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Dairy Policy Issues

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Dairy Policy Issues

SUMMARY

A temporary pilot program that allows processors to enter into forward price contracts with individual dairy farmers or their cooperatives for certain uses of milk is scheduled to expire December 31, 2004. A forward price contract allows buyers and sellers of a commodity to negotiate a price for the commodity on a future delivery date and insulates both parties from price volatility. Identical bills (H.R. 3308, S. 2565) pending in Congress would convert the pilot program to a permanent one. The bills are supported by dairy processors, but are opposed by the largest organization of dairy cooperatives, which is concerned that the program might undermine federal minimum pricing requirements.

Many dairy farmer groups are also concerned that imports of milk protein concentrates (MPCs) are displacing domestic dairy ingredients and thus depressing farm milk prices. Identical pending bills (H.R. 1160 and S. 560) would impose tariff rate quotas on certain MPCs. Dairy processor groups are opposed to these bills. On May 18, 2004, the International Trade Commission study released its findings on a year-long investigation of the milk protein market. They concluded that most of the impact of milk protein product imports was absorbed by the taxpayer through additional purchases of surplus nonfat dry milk, and that farm-level prices were not significantly affected. A pending bill (H.R. 4223) would provide a subsidy to domestic producers of MPCs. Proponents say the subsidy would be offset by the reduced need for government purchases of surplus nonfat dry milk, while opponents are concerned that such a program could be challenged within the World Trade Organization.

Under the auspices of the dairy price support program, USDA supports farm milk prices through its purchases of surplus dairy

products at stated prices. The 2002 farm bill extended the program through 2007 at the then-current support price of \$9.90 per hundredweight (cwt.). During the first half of 2003, farm milk prices were near a 25-year low. However, the market began to rebound in the second half of the year and market farm milk prices set record high levels in May and June 2004.

In three separate supplementals enacted for FY1999-FY2001, Congress authorized USDA to make ad-hoc "market loss" payments to dairy farmers to help mitigate the effects of volatile farm milk prices. Separately, the six New England states had temporary authority for a regional dairy compact from 1997 until its expiration on September 30, 2001. The 2002 farm bill authorized a new counter-cyclical direct payment program for all dairy farmers, which is modeled after the compact and the market loss payments. Under the Milk Income Loss Contract (MILC) program, all dairy farmers potentially can receive a direct government payment when the farm price of milk used for fluid consumption in Boston falls below \$16.94 per cwt. in any month.

For the first two years of the program, farm milk prices were sufficiently low that payments were triggered in each of the first 21 months. For the last four months of 2003 and for May-July 2004 (when market prices rebounded to record high levels), direct payments were not required. Two pending bills (H.R. 3990, S. 2609) would extend the MILC program for two years beyond its statutory expiration date of September 30, 2005. Some groups would like to see the program terminated, while others support legislation (H.R. 4597, S. 2525) to create regional authorities that could establish farm milk prices above the federal minimum level.

MOST RECENT DEVELOPMENTS

The federal Milk Income Loss Contract (MILC) program, as authorized by the 2002 farm bill, provides direct payments to eligible farmers in any month when the market price of milk falls below a legislatively determined threshold price. After reaching a 25-year low in the spring of 2003, market farm milk prices reached record high levels in the late spring and early summer of 2004. Consequently, no monthly direct payments will be made to participating dairy farmers in May through July 2004. The program is scheduled to expire after September 30, 2005. Pending legislation (H.R. 3990, S. 2609) would extend the program through September 30, 2007, to coincide with the expiration of other farm commodity support programs. S. 2609 would also increase current payment limits.

Separately, a pilot program that allows processors to forward contract certain purchases of milk from cooperatives and individual farmers expires at the end of 2004. Two identical pending bills (H.R. 3308, S. 2565) would make this a permanent program. Permanent extension is supported by dairy processors but opposed by the largest organization of dairy producer cooperatives.

BACKGROUND AND ANALYSIS

Dairy Forward Pricing Pilot Program

A provision in the FY2000 Consolidated Appropriations Act (P.L. 106-113) authorized a temporary pilot program to allow individual dairy farmers or their cooperatives to enter into forward price contracts with processors for certain uses of milk. Identical bills pending in Congress (H.R. 3308 and S. 2565) would convert the pilot program, which is scheduled to expire on December 31, 2004, to a permanent program.

