



## Farm Bill Summary: Issues Affecting Dairy Producers

### **Dairy Product Price Support Program**

The Farm Bill Conference Report establishes a dairy product price support program (shifting the basis of the program from milk to the specific CCC-purchased products), provides for temporary price support adjustments, and restores the 110 percent minimum CCC commercial sell-back price rule. The specific dairy product price support levels, i.e. the bases for the temporary adjustment triggers as well as the commercial sell-back minimums, are the same as the current CCC purchase prices. These are \$1.13 per pound for cheddar cheese blocks, \$1.10 for cheddar cheese barrels, \$1.05 per pound for butter and \$0.80 per pound for nonfat dry milk.

### **Milk Income Loss Contract Program**

The MILC program is extended, raising the payment cap after September 2008 from 2.4 million to 2.985 million pounds and restoring the payment rate to 45% of the difference between Boston Class I and \$16.94. It also addresses concerns about rising input costs by incorporating a feed cost adjuster, which raises the target milk price when the standard NASS dairy feed mix price rises above \$147 per ton.

### **Energy**

Multiple new energy programs are incorporated, including \$300 million for programs in which energy is derived from agriculture waste. Important existing energy programs such as the Renewable Energy Systems and Energy Efficiency Improvements Loan Guarantee Program (renamed the Rural Energy for America Act), the Biomass Research and Development Act of 2000, and the Bioenergy and Biproducts Research Initiative are extended. In addition, the Farm Bill increases the limit on the maximum amount of the combined loan and grant for animal waste renewable energy projects from 50 percent to 75 percent of the funded activity, while limiting the maximum amount of loan guaranteed to 75 percent of the funded activity and not more than \$25 million. The Bill also establishes the "Agricultural Bioenergy Feedstock and Energy Efficiency Research and Extension Initiative" to award competitive grants for projects focused on supporting on-farm biomass crop research and the dissemination of results to enhance the production of biomass energy crops and the integration of such production with the production of bioenergy.

### **Dairy Promotion and Research Program**

The Dairy Promotion and Stabilization Act of 1983, is amended by changing the authorization of the national checkoff to include all 50 states plus Puerto Rico and the District of Columbia. The inclusion of all domestic producers in the promotion checkoff allows for imported dairy products to also be assessed. The Bill specifies that imports will be assessed at the rate of \$0.075 per cwt. of milk equivalent, one-half the rate at which domestic producers are assessed. USDA shall consult with USTR to ensure that the legislation is WTO compliant. In addition, the assessment will be refundable to importers for products imported under contracts entered into prior to the enactment of the Bill and imported during the year following that enactment.

### **Environmental Quality Incentives Program (EQIP)**

\$3.4 billion in additional funds is provided for the EQIP program. It also allows for up to \$450,000 for individual qualifying projects. Payments under this and other conservation programs are subject to an adjusted gross income (AGI) limit of \$1 million, if over one third of AGI is from non-farm income (although a waiver can be obtained in cases of special environmental significance).

### **Conservation Security Program**

The CSP program is extended and substantially amended to create a simpler system. An additional \$1.1 billion was added to the baseline and will enroll 113 million acres.

### **Dairy Forward Pricing Program**

This program is revived with three important producer safeguards: 1) processors cannot make participation a condition of receiving milk; 2) Class I milk is excluded; and 3) the program sunsets at the end of the Farm Bill. NMPF will work with USDA to see that a fourth safeguard, USDA enforcement of contract prices, is achieved through the requirement that payment be made "in accordance with the terms of a forward price contract" in order to satisfy minimum payment requirements.

### **Dairy Export Incentive Program**

The DEIP program is extended for the duration of the Bill. It also directs the Secretary to use the maximum volumes and monetary funding for dairy product exports under the program, consistent with the obligations of the United States under the Uruguay Round WTO agreements.

### **Market Access Program and Foreign Market Development Program**

Annual funding for the Market Access Program (MAP) and the Foreign Market Development (FMD) Program will continue at \$200 million and \$34.5 million, respectively.

### **Revision of Federal Marketing Order Amendment Procedures**

USDA will be held to stricter deadlines from the time a petition is submitted until the time of final decision in Federal Order hearings. This will speed up Federal order proceedings and put a greater burden on petitioners to clearly establish their case up front. USDA is also required to consider feed and fuel costs in any make allowance hearing.

### **Dairy Indemnity Program**

The Dairy Indemnity Program is extended through 2012.

### **Report on Department of Agriculture Reporting Procedures for Non-Fat Dry Milk**

The Secretary of Agriculture is directed to issue a report to Congress on recent milk powder price reporting errors and their impact on Federal order prices.

### **Federal Milk Marketing Order Review Commission**

Subject to availability of funds, the Secretary is directed to appoint a commission to review the operations, impacts, and potential reform of Federal orders and "non-Federal milk marketing order systems."

### **Mandatory Reporting of Dairy Commodities**

The current mandatory reporting of dairy product sales, prices, and storage is expedited by requiring electronic reporting; it also establishes regular audits and calls for an increased frequency of reporting. This is subject to funding availability.

### **Bovine Johne's Disease Control Program**

The current Johne's Disease program is extended through 2012.

### **Foot and Mouth Disease Live Virus Research**

The Secretary of Agriculture is directed to issue a permit to the Secretary of Homeland Security for FMD live virus research at Plum Island replacement facility. This is required if the replacement facility is located on the mainland.

### **Human Nutrition Programs**

Federal nutrition program spending is increased by \$10.4 billion under the agreement with the bulk of that going to the food stamp program. The minimum benefit for food stamp recipients is raised and eligibility criteria are loosened a bit. Milk and dairy product purchases make up about 12 percent of food stamp expenditures, so increases in food stamp program funding will likely result in higher dairy sales. The bill also provides permanent authority for the Commodity Supplemental Food Program (CSFP) instead of requiring reauthorization of the program with each farm bill. CSFP authorizes USDA to purchase cheese, nonfat dry milk and other products, and provide them to low income seniors, women and children.

### **Adjusted Gross Income (AGI) Limits**

Congress set new limits on adjusted gross income (AGI) for individuals to be eligible for farm payments. These new limits take effect in 2009. Non-farm AGI is calculated as the difference between the three year average total AGI and the three year average farm AGI. Anyone with a three year average adjusted gross non-farm income over \$500,000 will not qualify for payments under commodity programs, including MILC; and anyone with a three year average adjusted gross farm income over \$750,000 will not qualify for direct payments under crop programs. Separately, anyone with an average adjusted gross income over \$1,000,000 does not qualify for payments under the conservation programs, if less than two-thirds of this is farm income and a waiver cannot be obtained from the Secretary. These AGI limits can double for married couples, depending on their individual incomes.

### **Payment Limits and the 3 Entity Rule**

The three entity rule for commodity programs is eliminated, but because both spouses are eligible for subsidies, the income limits can effectively double for married couples. This also takes effect in 2009. In addition, a total payment cap is created for direct and counter-cyclical payments for a single farmer to \$40,000 and \$65,000 respectively (not including MILC).