lost over the past few years.

- Karyn Schauf, former dairy farmer, Barron, WI

PHOTOGRAPHY BY BERGLANE

HOW IT WORKS

The Dairy Revitalization Plan promotes growth in the dairy industry, but in a coordinated way, among all dairy producers, so everyone has the potential to reach their desired levels of production and profitability.

Implementation

In order for the program to be national and mandatory, it will require Congressional authorization but will not involve government control. A board of elected dairy farmers will serve as directors to implement and oversee the program. The program will be administered through USDA and governed by the board. Agricultural economists and processors will also serve on the board in an advisory capacity.

Base + Allowable Growth

Each farm establishes a milk production base determined by historic production and adjusted annually. All farms can increase milk production up to an allowable rate of growth above their base without penalty.

Base can be established in a number of ways without impacting effectiveness of the program. Using the prior year's production, highest of the previous three years, or a rolling average are all possibilities.

Market Access Fee

Any dairy farmer that chooses to expand above the allowable rate of growth can do so by paying a Market Access Fee (MAF) during the year of expansion. Beginning farmers are exempt from paying the MAF until their base is established. MAFs are tiered so that a larger expansion incurs a higher MAF and a smaller expansion incurs a lower MAF. The fees are also tiered so that a farm with a higher milk production base incurs a higher MAF and a farm with a smaller base incurs a lower MAF. The fee tiers reflect the potential for an expansion to negatively impact prices paid to all farmers.

Dividend

Market access fees paid by farmers who expanded above the allowable rate of growth are pooled and distributed annually to all farmers who stayed within the allowable rate of growth. The dividend is an incentive to grow more intentionally and produce just the right amount of milk to meet growth in demand.

> **If the past few years have taught us anything, it's that we need resilience so we can better withstand future shocks to our food system. I hope this can be the turning point to not only think about economic efficiency but also economic resilience. Growth management has the potential to do that.**
>
> *- Bobbi Wilson, Dairy Together Organizer*

Berglane Farm, Chetek, WI

IMPACTS

In 2021, University of Wisconsin agricultural economists Mark Stephenson and Charles Nicholson compared the impacts of five variations of a growth management plan (GMP). The researchers used a simulation model of the global dairy supply chain to analyze the impacts of a GMP on US milk prices and other factors between 2014 and 2021 and compared them to a baseline scenario of actual milk prices and economic trends during that time.

The following results show the economic impacts of the **Dairy Revitalization Plan**:

Milk Prices

Milk prices would have been higher by an average of $1.41 between 2014 and 2021 under the Dairy Revitalization Plan. While prices fluctuated, they were most often higher than they were without a growth management plan in place, which we anticipate would slow dairy farm loss.

Price Volatility

The degree of variation in prices above or below the average milk price was reduced by approximately 50 percent. Growth management reduced variation in milk prices by an average of $0.21, meaning farmers would be better able to anticipate prices month-to-month.

Net Farm Operating Income

Dividends to farms that stayed within allowable growth plus higher prices yield a significant boost. Income was higher for farms that stayed within allowable growth across all levels of production.

Domestic Demand for Dairy

Average retail price of a gallon of milk would increase by $0.15 and a pound of American cheese by $0.11, slightly decreasing domestic demand. However, we still see positive demand growth across all types of dairy products.

Dairy Product Trade

The plan reduces the value of dairy exports compared to the baseline scenario, *however* exports still see positive growth under this program. The plan reduces volatility, creating more stable and predictable export growth.

Government Expenditures

The plan could cut government spending on federal dairy programs like Dairy Margin Coverage in half. The analysis showed ***a $2.6 billion reduction in government expenditures*** on DMC between 2014 and 2021.

THE TIME TO ACT IS NOW

A movement known as Dairy Together has been building across the nation, uniting dairy farmers, industry stakeholders, and allies as we explore ways to address the dairy crisis and create meaningful policy changes.

We are united in ways we never have been before.

Through this effort, we have listened and learned from farmers and coalesced around the Dairy Revitalization Plan as a solution that is fair, effective, and politically feasible. **With the farm bill set to expire in 2023, we have an opportunity to reform dairy markets in a way that creates balance and long-term stability.**

The good news is, the American philosophy around food and farming is shifting and the dairy industry will have to adapt. The "get big or get out" mentality that brought forth a system of large-scale corporate agriculture has run its course. The farm policies of the future will favor fair prices, rural resilience, diversity, and public health.

The farm bill is our opportunity to turn the corner and embrace these values as we usher in a new era for agriculture. We know a lot of farmers who can hardly wait.

We need champions who will push to end the dairy crisis and stand up for farmers. Will you join us?

How can you stand up for America's dairy farmers?

- **Be a champion for the Dairy Revitalization Plan in the farm bill.**
- **Dig into the research at https://dairymarkets.org/GMP/**
- **Follow the Dairy Together movement at www.dairytogether.com**
- **For more ways to engage, contact Dairy Together Organizer Bobbi Wilson at bwilson@wisconsinfarmersunion.com**