A forward contract allows buyers and sellers of a commodity to negotiate a price for the commodity for future delivery and insulate both parties from price volatility. The current pilot program allows dairy producers and cooperatives to enter into forward contracts for milk used in all manufactured products, but not for milk used for fluid consumption. Under the federal milk marketing order system, which regulates the farm price of much of the milk produced, a dairy processor must pay a minimum price for purchased milk depending on market conditions. However, under the pilot program, the contracted price becomes the relevant price that the processor has to pay, regardless of what the market price is at the time of delivery. Some groups view forward pricing as a desirable risk management tool, which they say can lend some stability to volatile wholesale milk prices. Other farm groups have expressed concern that forward pricing might undermine the federal milk marketing order system.

An ongoing USDA study of the effect of the pilot program on dairy farmer prices determined that for the period September 2000 through June 2003, forward contracted milk prices on average were \$0.72 per hundredweight higher than non-contract prices. The difference varied significantly over the period, with contract prices being significantly higher than non-contract prices when market prices were low, particularly from June 2002 through

June 2003. Contract prices were significantly lower than farm milk prices not under contract through much of 2001, when market prices were relatively high.

Milk Income Loss Contract (MILC) Payments

Background

In FY1999-FY2001, Congress provided just over \$32.5 billion in emergency spending for USDA programs, primarily to help farmers recover from low farm commodity prices and natural disasters. The majority of these funds were for supplemental direct farm payments made to producers of certain commodities, primarily grains and cotton, but also including soybeans, peanuts, tobacco and milk. Of this amount, dairy farmers received supplemental “market loss” payments of \$200 million in FY1999 under the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277), \$125 million under the FY2000 agriculture appropriations act (P.L. 106-78), and \$675 million under the emergency provisions in the FY2001 agriculture appropriations act (P.L. 106-387).

Some dairy farmer groups sought a permanent direct payment program for dairy farmers to be included in the 2002 farm bill as a means of supplementing dairy farm income when farm milk prices are low. Prior to the emergency payments made each year on an ad-hoc basis in FY1999 through FY2001, dairy farmers generally were not recipients of direct government payments. However, some groups contended that farm milk prices had been volatile in recent years and that dairy farmers needed more income stability.

Separately, the Northeast Dairy Compact, which provided price premiums to New England dairy farmers when market prices fell below a certain level, expired on September 30, 2001. These premiums were funded by assessments on fluid milk processors, whenever fluid farm milk prices in the region fell below \$16.94 per hundredweight (cwt.). Supporters of the Northeast compact had sought for an extension of the compact; the Southeastern states were seeking new authority to create a separate compact. However, dairy processors and Upper Midwest producers are strongly opposed to regional compacts.

MILC Payment Mechanics

Section 1502 of the Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the 2002 farm bill) authorized a new counter-cyclical national dairy market loss payment program. (Upon implementation, USDA dubbed the program the “Milk Income Loss Contract (MILC) Payments” program.) This program did not replace the dairy price support program or federal milk marketing orders, the current federal milk pricing policy tools. Instead, it serves as an alternative to regional dairy compacts and ad-hoc emergency payments to farmers, by authorizing additional federal payments when farm milk prices fall below an established target price.

Under the MILC program, dairy farmers nationwide are eligible for a federal payment whenever the minimum monthly market price for farm milk used for fluid consumption in Boston falls below \$16.94 per hundredweight (cwt.). In order to receive a payment, a dairy farmer must enter into a contract with the Secretary of Agriculture. While under contract, a producer potentially can receive a payment equal to 45% of the difference between the

\$16.94 per cwt. target price and the market price, in any month that the Boston market price falls below \$16.94. A producer can receive a payment on all milk production during that month, but no payments will be made on any annual production in excess of 2.4 million pounds per dairy operation. All contracts expire on September 30, 2005, and payments were made retroactively to December 1, 2001.

