

Impact of NMPF's Price-Enhancing Dairy Policy Proposals on Federal Nutrition Programs: *How the Proposals Would Increase Taxpayers Costs and Reduce Program Purchasing Power*

Executive Summary

This independent report by a Ph.D. economist, which was commissioned by the International Dairy Foods Association, provides, for the first time, an analysis of the taxpayer and other costs of recent National Milk Producers Federation's (NMPF) dairy policy proposals on the federal nutrition assistance programs. The NMPF's proposed Dairy Market Stabilization Program (DMSP), which limits milk production, and the NMPF's proposed changes to the Federal Milk Marketing Orders (FMMOs), which regulate most farm milk prices, would impose hidden, but very real costs on U.S. taxpayers and Americans most in need due to higher milk and other dairy product prices associated with the federal nutrition assistance programs.

Major Findings (*See Table 1-E below for more detail.*)

The analysis in this report found that, if NMPF's policy proposals had been law in 2009:

- milk prices would have been 27 cents a gallon higher and cheese prices would have been 30 cents a pound higher than they would have in the absence of the NMPF policies;
- the hidden costs of the NMPF proposals' price increases on the federal nutrition assistance programs and their beneficiaries would have totaled nearly two-thirds of a billion dollars ;
- taxpayers would have been hit with a previously unrecognized, nearly one half billion dollar increase in federal spending triggered by mandatory inflationary adjustments in the programs;
- the effectiveness of taxpayers' investment in the nutrition assistance programs would have been reduced due to nearly \$200 million in lost program purchasing power; and
- the availability of cheese from the food distribution programs, to recipients such as schools and food banks, would have declined by 50 million pounds

Scope of the Report, Data and Methods

Costs that would be imposed on the following nutrition assistance programs were estimated for:

- Child nutrition programs (National School Lunch, National School Breakfast, Special Milk, Child and Adult Care Feeding, and Summer Food Service Programs);
- Commodity distribution (Food Distribution Program on Indian Reservations, Commodity Supplemental Food Program, Temporary Emergency Food Assistance Program)
- Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) and
- Special Supplemental Nutrition Program for Women Infants and Children (WIC).

Data on milk and dairy product price impacts of the NMPF proposals were drawn from the 2011 FAPRI analysis of the DMSP and NMPF's estimate of the effect of its proposed changes to FMMOs on Class I (beverage) milk prices.¹ Nutrition assistance program participation levels and spending for milk and dairy products were drawn from USDA Food and Nutrition Service web sites and studies. Consumption of milk and dairy products for SNAP participants was estimated from the U.S. Bureau of Labor Statistics (BLS) *Consumer Expenditure Survey*. Data to estimate the mandatory inflation adjustments for entitlement nutrition assistance programs were drawn from the BLS' Consumer Price Index and Producer Price Index.

¹Stephenson, Mark. "Farm Bill Dairy Proposals." Presentation at '4-State Dairy Meeting', Rochester MN. May, 2011. For a summary of the NMPF Federal Milk Marketing Order proposal, see:
http://www.futurefordairy.com/pdfs/NMPF_FFTF_FMMO_Reform_Program_Overview.pdf ..

Table 1-E. Costs of NMPF Proposals by Federal Nutrition Assistance Programs

| | Increase in Taxpayer Spending | Erosion of Purchasing Power | TOTAL Increased Costs of Milk and Dairy Products |
|---|--------------------------------------|------------------------------------|---|
| | (Millions of \$) | | |
| School Meals and Summer Food Service Programs | 65 | 11 | 76 |
| Child and Adult Care Feeding Program | 12 | 16 | 28 |
| Women Infants and Children Program (WIC) | 92 | 0 | 92 |
| Supplemental Nutrition Assistance Program (formerly Food Stamps) | 302 | 80 | 382 |
| Commodity Distribution Programs | 0 | 77 | 77 |
| Total, All Programs | 471 | 185 | 656 |

Conclusions

Hidden behind typical estimates of the impacts of dairy policy proposals on prices and federal spending are large additional taxpayer costs and reductions in the effectiveness of federal nutrition programs. Any consideration of price-enhancing dairy policy changes, such as the NMPF proposal, should incorporate these additional impacts. This paper harnessed FAPRI estimates and federal data to provide a unique window to those unintended, but substantial costs.