

# Penn State Says New Farm Bill Aids Commonwealth's Dairy Farmers

UNIVERSITY PARK (Centre Co.) — A dairy economist in Penn State's College of Agricultural Sciences says he expects the newly signed federal farm bill to be "generous" to Pennsylvania's small dairy farmers.

The new Farm Security and Rural Investment Act of 2002 includes a new dairy program called the "National Dairy Market Loss" program. According to Ken Bailey, associate professor of dairy markets and policy, the new program offers help for small dairy farmers who have to cope with volatile milk prices by providing direct federal pay-

ments whenever the fluid price of milk in Boston falls below \$16.94 per hundred pounds (CWT).

Bailey says the program will cover about 88 percent of the milk produced in Pennsylvania. "Pennsylvania is unique in that we have about 10,000 dairy farms in the state," he says. "Most Pennsylvania farms have fewer than 100 cows, and that's just the kind of farm operations that Congress intended to support with this program. Unlike many western states, we can expect the bulk of our Pennsylvania dairy producers to receive counter-cyclical payments on all of their an-

nual milk sales."

The National Dairy Market Loss program works by making a direct payment to farmers in any month when the Class I price of milk in Boston falls below \$16.94. The payment rate is equal to 45 percent of the difference between \$16.94 and the Boston Class I price.

Bailey estimates that the payment rate under the counter-cyclical program will average 97 cents per CWT for the period from December 2001 to September 2002. "The dairy markets have been weak in recent weeks due to sluggish demand and

growth in the milk supply," says Bailey. "That will result in fairly large payment rates under this new program." His analysis indicates that the Boston Class I price was above \$16.94 just 28 percent of the time during the 60-month period from January 1997 to December 2001.

"The program is retroactive back to December 2001," Bailey says. "Thus, most Pennsylvania dairy producers can expect to receive a fairly substantial check from USDA some time this summer or early fall. This check, which is for the transition period from December 2001 until they get the program running, will be a one-time payment. Thereafter, payments will be computed monthly and will be received by dairy producers no later than 60 days from the previous month."

Payments are limited to the first 2.4 million pounds of milk from a single "dairy operation" in a given federal fiscal year (which ends Sept. 30). That is equivalent to the amount of milk from a 133-cow dairy operation producing 18,000 pounds of milk per cow.

The amount of money a single dairy operation can expect for the first fiscal year will depend on the level of milk prices between now

and September, and on the amount of milk each farm produces and is eligible for under the program. Bailey estimated that a farm with 50 cows producing an average of 15,000 pounds of milk per cow per year should receive \$6,000. A farm with 80 cows and 15,000 pounds of milk production per cow will receive \$9,700.

The program payments for the first fiscal year will not exceed \$23,300 for a farm with 150 cows each producing 20,000 pounds of milk per year. These numbers assume that USDA will allow the full 2.4 million pounds of milk to qualify for program payments over the 10-month period from December 2001 to September 2002.

Pennsylvania dairy farmers will receive instructions from USDA in the next month or so to sign up for the program at their local Farm Service Agency office. They also will receive the regulations that spell out exactly how much milk will qualify for the program. The sign-up period should begin no earlier than July 13, 2002. The counter-cyclical payment program is expected to end Sept. 30, 2005. USDA is still writing the regulations that will determine the definition of a "dairy operation."

"The question is, how will USDA interpret the 2.4 million pound limit for each fiscal year," Bailey says. "Will a Pennsylvania dairy farm with a husband, wife and 266 cows qualify for 2.4 million pounds of milk per farm partner for a total of 4.8 million pounds? Or, will the entire operation qualify for no more than 2.4 million pounds?"

The National Dairy Market Loss program is part of an overall farm bill that includes an extension of the dairy price support program and the Dairy Export Incentive Program (DEIP), a John's disease control program, and increased funding for dairy and other livestock producers under the Environmental Quality Incentives Program (EQIP).

Bailey warns that Pennsylvania dairy farmers should consider this program as temporary. "We should take these payments and focus on making our farms more competitive over the next three years," he says. "That way, if the program ends, we'll be better positioned for the future."