The MILC program is akin to the Northeast dairy compact which was in effect in the six New England states from 1997 until its expiration on September 30, 2001. However, under the expired dairy compact, dairy processors were required to pay the full difference between the \$16.94 per cwt. fluid milk target price and any market price shortfall for fluid use milk in the compact region. The MILC program shifts the responsibility of the payment from the processor (and ultimately the consumer) to the federal government.

During the farm bill debate, the dairy payment program was generally supported by milk producer groups in the Northeast and the Upper Midwest. Producer groups in the Northeast region viewed it as an alternative to the Northeast dairy compact. Upper Midwest producers preferred the new program to state compacts since the new program shares the price premiums nationally. Large dairy farmers expressed concern that the new program will cause excess milk production that will in turn decrease farm milk market prices. They contend that this would negatively affect their income, since their annual production is well in excess of the 2.4 million lb. payment limit, and any production in excess of 2.4 million pounds would receive the market price and no federal payments. (Annual production of 2.4 million pounds is roughly equal to the annual production of a herd of approximately 120 to 130 dairy cows.) The International Dairy Foods Association, a trade association representing dairy processors, was opposed to the program in its earlier version, when processors would have been required to continue paying the price premiums. However, its opposition was lifted, when the funding responsibility was shifted to the federal government as in the final version of the program.

MILC Payment History

USDA began accepting applications for the "Milk Income Loss Contract (MILC) Program" on August 15, 2002 and will continue to do so until the program expires on September 30, 2005. Monthly market prices were sufficiently low between December 2001 and August 2003 that MILC payments were made in every month during this period. Beginning in the late summer months, market farm milk prices greatly improved, rebounding from a 25-year low that prevailed throughout most of the earlier months of 2003. Hence, no MILC payments were required in September through December 2003. However, farm milk prices began to decline again in the latter part of 2003. Consequently, MILC payments resumed in January and February 2004. Market farm milk prices reversed their course in the late winter months and early spring of 2004, increasing to record high levels in the spring of 2004, so that no MILC payments will be required in May through July 2004. Recent forecasts show that farm milk prices likely will remain strong for several months to come, which could preclude the need for MILC payment for the remainder of the year. (See **Table 1.**)

Table 1. Monthly Milk Income Loss Contract (MILC) Payment Rates

Month	Payment Rate (per hundredweight)	Month	Payment Rate (per hundredweight)
December 2001	\$0.77	February 2003	\$1.56
January 2002	\$0.78	March 2003	\$1.75
February 2002	\$0.78	April 2003	\$1.82
March 2002	\$0.93	May 2003	\$1.79
April 2002	\$1.00	June 2003	\$1.78
May 2002	\$1.09	July 2003	\$1.76
June 2002	\$1.20	August 2003	\$1.22
July 2002	\$1.38	Sept. - Dec. 2003	\$0.00
August 2002	\$1.45	January 2004	\$0.83
September 2002	\$1.45	February 2004	\$0.945
October 2002	\$1.59	March 2004	\$0.79
November 2002	\$1.39	April 2004	\$0.02
December 2002	\$1.43	May-July 2004	\$0.00
January 2003	\$1.41		

Federal Cost and the Future of the MILC Program

Based on its March 2004 baseline budget estimates, the Congressional Budget Office projects that the cumulative cost of the MILC program over its four-year life will be approximately \$3.8 billion. This is significantly higher than estimates offered in 2002 when the program was being formulated. Based on market conditions in March 2002 (during the farm bill debate), the Congressional Budget Office (CBO) estimated total direct federal payments of \$963 million over the life of the program. One year later, in its baseline budget estimates in March 2003, CBO revised its total cost estimate for the MILC program to \$4.2 billion. The March 2004 baseline is somewhat lower because of the strength of farm milk prices expected this year. The most recent CBO estimate of \$3.8 billion is composed of actual outlays of \$1.8 billion in FY2003 (which included retroactive payments made for 2002), and FY2004 and FY2005 forecasts of \$935 million and \$965 million, respectively.

