

Parsing the 2007 Farm Bill

■ As debate on the Farm Bill heats up, you can follow the proposals for the dairy title and make your voice heard

By Susan Harlow

This is a critical time for the 2007 Farm Bill as Congress decides how much money agriculture, as well as other sectors, has to spend, and what to spend it on.

Federal milk market orders seem to be faltering, the dairy industry is shifting geographically and global trade is becoming more important. The public is demanding more in the way of environmental and energy stewardship from agriculture. Nevertheless, the condition of the federal budget may be the biggest factor in what the final bill looks like.

Hard work has gone into developing proposals for the bill's dairy title, and there's much haggling over details for this crucial piece of legislation. Let's take a look at those presented so far. Caution: some are changing as we speak, and more ideas will be suggested. We'll keep you updated. Meanwhile, keep this guide as a reference on the continuing debate.

A proposal by Pennsylvania Secretary of Agriculture Dennis Wolff would:

- Restructure the Milk Income Loss Contract (MILC) program to pay a target price to producers whenever the Class III price drops below \$12 per cwt. An adjustment factor, based on a feed index developed by USDA, would reflect the feed cost of producing a hundredweight of milk. Annual payments would be capped at \$50,000 per farm.

- Implement a Recourse Loan Program for processors and manufacturers like the one in the 1996 Farm Bill.

- Have the USDA study the effect of cutting the number of classes in federal milk marketing orders from four to two: fluid and manufacturing. Prices would be based on fat, protein and other dairy solids. If the effect is positive for producers, USDA would send the report to Congress and its committees of jurisdiction, which would have 180 days to amend federal milk marketing orders to make the change.

- Require USDA to review income-over-feed costs in light of producer profitability, and give a monthly economic assessment of proposed

changes in federal order formulas on profitability, consumer demand and market prices.

- Require the USDA to issue federal milk market order decisions within 30 days after closing the hearing record.

- Improve price discovery: Make mandatory daily and weekly reporting of all dairy commodity transactions including prices and quantities, and monthly reporting of all U.S. production of dairy products.

- Develop a voluntary milk revenue insurance program through the USDA Risk Management Agency.

- Require USDA to use current prices for Class I and Class II instead of advance pricing.

- Bring back the Dairy Options Program and the Dairy Forward Contracting Program nationwide.

- Establish a dairy processing equipment loan guarantee fund to encourage investment in new processing technologies.

- Establish a federal loan forgiveness program for persons who complete and obtain a college degree and return to work in production dairy.

For more, see www.agriculture.state.pa.us.

The National Milk Producers Federation (NMPF) proposes to:

- Replace the Dairy Price Support (DPS) program with one called the Dairy Product Price Support Program. It supports the prices of specific dairy products such as butter, nonfat powder and cheese. Prices would be set statutorily; the U.S. Secretary of Agriculture would no longer have the authority for setting Class IV price by adjusting the "tilt."

- Establish a Milk Producer Security Program in place of MILC. Producers would be given an annual payment, based on their historic production and with a cap of \$40,000, for the life of the 2007 Farm Bill, even if they go out



FYI

■ Other Farm Bill resources:

Purdue University's 2007 Farm Bill Issues and Analysis website: www.agecon.purdue.edu/farmbill/.

Bob Gray, executive director, Northeast Council of Farmer Cooperatives. Tel: 703-751-0204. Email: bgray15452@aol.com

If you're a member of a dairy cooperative, contact it for more information on the Farm Bill.

Northeast Sustainable Agriculture Working Group: www.nesawg.org

Northeast Ag Works!: <http://www.northeastagworks.org/4.html>

of business. By decoupling payments from both future production and price, the program would fall into the “green box” category of programs allowed under the World Trade Organization (WTO).

- Include a forward contracting provision for Class II, III and IV milk.

- Require dairy promotion assessment on imported dairy products.

- Reauthorize the Dairy Export Incentive Program, and boost funding for USDA’s Market Access Program and Foreign Market Development Program.

U.S. Department of Agriculture (USDA) proposes to:

- Continue DPS, with a price support of \$9.90 per cwt.

