

2002 Farm Bill

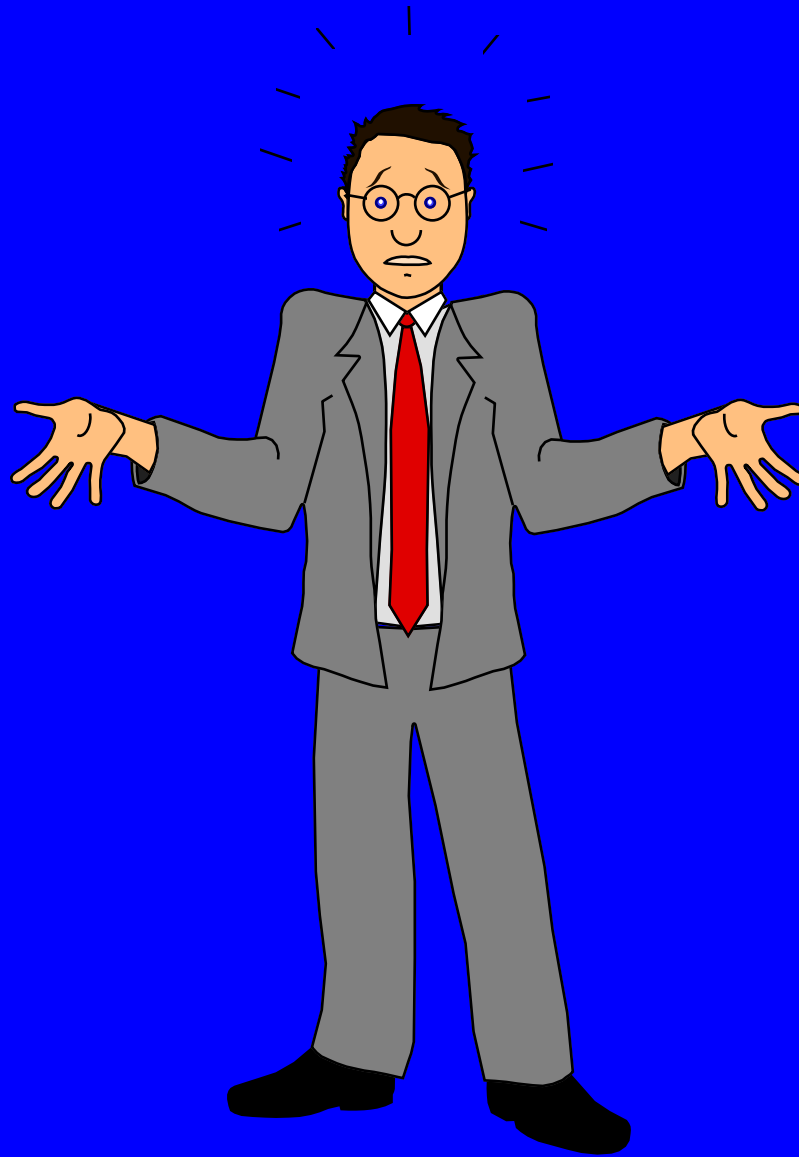
By Bob Cropp

Dairy Marketing and Policy Specialist

University of Wisconsin Extension-Madison

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Who knows;
especially for
dairy.

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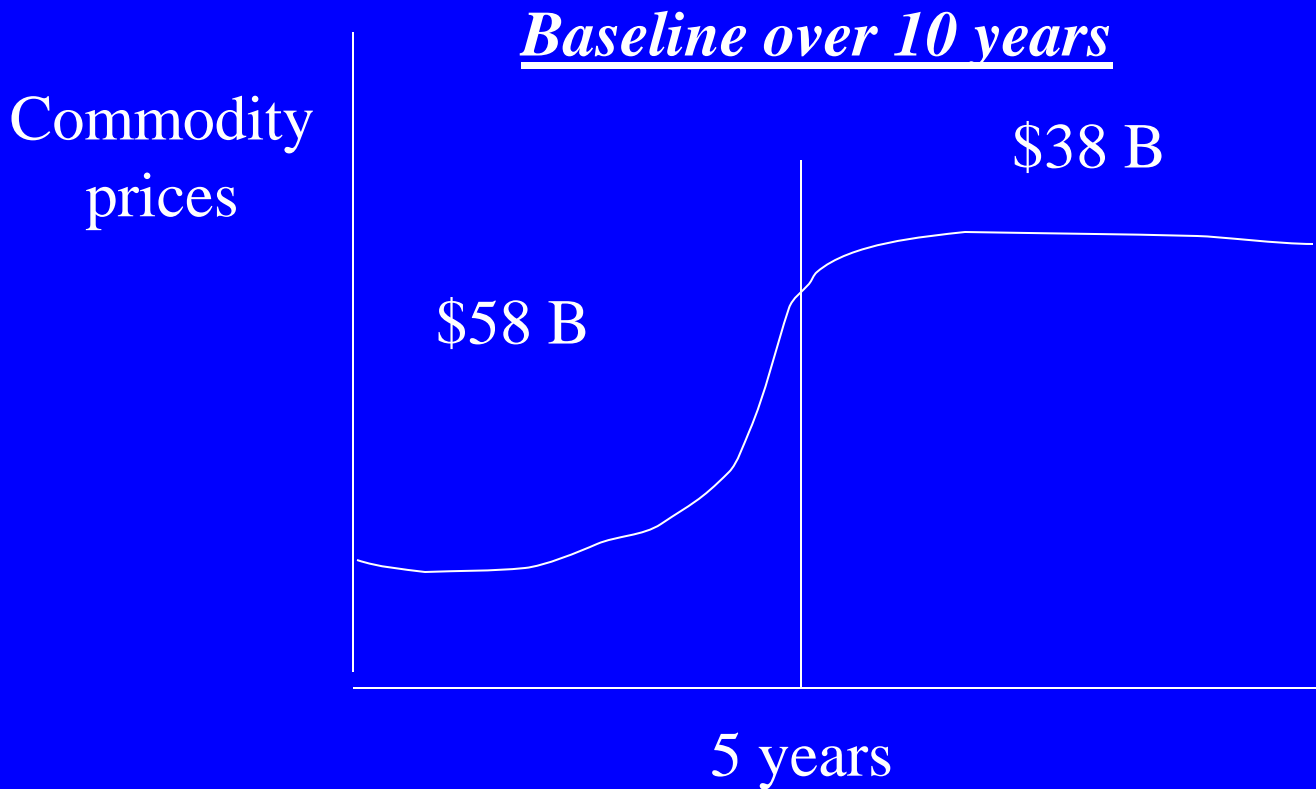
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- *House passed their Farm Bill last fall.*
- *Senate failed to pass their Farm Bill before December adjournment.*
- *Senate took up debate on January 23rd.*
- *Differences between House and Senate to be worked out in conference committee*