The MILC program expires on September 30, 2005, while all other major farm commodity support programs authorized by the 2002 farm bill expire at the end of the 2006 crop year. Proponents of the MILC program would like to see the program extended to at least coincide with the expiration of all other commodity support programs. H.R. 3990 (C. Peterson) and S. 2609 (Coleman) would extend the life of the MILC program for two additional years, through FY2007. To date, no action has been taken on either measure. Extending the program has raised some budgetary concerns, since the program has a fixed expiration date, and any spending beyond that date would be considered new spending above what is authorized by the 2002 farm bill. A provision in S. 2609 would double the limit on eligible production for a MILC payment from the current 2.4 million lbs. to 4.8 million lbs, which would add to the baseline cost of the program.

Other groups would like to see the MILC program terminated and replaced with regional compacts or a similar pricing mechanism. H.R. 324 (Vitter) would restore the consent of Congress for the Northeast dairy compact and grant consent to three new compacts, in the South, the Pacific Northwest, and the Intermountain states (Colorado, Utah and Nevada). Separately, H.R. 4597 (Reynolds) and S. 2525 (Specter) would create five regional marketing areas that would be allowed to establish a minimum fluid farm milk price for the region. If the market price were to fall below the established price, processors would be required to pay the difference between the two prices into a national fund, which would be distributed back to dairy farmers in the participating regions by a formula. The payment formula would be funded in part by a government contribution to the fund. States choosing not to participate in the program would be allowed to continue participating in the MILC program, which would be extended through FY2007, while participating states would be prohibited from receiving MILC payments. Supporters contend that this proposed program would help dairy farmers weather the effects of volatile farm milk prices. Opponents say that it distorts dairy markets and could lead to overproduction.

Milk Protein Concentrate Trade Issues

Milk protein concentrate is a product in which certain milk proteins necessary for the production of cheese and other food products are selectively included and all or most of the water is removed from the milk, thus making it efficient to ship long distances. Dairy farmer groups are concerned that imports of MPC and casein (the main protein found in milk) are displacing domestic milk used for cheesemaking and depressing farm milk prices. Certain concentrations are not covered by tariffs or quotas under the existing World Trade Organization agreement. The importation of these products was not an issue when the agreement was formulated in the 1990s.

On March 5, 2001, the General Accounting Office released a study on the production, imports, and regulation of milk protein concentrates. The study found that MPC imports grew rapidly from 1990 to 1999 — from 805 to 44,878 metric tons, including a near doubling in 1999 over 1998 alone. According to the study, six countries (New Zealand, Ireland, Germany, Australia, the Netherlands and Canada) accounted for 95% of the 1999 imports. For the full text of the GAO study, see [<http://www.gao.gov/new.items/d01326.pdf>]. According to International Trade Commission data, MPC imports peaked in 2000 at 52,677 metric tons, before falling back to 28,469 metric tons in 2001, and rising again to 33,626 metric tons in 2002 and 29,111 metric tons in the first 10 months of 2003 (7.8% higher than the first 10 months of 2002). Imports of casein have also risen over the years, peaking at 74,230 metric tons in 2000, before declining in 2001 and 2002, but rising again in 2003 on a pace with the peak in 2000.

Currently, MPC is not allowed as an ingredient in any U.S. cheese which has a standard of identity defined by the Food and Drug Administration, which includes most cheese. Cheese processors petitioned FDA for a change in standards to allow MPC in cheese production. FDA currently is considering this request. Conferees deleted from the FY2001 agriculture appropriations act a Senate provision that would have prohibited FDA from issuing any regulations that would allow MPC as an ingredient in the production of cheese.

Bills have been introduced in the 108th Congress that would affect the importation and use of MPCs: S. 560 and H.R. 1160 would impose tariff rate quotas on certain MPCs, and S. 40 would prohibit the use of dry MPC in domestic cheese production. No action has been taken on these bills.

Supporters of these bills, including most milk producer groups, contend that foreign MPC and casein are being dumped in the United States. Opponents of the legislation include dairy processor groups, the largest of which is the International Dairy Foods Association (IDFA), who contend that MPC imports are not displacing U.S. production of nonfat dry milk. IDFA and other MPC-user groups contend that MPCs have certain properties that are important in the manufacturing of certain food products (e.g. high-protein sport drinks and food bars) and that nonfat dry milk is not a substitute for the use of MPCs. These groups also maintain that the domestic support price for nonfat dry milk should be reduced instead, as a way to stimulate the market for domestic powder. (For more information on the dairy price support program, see the section on the program in this brief.)

