

Dairy Product Price Support Program (DPPSP) Formerly the Milk Price Support Program (MPSP)

Overview

The Dairy Product Price Support Program (DPPSP) began as the Milk Price Support Program (MPSP) and is legislatively mandated. The Secretary of Agriculture is authorized to carry out this program under the Commodity Credit Corporation (CCC) borrowing authority. MPSP was established on Oct. 1, 1949, by the Agricultural Act of 1949 to provide farmers a parity level of income. The program has been modified over the years but continues to support prices for dairy farmers. Provisions for inventory control and other programs have been added.

The MPSP has never paid farmers directly, but purchases dairy products from processors and vendors to allow farmers to be paid the mandated support price for their milk.

Background

Provisions of the Agricultural Act of 1949, as amended, required that the price of milk paid to producers be supported at a level between 75 and 90 percent parity to assure an adequate supply of milk, reflect changes in the cost of production and assure a level of farm income to maintain productive capacity sufficient to meet future needs; however, since Oct. 21, 1981, the support price has been established by Congress either at specific price levels or by formula related to expected surplus, rather than parity levels.

The 1996 Federal Agriculture

Improvement and Reform Act authorized the MPSP through Dec. 31, 1999. Due to low prices and concerns from the dairy industry, Congress extended the MPSP into 2000, 2001 and until May 31, 2002, through the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Acts of 2000 and 2001. After June 1, 2002, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) was passed authorizing the program through Dec. 31, 2007. The 2002 Farm Bill authorized the Secretary of Agriculture to support the price of milk produced in the 48 contiguous states through the purchase of cheese, butter and nonfat dry milk (NDM) produced from the milk. The milk was supported at a rate of \$9.90 per hundredweight (cwt) for 3.67 percent butterfat (milkfat) milk.

Current Legislative Authority

The Food, Conservation, and Energy Act of 2008, (2008 Farm Bill) reauthorized MPSP as DPPSP beginning Jan. 1, 2008, and ending Dec. 31, 2012. Under the 2008 Farm Bill, the Secretary of Agriculture supports the price of cheddar cheese, butter and nonfat dry milk by providing a standing offer to purchase such products made from cows' milk produced in the United States. The 2008 Farm Bill establishes the support prices as follows:

- For cheddar cheese in blocks, not less than \$1.13 per pound;
- For cheddar cheese in barrels, not less than \$1.10 per pound;

- For butter, not less than \$1.05 per pound and;
- For nonfat dry milk, not less than \$0.80 per pound.

When purchases exceed certain statutory levels, the Secretary is required to make temporary price adjustments to avoid the accumulation of excess inventories.

CCC Purchases and Dispositions

DPPSP purchases are just one part of overall CCC purchases for the Farm Service Agency (FSA). Under the CCC's umbrella, FSA purchases and delivers processed commodities under various domestic food distribution programs, such as the National School Lunch Program and the Commodity Supplemental Food Program. Purchases and deliveries of commodities also are made to foreign countries under Titles II and III of Public Law 480; the Food for Progress Program; the McGovern-Dole International Food for Education and Child Nutrition Program; and Section 416(b) of the Agricultural Act of 1949. These programs are carried out through private voluntary agencies, the World Food Program and government-to-government transfers.

Purchases in Special Forms or Consumer-Size Packages

In addition to purchases of bulk products at announced prices, CCC has historically purchased butter, cheese and NDM in further processed forms or in consumer-size packages to support the price of milk. The prices for these

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products include Make Allowances fees for additional processing and packaging costs. Purchasing products in consumer-size packages enables CCC to utilize dairy products under donation programs more efficiently.

Processing and Repackaging

Under DPPSP, in order to facilitate use in food assistance programs, products purchased in bulk are repackaged in forms suitable for sale and donation. These services, which are contracted through competitive bids, include repackaging bulk butter into 1-lb prints; processing butter into butteroil; processing block or barrel cheese into 5-lb and 2-lb loaves; and instantizing and/or fortifying NDM with vitamins A & D and repackaging into 25.6 oz, or 4-lb bags.

Other Dairy Programs

In addition to DPPSP, USDA administers the Milk Income Loss Contract Program (MILC), the Dairy Promotion and Research Program (DPRP), and the Dairy Export Incentive Program (DEIP).

MILC

FSA administers MILC. Payments are made directly to dairy producers when milk prices fall below a specified level. All producers that produce and market milk in the United States are eligible for the program.

DPRP

This national producer program for dairy product promotion, research and nutrition education strives to increase human consumption of milk and dairy products and reduce milk surpluses. This self-help program is

funded by a mandatory 15-cent-per-hundredweight assessment on all milk produced in the 48 contiguous states and marketed commercially by dairy farmers. It is administered by the National Dairy Promotion and Research Board (Dairy Board).

DEIP

USDA's Foreign Agricultural Service administers DEIP. U.S. dairy commercial exporters can apply for cash subsidies through DEIP to offset the difference between world and U.S. prices. This can lower the amount of DPPSP purchases or increase U.S. government market removals. CCC funds DEIP subsidies, but does not actually purchase the exported commodities. DEIP is a separate program from DPPSP but is still considered a CCC market removal.

Historical Dairy Price Support Data

For information on Dairy Price Support, see

http://www.fsa.usda.gov/Internet/FSA_File/dppsp_fact_sht_hist_data.pdf.

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