Congress Whips Up Deal Averting "Dairy Cliff" — for Now

With its last-minute New Year's Day deal, Congress has pulled Americans back ever so slightly from two approaching precipices. First, of course, was the "fiscal cliff," which has received most of the attention. But the agreement also kept the country from driving over the "dairy cliff," which could have caused milk prices to double in fairly short order.

As *The New American* reported in late December, because Congress had not passed a new farm bill to replace the one that expired in September, federal milk policy in 2013 was set to revert to that of the Agricultural Act of 1949, the last permanent farm bill passed. That law requires the federal government to purchase milk at about twice the current market price to help cover dairy producers' costs. Under such a policy, farmers would naturally choose to sell to Uncle Sam first, creating shortages that would drive the price of milk up to perhaps double its current price, causing headaches for both consumers and food processors that use dairy products.

The latest legislative compromise averts this potentially disastrous outcome by extending portions of the current farm bill through September. That means the government will continue its existing policy of purchasing dairy products from farmers only when the price of milk falls below a set minimum — something that has not occurred in recent years — for the next nine months, after which the 1949 policy will take effect if another farm bill is not passed.

In addition, the farm bill extension continues existing crop subsidies, paid regardless of commodity prices, to the tune of $5 billion a year. In farm bills being considered last year, both the Senate and the House of Representatives had eliminated those subsidies. The Senate passed its version, but House Speaker John Boehner (R-Ohio) refused to permit his chamber's version to come to the floor for a vote. Boehner objected to the bill because of what he called its "Soviet-style" market stabilization plan, which would have mandated production cuts if dairy prices fell too low, and because of "disagreement among House Republicans over how much money should be cut from food stamps, which make up roughly 80 percent of the half-trillion-dollar bill's cost over five years," according to the Associated Press.

As one might expect, food processors who use large amounts of dairy products are happy with the extension. Bloomberg writes:

> The International Dairy Foods Association, which represents Kroger Co. (KR), the largest U.S.

> grocery chain, and Nestle SA (NESN), the world's biggest food company, said it was pleased with the deal that avoided higher milk prices. "This agreement allows Congress time to fully and openly consider future reforms to our nation's dairy policies," the group said.

Also in good spirits are "Southern agricultural interests with the greatest stake in a costly system of direct cash payments to often already profitable producers," according to *Politico*.

On the other hand, dairy farmers who stood to gain by a return to the 1949 policy are none too pleased. Jerry Kosak, president of the National Milk Producers Federation, called the congressional deal "a devastating blow to the nation's dairy farmers" that "amounts to shoving farmers over the dairy cliff without providing any safety net below."

Other farmers are upset because the deal covers only the next nine months, leaving them wondering what the future holds for federal farm policy.

National Farmers Union president Roger Johnson said, "An extension represents a shortsighted, temporary fix that ultimately provides inadequate solutions that will leave our farmers and ranchers crippled by uncertainty."

Likewise, Pam Johnson, president of the National Corn Growers Association, said that "the system is clearly broken" and that her organization hopes congressional leaders "can place petty partisanship aside to create a bill that benefits all of America."

One suspects that Johnson's opinion of what "benefits all of America" differs from that of the average taxpayer. The only type of bill that benefits all Americans is one that repeals all federal agricultural policies, not one that subsidizes farm products or otherwise interferes with a free market in those products. Anything else, by definition, benefits some people (usually large factory farms) at the expense of others (small farms, consumers, and taxpayers). And — notwithstanding a long history of such legislation — it is also unconstitutional.

Americans can breathe a small sigh of relief knowing that they aren't soon going to be saddled with high dairy prices courtesy of their own tax dollars. They may also take comfort in the fact that, as *Politico* observed, "consumer fears about milk prices drove the deliberations more than dairy farmers," meaning that the political power of Big Agriculture may be somewhat on the wane. Indeed, as Mark McMinimy, an analyst at the Guggenheim Washington Research Group, told Bloomberg, "lobbyists and lawmakers may have an even tougher climb [to pass a new farm bill] as cost-cutting rules the day." However, as the fiscal cliff agreement proves, cost-cutting measures have a way of being postponed indefinitely, and politicians dependent on Big Ag for campaign contributions and votes may well find a way to reward their benefactors while claiming the mantle of fiscal responsibility.