

Dairy Provisions of the 1990 Farm Bill

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1. The support price floor is \$10.10 per hundred weight through 1995.
2. USDA will measure milk equivalent of its purchases on a total solids rather than a milk fat basis.
3. Trigger mechanism. On November 20 of each year (1991-94) the Secretary of Agriculture is required to estimate Commodity Credit Corporation (CCC) purchases of dairy products for the next year. If anticipated purchases exceed the quantities below, the Secretary is required to adjust the support price as shown, but never below \$10.10.

Projected CCC purchases	Support price adjust/cwt
Less than 3.5 billion lb	\$ + .25 minimum
3.5 to 5 billion lb	No change
More than 5 billion lb	\$ - .25 to - .50
More than 7 billion lb	Supply management program or additional producer assessment to cover government cost

4. Supply Management Program. The Secretary must report to Congress and make recommendations on various supply management programs. Congress must enact some type of supply management program between 1991 and 1995 if CCC purchases are expected to exceed 7 billion pounds or institute assessments on procedures. USDA will announce results of their study May 15, 1991 and invite comments until June 15 before reporting to Congress.

USDA must study these alternatives:

- a. Separate price classification for surplus milk under federal milk marketing orders.
- b. Alternative program to support dairy farm income through target prices and deficiency payments.
- c. Any proposal submitted in response to the required solicitation in the Federal Register as deemed appropriate. Notice for proposal was solicited on January 7, 1991.

- d. The Secretary may not consider a dairy herd termination program.
5. Milk Producer Assessments. Assessments will be implemented only if Congress does not enact a supply management program.
 - a. All producers will be assessed 5 cents per cwt in 1991, and 11.25 cents in 1992. These assessments will be refunded to producers that do *not* increase production from the previous year.
 - b. If the anticipated purchases exceed 7 billion pounds in 1992-95, the assessment will be calculated by dividing the government cost of purchasing the excess over 7 billion pounds by the estimated total commercial production for that year.
6. Federal Milk Market Orders. The 1990 Farm Bill directs USDA to investigate concerns and expedite changes by January 1, 1992. National hearings have been conducted, interested parties had until April 13, 1991 to file briefs. Based on comments USDA will issue a final decision to be presented for referendum to producers in each market order area.
7. M-W Price Reform. The USDA is required to announce by October 1, 1991 a public hearing on industry proposals on a possible replacement of the M-W price.
8. Multiple Component Pricing. By May 27, 1991 USDA is required to determine if pricing provisions of federal orders contributes to overproduction of milk fat and if multiple component pricing would achieve proper balance.
9. Other provisions addressed Milk Manufacturing Marketing Make Allowance, Processor-Funded Fluid Milk Promotion Program, the Dairy Indemnity Program, Dairy Export Incentive Program, export sales of dairy products, and transfers of dairy products to military and veterans hospitals.