- Continue MILC as a counter-cyclical safety net for dairy producers. Producers would get MILC payments if the Class I price fell below \$16.94 per cwt. In FY 2008, the payment would be 34% of the difference between \$16.94 per cwt. and the Class I price in Boston. After that the payment would begin to drop. In FY 2009, 31% of the difference; in FY 2010, 28%; continuing to decline to 20% in FY 2013-2017.

- MILC payments would be tied to historical production – quantity of milk eligible would be 85% of a producer’s annual average production during fiscal years 2004-06.

- The current 2.4-million-pound cap would apply. In addition, MILC payments would count toward a \$110,000 limit on all counter-cyclical payments. Only farmers with adjusted gross incomes of less than \$200,000 would be eligible.

Find the proposals at www.usda.gov/farmbill

The American Dairy Farmer Protection Act, introduced by Rep. Kirsten Gillibrand (D-N.Y.), proposes to:

- Set a Class I floor price of \$15.58 per cwt., based on indexing for inflation.

- Raise the cap on MILC payments from 2.4 million pounds to 4.8 million pounds.

- Set the MILC payment rate at 45% of the difference between \$16.94 per

cwt. and the Class I price in Boston.

The International Dairy Foods Association (IDFA) proposes to:

- Replace MILC and the DPS with an “environmentally friendly” dairy payment program.

- Establish a revenue insurance program to help buffer producers against price downturns.

- Give producers and manufacturers of Class II, III and IV dairy products permanent access to forward contracting.

See the IDFA Farm Bill website: www.healthydairyindustry.org

American Farm Bureau Federation (AFBF) proposes to:

- Change the structure of the DPS from the current program that supports the price of milk to one that supports the price of butter, nonfat powder and cheese, but only if total federal government funding does not increase with the new program.

- Continue the MILC program or another form of counter-cyclical payments. AFBF opposes reductions in the program payments.

- Require dairy promotion assessment on imported dairy products.

See the AFBF proposal at: www.fb.org/index.php?fuseaction=newsroom.farmbill20

The National Dairy Equity Act, first introduced in Congress in 2004, proposes to:

- Establish regional dairy marketing areas and boards in the Northeast, South and Midwest. Other states could join if they wanted to do so. These regional boards, appointed by U.S. Secretary of Agriculture, would set over-order prices in their regions, paid for by an assessment on milk handlers paid into a central National Dairy Producers Fund.

- Base payments on what the regional area paid in handler assessments, or 45% of the difference between the Class I price and a region’s over-order price set by the regional board.

- Require regions that overproduce milk to compensate the Commodity Credit Corporation (CCC). ■

Northeast lawmakers who are key in the Farm Bill debate:

Members of Senate and House Agriculture Committees:

Rep. Kirsten Gillibrand, D-N.Y.

120 Cannon House Office Bldg.
Washington, DC 20515
Tel: 202-225-5614
www.gillibrand.house.gov

Rep. Tim Holden, D-Pa.

2417 Rayburn House Bldg.
Washington, D.C. 20515
Tel: 202-225-5546
www.holden.house.gov

Rep. Randy Kuhl, R-N.Y.

1505 Longworth House Office Bldg.
Washington, D.C. 20515
Tel: 202 225-3161
www.kuhl.house.gov

Sen. Patrick Leahy, Vt.

433 Russell Senate Office Bldg.
United States Senate
Washington DC 20510
Tel: 202-224-4242
<http://leahy.senate.gov/>

Sen. Robert Casey Jr., R-Pa.

383 Russell Senate Office Bldg.
Washington, D.C. 20510
Tel: 202-224-6324
<http://casey.senate.gov>

Senate and House Appropriations Committee members:

Rep. Rosa DeLauro, D-Conn.

2262 Rayburn House Office Bldg.
Washington, DC 20515
Tel: 202-225-3661
www.delauero.house.gov

Rep. Maurice Hinchey, D-N.Y.

2431 Rayburn House Office Bldg.
Washington, DC 20515-0524
Tel: 202-225-6335
www.hinchey.house.gov

Sen. Jack Reed, D-R.I.

728 Hart Senate Office Bldg.
Washington, DC 20510
Tel: 202-224-4642
<http://reed.senate.gov/>

Sen. Arlen Specter, R-Pa.

711 Hart Senate Office Building
Washington, DC 20510
Tel: 202-224-4254
<http://specter.senate.gov/>