The National Milk Producers Federation (NMPF), the largest trade association representing milk producer cooperatives, has urged the federal government to examine several trade policy options for addressing the milk protein concentrate import issue. These include provisions in the Trade Act of 1974 that allow the President (following an International Trade Commission investigation) to provide relief to a U.S. industry adversely affected by imports; a 1974 Trade Act provision that allows the U.S. Trade Representative to retaliate against certain foreign trade policies; and the use of antidumping laws and countervailing measures.

On April 17, 2002, the NMPF filed a formal challenge concerning the U.S. Customs Service classification of various dairy product imports, including MPC. Under Section 516 of the Tariff Act of 1930, interested parties are permitted to challenge the tariff classification of imported items. The NMPF claims that imported MPC is not a true concentrated milk protein, but is instead a blend of other dairy products (such as nonfat dry milk, whey powder and casein). These blends, they say, “take unfair advantage of U.S. trade policies that allow the unrestricted entry of MPC, but not the individual components found in the blended products.” On April 1, 2003, the Customs Service ruled that milk protein concentrates are classified correctly. It stated that the current definition of milk protein concentrate only requires that MPC’s consist of at least 40% milk proteins, but does not specify whether the product is manufactured through the filtration of skim milk or the blending with nonfat dry milk or other components. The NMPF has announced an appeal of the Customs ruling, a process which could take more than one year.

As requested by the Senate Finance Committee, the International Trade Commission completed a year-long investigation of U.S. market conditions for milk proteins, and filed a written report on May 18, 2004. (See <ftp://ftp.usitc.gov/pub/reports/studies/PUB3692.PDF> for the full report.) The ITC was asked to provide an overview of the global market of milk proteins, information on how government support and intervention affects the protein market, and assess how imported milk proteins affect U.S. farm milk prices. The ITC determined that imports of milk proteins may have displaced 318 million lbs. of U.S.-produced milk protein products over the 1998-2002 period, or an average of 63 million lbs. per year. The ITC states that during this period, domestic milk proteins were in surplus by a greater amount than what was likely displaced by protein imports. Therefore, they concluded that most of the impact of milk protein product imports was absorbed by the

taxpayer through additional purchases of surplus nonfat dry milk, and that farm-level prices were not significantly affected. The ITC study also determined that the dairy price support program creates a disincentive to manufacture MPCs in the United States. They found that under most conditions, U.S. dairy processors could receive a higher return on the production of nonfat dry milk compared with the production of MPCs.

Legislation has been introduced (H.R. 4223) that would authorize a federal program to subsidize the domestic production of MPCs, with payment levels set at the discretion of the Secretary of Agriculture. Supporters contend that the cost of these payments would be offset by reduced purchases of surplus nonfat dry milk. They say that manufacturers will divert production from surplus nonfat dry milk to MPCs, thus improving farm milk prices. Opponents are concerned that the proposed subsidy program might be subject to a challenge in the World Trade Organization. They also contend that even with a subsidy program, it will be difficult for domestic producers to profit in the market because foreign competitors have a greater price advantage.

Dairy Price Support Program

Background

The Agricultural Act of 1949 first established the dairy price support program by permanently requiring USDA to support the farm price of milk. Since 1949, Congress has regularly amended the program, usually in the context of multi-year omnibus farm acts and budget reconciliation acts. (See **Table 2**, below, for a recent history of spending on the dairy price support program and related activities.) Most recently, Section 1501 of the Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the omnibus 2002 farm bill) authorized a 5 ½-year extension of the program through December 31, 2007 at the then-current support price of \$9.90 per hundredweight (cwt.) of farm milk.

Historically, the supported farm price for milk is intended to protect farmers from price declines that might force them out of business and to protect consumers from seasonal imbalances of supply and demand. USDA's Commodity Credit Corporation (CCC) supports milk prices by its standing offer to purchase surplus nonfat dry milk, cheese, and butter from dairy processors. Government purchases of these storable dairy products indirectly support the market price of milk for all dairy farmers. Prices paid to the processors are set administratively by USDA at a level that should permit them to pay dairy farmers at least the federal support price for their milk.