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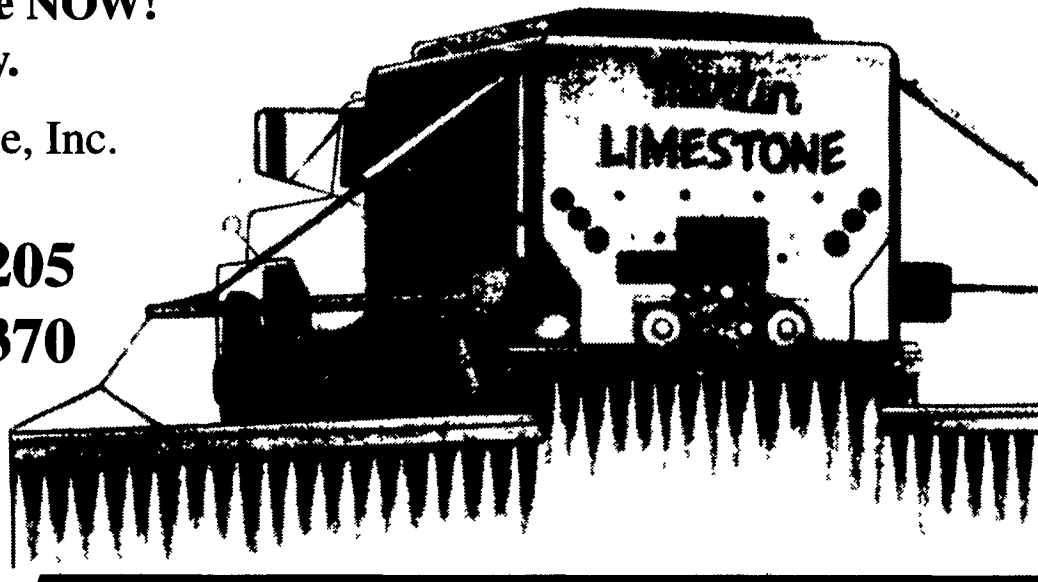
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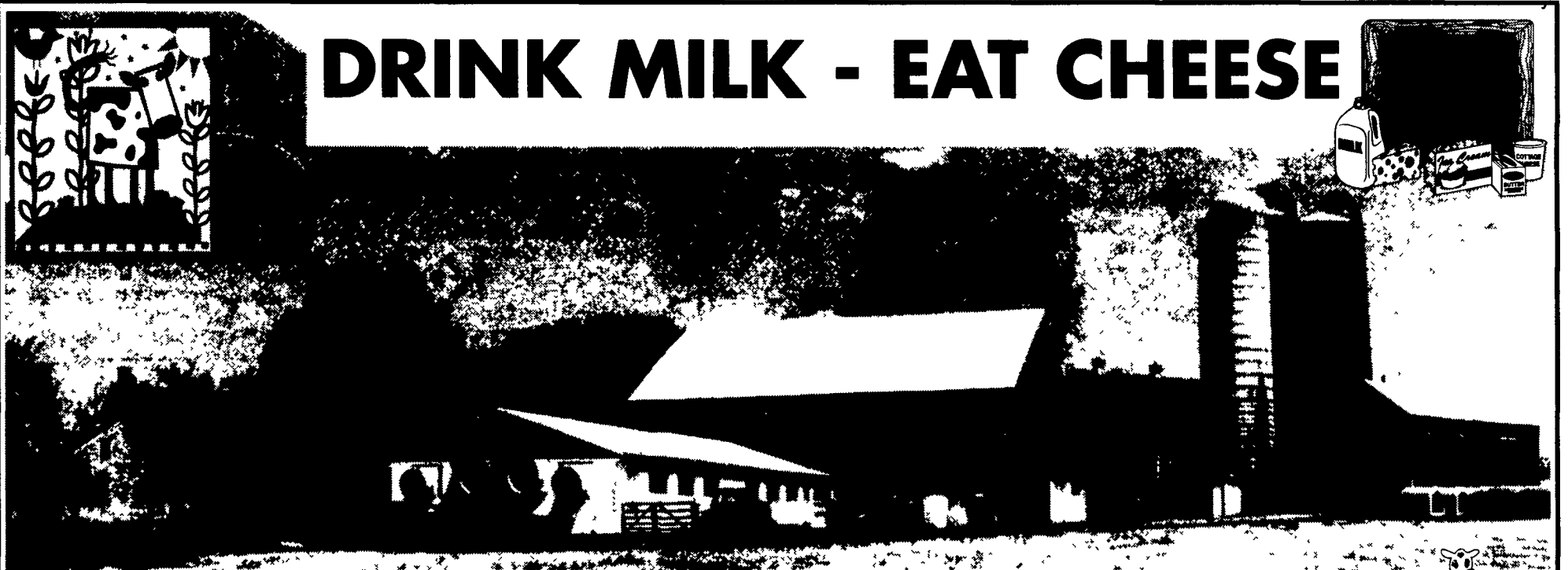
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