Budget:

- **\$96 billion baseline**
- **Plus, allocated to agriculture \$73.5 billion surplus.**
- **Total of \$170 billion over 10 years (2011)**

Baseline assumptions:



But, new budget numbers to come out.

- *Will there be \$170 billion for agriculture?*
- *Will Congress question why spending so much for agriculture?*
- *\$170 billion exceeds the \$19 billion per year WTO says we can spend on trade distortion policies (the amber box).*
- *Yet, a number of key elections in rural states.*

Dependency on Direct Government Payments, 2000

(Percent of net cash income)

- **IL 104%**
- **IA 68%**
- **MN 71%**
- **ND 131%**
- **SD 49%**
- **NE 65%**
- **KS 78%**
- **IN 87%**
- **MT 80%**
- **WI 54%**
- **MI 53%**
- **NY 16%**
- **PA 13%**
- **CA 12%**
- **ID 28%**
- **NM 13%**
- **TX 34%**

House & Senate Bills

House

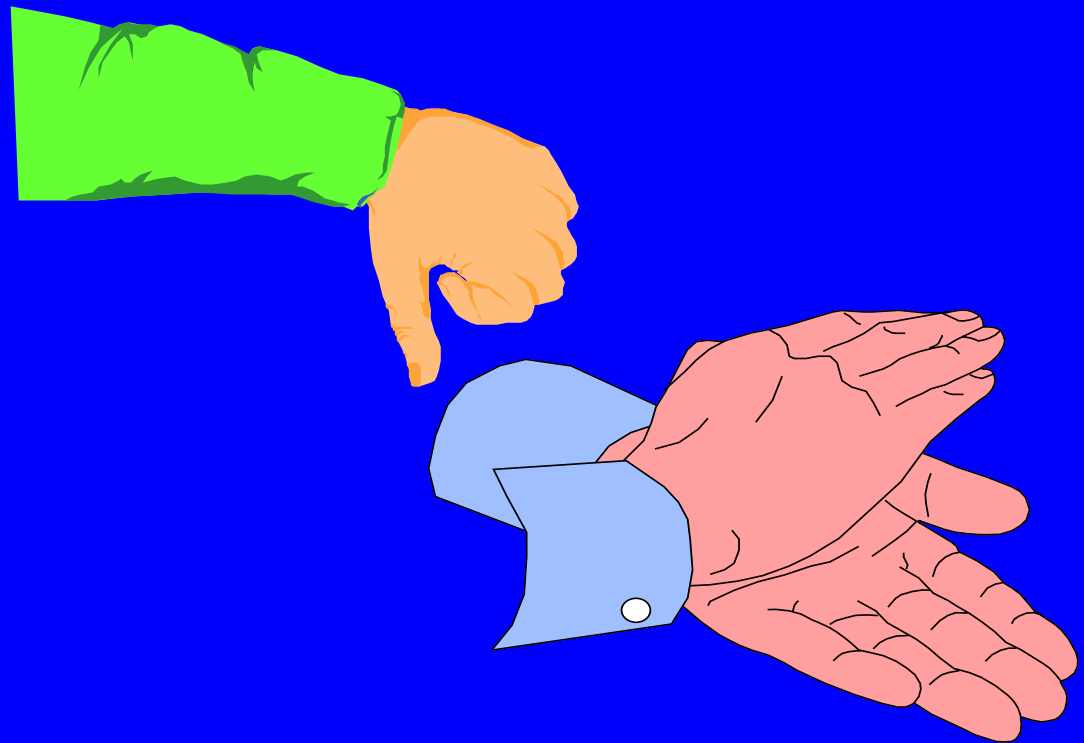
- **10 year bill-2011**
- **Commodity programs:**
 - *Added Wool & Mohair and honey*
 - *AMTA payments*
 - *Marketing loan program*
 - *Counter cyclical payment (target price-deficiency payment)*
- **Enhanced conservation:**
(CRP, Environmental Quality Incentives program, Grassland Reserve Program, Wildlife Habitat, technical assistance)