In order to achieve the support price of \$9.90 per cwt. of milk, USDA has a standing offer to processors to purchase surplus manufactured dairy products at the following prices: \$1.05 per lb. for butter, \$0.80 for nonfat dry milk, \$1.1314 per lb. for block cheddar, and \$1.1014 per lb. for barrel cheese. Whenever market prices fall to the support level, processors generally make the business decision of selling surplus product to the government rather than to the marketplace. Consequently, the government purchase prices usually serve as a floor for the market price, which in turn indirectly support the farm price of milk at \$9.90 per cwt.

The dairy price support program is separate from the Milk Income Loss Contract (MILC) payments that also were authorized by the 2002 farm bill. (See the section above in this brief for more on the MILC payment program.) However, the MILC payments are considered a related activity to the price support program. Hence, MILC outlays are included in **Table 2.**)

Table 2. Commodity Credit Corporation Dairy Price and Income Support Operations, 1980/81-2002/03

Marketing Year ^a	Net Removals Milk Equivalent (billion lbs.) ^b	Net Outlays (million \$)	CCC Support Price (\$ per cwt.)	CCC Purchases as Percentage of Production
1980-81	12.7	1,975	13.10	9.6
1981-82	13.8	2,239	13.49-13.10	10.2
1982-83	16.6	2,600	13.10	12.0
1983-84	10.4	1,597	13.10-12.60	7.6
1984-85	11.5	2,181	12.60-11.60	8.2
1985-86	12.3	2,420	11.60	8.5
1986-87	5.4	1,238	11.60-11.35	3.8
1987-88	9.7	1,346	11.10-10.60	6.7
1988-89	9.6	712	10.60-11.10	6.7
1989-90	8.4	505	10.60-10.10	5.7
1990-91	10.4	839	10.10	7.0
1991-92	10.1	232	10.10	6.7
1992-93	7.6	253	10.10	5.0
1993-94	4.2	158	10.10	2.8
1994-95	2.9	4	10.10	1.8
1995-96	0.1	-98	10.10-10.35	0.1
1996-97	0.7	67	10.20	0.4
1997-98	0.7	291	10.20-10.05	0.4
1998-99	0.3	480 (c)	10.05-9.90	0.2
1999-2000	0.8	684 (d)	9.90	0.5
2000-01	0.3	1,140 (e)	9.90	0.2
2001-02	0.2	614	9.90	0.1
2002-03	0.5	2,494 (f)	9.90	0.3

Source: U.S. Department of Agriculture, Farm Service Agency, selected publications.

a. The marketing year is October 1-September 30.

b. The milk equivalent is the pounds of fluid milk used to manufacture cheese and butter, on a milkfat basis.

c. Includes \$200 million in emergency "market loss" payments authorized by P.L. 105-277.

d. Includes \$125 million in net outlays for market loss payments authorized by P.L. 106-78.

e. Includes \$675 million in market loss payments authorized by P.L. 106-387.

f. Includes \$1.8 billion in Milk Income Loss Contract payments

Dairy Provision in the FY2004 Omnibus Appropriations Act

A general provision in the FY2004 omnibus appropriations act (P.L. 108-199, H.R. 2673) requires the Secretary of Agriculture to more diligently support the farm price of milk at the farm bill-mandated support price of \$9.90 per hundredweight (cwt.), or lose funding for the administration of the program. Supporters of this provision argue that the government purchase prices for manufactured dairy products are set too low by USDA to support the farm price of milk at \$9.90 per cwt. In the first half of 2003, the market price of farm milk used for cheese, butter and nonfat dry milk remained consistently below the \$9.90 support price. USDA officials say they are evaluating the situation and point out that the authorizing statute for the dairy price support program (P.L. 107-171, the 2002 farm bill) requires USDA to set dairy purchase prices so that the annual farm milk price on average is supported at \$9.90, not the monthly price. Farm milk prices improved significantly in the second half of 2003, and current market prices are well above the support price, at near record highs.

