



Legislative Watch

Issues important to today's dairy farmers

2008 Farm Bill Passes House and Senate; Awaiting Presidential Action

After a two-year struggle of negotiations, the 2008 Farm Bill is now settled. As this issue of the *Messenger* went to press, the Senate and House voted to override the President's veto of the Food, Conservation and Energy Act of 2008, the official title of the 2008 Farm Bill. All titles of the Farm Bill have been enacted into law, with the exception of the bill's trade title. Due to a clerical error, the trade title of the Farm Bill was inadvertently left out of the official copy of the Farm Bill that the President vetoed. The House took action to correct the clerical error by voting again in favor of the entire Farm Bill, including the trade title. The Senate is expected to take action after the Memorial Day recess. The remaining 14 titles of the Farm Bill are complete and are now law.

The new Farm Bill contains a package of programs that improves farm policy and benefits dairy producers. Many of the provisions supported by the National Milk Producers Federation are included in the final bill.

"The lengthy struggle to pass a new Farm Bill makes this outcome all the more rewarding for our members who worked mightily during the past two years to improve existing agricultural policy," said Jerry Kozak, President and CEO of National Milk Producers Federation (NMPF). "Rather than extend the status quo or revert to the past, the Farm Bill moves us toward a new and better day on thousands of dairy farms of all sizes across America."

A summary of dairy provisions follows. A complete summary of the Farm Bill's dairy-related provisions can be found at www.nmpf.org.

Dairy Product Price Support Program – shifts the basis of the program from milk to the specific CCC-purchased products, providing for temporary price support adjustments, and restores the 110 percent minimum CCC commercial sell-back price rule. The specific dairy product price support levels are the same as the current CCC purchase prices: \$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 (MILC) – 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 percent of the difference

between Boston Class I and \$16.94. Also incorporates a feed cost adjuster, which raises the target milk price when the standard NASS dairy feed mix price rises above \$147 per ton.

Energy – new programs include: \$300 million for programs in which energy is derived from agriculture waste. Existing 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. Also, 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. "Agricultural Bioenergy Feedstock and Energy Efficiency Research and Extension Initiative" is established 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 Act of 1983 – is amended to include all 50 states plus Puerto Rico and the District of Columbia in the national checkoff, which 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 provided. 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 – 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 – 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 (DEIP) – is extended for the duration of the Farm 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 – funding 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. USDA is also required to consider feed and fuel costs in any make allowance hearing.

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 – 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,” subject to availability of funds.

Mandatory Reporting of Dairy Commodities – 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 – 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.

Federal Human Nutrition Programs – 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. 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. 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 non-farm 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 – is eliminated for commodity programs, 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).