Senate

- **5 year bill-2006**
- **Commodity programs similar**
- **Conservation programs similar**

2002 Farm Bill

- Dairy Provisions



House Version

- \$9.90 support price through 2011
- Dairy imports assessed on a milk equivalent basis for promotion program
- Continuation of DEIP
- Keep fluid milk promotion program (Milk PEP)
- Correction in mandatory reporting

House Bill Continued:

- **Secretary of Agr. required to conduct a study-- economic evaluation of the potential direct and indirect effects of national dairy policy, including the elimination of a national policy (federal milk marketing orders, interstate dairy compacts, over-order premiums, State pricing programs, direct payments to producers, dairy price support program, and DEIP**

Impact on farms, price stability, nutritional programs, wholesale & retail prices, milk utilization

Study to be completed by April 30, 2002

- **Johne's Disease Control Program**

Senate Version

- Five-year bill (through 2006)
Extends the \$9.90 support price through 2006
- Two parts:
 - 1) Dairy market loss assistance program:
 - Payments start Oct 1, 2002-Sept 30, 2005
 - Quarterly payments
 - Payment is the difference between the **average all milk price** over the past 5-years for a given quarter and the actual all milk price times 40%.
 - \$1,500,000,000 funds available

- **Payment limitations:**

- **8,000,000 pounds of milk per year-- 400 cows**

- **Producer base is average of the milk produced each of 1999 - 2000 fiscal years.**

- **Transfer of base limited to family members.**

- **New producer has base of 1,500,000 pounds for 3 years.**

2) Northeast Dairy Market Loss Payments:

- Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia
- Secretary enters into contracts with producers for payments if they comply with conservation practices
- Payment is difference between \$16.94 Class I and actual Class I price X 45% and made on a monthly basis
- Starts Dec. 1, 2001 through Sept 30, 2005
- Funding \$500,000,000

•Also, like the House Bill it has:

1) DEIP

2) Fluid milk promotion

3) Mandatory dairy product reporting

4) Assessments against imports for promotion

5) Johne's Disease Control Program

- But has an addition:

Secretary of Agr. Should study:

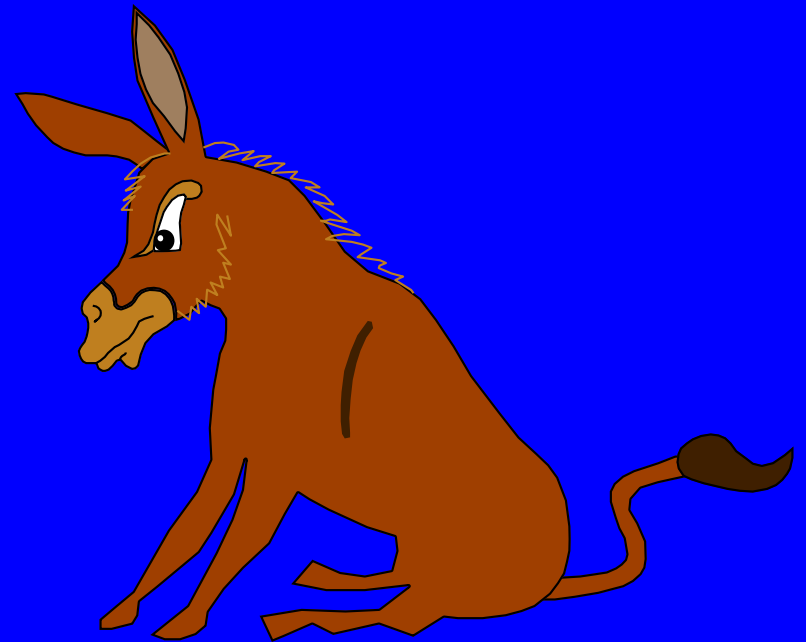
- the effects of terminating all federal programs relating to the price support and supply management and granting the consent of Congress to cooperative efforts by States to manage milk prices and supply, and

- the effects if including in the standards of identity for fluid milk a required minimum protein content that is commensurate with the average nonfat solids content of bovine milk

- Submit to Committee on Agr of House of Representatives and the Committee on Agriculture, Nutrition, and Forestry by Sept. 30, 2002

The Senate version appears to be an effort to keep compacts alive.

The Northeast will continue to fight for their dairy compact. They can't be budged to get off of that approach and consider a “National Dairy Program”



*The House and Senate versions go to a
Conference Committee to work out
differences*

*Perhaps we will have a
2002 Farm Bill passed by spring of 2002*