LEGISLATION

P.L. 108-199, H.R. 2673 (Bonilla)

Originally introduced as the FY2004 agriculture appropriations bill, and subsequently became the vehicle for the FY2004 Omnibus Appropriations bill. The conference agreement (H.Rept. 108-401) contains a provision that requires USDA to support the farm price of milk at \$9.90 per hundredweight (cwt.) as required by the 2002 farm bill, or USDA will lose funding for the administration of the program, effectively blocking the program. Originally introduced in the House on June 25, 2003; passed by the House on July 14, 2003; and amended and passed by the Senate on November 6, 2003. H.R. 2673 became the vehicle for the omnibus appropriations bill when it was reported by conferees on November 25, 2003, as H.Rept. 108-401. Conference agreement adopted by the House on December 8, 2003 and by the Senate on January 22, 2004. Signed into law January 23, 2004.

H.R. 324 (Vitter)

To restore the consent of Congress to the Northeast Interstate Dairy Compact and to grant the consent of Congress to the Southern Dairy Compact, a Pacific Northwest Dairy Compact, and an Intermountain Dairy Compact. Introduced January 8, 2003; referred to Judiciary Committee, subcommittee on commercial and administrative law.

H.R. 1659 (Nunes)

Requires the regulation of the price of milk sold by a processor from a region that is regulated by federal milk marketing orders to a region not under federal order regulation. Introduced April 8, 2003; referred to House Agriculture Committee. Referred to the subcommittee on Department Operations, Oversight, Nutrition and Forestry on April 11, 2003.

H.R. 1990 (Sanders)

Establishes a counter-cyclical income support program for dairy producers, through September 30, 2011. Fluid milk processors would be required to make payments to a trust fund in any month when the base farm price of milk used for fluid consumption falls below \$13.25 per hundredweight (cwt.). The federal government contributes to the fund when the weighted average base price for milk used for cheese falls below \$13.25 per cwt. in any

month. Dairy producers can receive payments from the fund on eligible production up to 500,000 lbs of milk per month. Introduced May 12, 2003; referred to Agriculture Committee.

H.R. 3308 (Dooley)

Makes the dairy forward pricing pilot program a permanent program. The dairy forward pricing pilot program allows certain milk processors that are regulated under federal milk marketing orders to contract for future deliveries of milk from milk producers or their cooperative associations at prices exempt from minimum federally mandated prices. The pilot program, which expires at the end of 2004, is voluntary, and the exemption applies only to milk used for non-fluid purposes. Introduced October 16, 2003; referred to Agriculture Committee.

H.R. 3990 (C. Peterson)

Amends the Farm Security and Rural Investment Act of 2002 to extend contracts for national dairy market loss (MILC) payments through FY2007. Introduced March 19, 2004; referred to Agriculture Committee.

H.R. 4223 (Nunes)

Authorizes a new U.S. Dairy Proteins Incentives Program to support the development of a casein and milk protein concentrate industry in the 48 contiguous states. USDA would make payments at a rate determined by the Secretary of Agriculture. Introduced April 27, 2004; referred to Agriculture Committee.

H.R. 4597 (Reynolds)

National Dairy Equity Act. Would create five regional marketing areas that would be allowed to establish a minimum fluid farm milk price for the region that is above the federal minimum price. Introduced June 16, 2004. Referred to Agriculture Committee.

S. 40 (Feingold)

Quality Cheese Act of 2003. Prohibits products that contain dry ultra-filtered milk products or casein from being labeled as domestic natural cheese. Introduced January 7, 2003; referred to Agriculture Committee.

S. 560 (Craig), H.R. 1160 (Sherwood)

Imposes tariff-rate quotas on certain casein and milk protein concentrates. S. 560 was introduced January 14, 2003; referred to Finance Committee. H.R. 1160 was introduced March 17, 2003; referred to Subcommittee on Trade of the Ways and Means Committee.

S. 2525 (Specter)

National Dairy Equity Act. Would create five regional marketing areas that would be allowed to establish a minimum fluid farm milk price for the region that is above the federal minimum price. Introduced June 16, 2004. Referred to Agriculture Committee.

S. 2609 (Coleman)

Amends the Farm Security and Rural Investment Act of 2002 to extend contracts for national dairy market loss payments through FY2007, and increases the eligible portion of a producer's milk production from the current 2.4 million lbs. to 4.8 million lbs. Referred to Agriculture Committee.