

MILC DOES NOT SAVE FARMS, IT HURTS THEM

If MILC was to save farms, it has failed.

The MILC does not “save” small farms. A comparison of trends in the key supporting states shows that even with the payments and even during some of the best prices, the rate of decline remains the same. The following table compares the number of farms of less than 200 cows from year to year in selected states. The number represents the percent of decrease from the previous year if positive number and an increase if negative.

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Average
Minnesota	6.38%	6.82%	8.54%	8.00%	8.55%	7.92%	7.70%
New York	7.32%	3.95%	9.59%	2.27%	-0.78%	3.08%	4.24%
Ohio	3.46%	3.76%	5.77%	2.37%	8.30%	4.53%	4.70%
Pennsylvania	2.01%	2.89%	4.03%	4.00%	3.33%	5.39%	3.61%
Vermont	6.82%	6.10%	5.84%	6.90%	8.15%	8.06%	6.98%
Wisconsin	5.12%	5.16%	9.65%	7.40%	5.33%	6.25%	6.49%
US	5.81%	5.51%	7.84%	6.17%	4.31%	6.20%	5.97%

New York is alone in having a break against the national trend. Even then in 2003 to 2004, there was a reduction in the number of the smaller farms. All of the states showed a decrease in the number of this size operation in spite the fact that dairy farm income in 2004 was the highest ever recorded, and significantly higher at that. In point of fact the market income in 2004 exceeded prior years with MILC payments.

The rate of decline in the 2003 to 2004 exceeded or meets the rate of decline in 2001-2002 when MILC began.

The impact of MILC will decline as the costs grow.

A study by FAPRI analyzed the termination of MILC, extension of MILC as well as MILC+. Although the report was done in April 2003, its fundamental premises remain intact. In particular, Table 2 (attached) shows that as time goes on, the amount of money that Congress must spend rises but the net income to producers begins to shrink. As it said at p.5:

This reinforces the fact that in the short run, these kinds of programs can have markedly different aggregate impacts. However, once milk supplies have had time to adjust, the aggregate impacts become muted.

Now is the time to let the program end. Producers are coming off of their best year ever. Prices continue to be high. As a result non-payment at this time will not be felt. As time goes on, the MILC payments will become absolute necessities as a component of the producers’ dairy income. Dropping the program then will be even more painful.

MILC provides regional benefits but universal losses.

As shown in the FAPRI report, all market income for milk drops. For milk not entitled to payment under the MILC rules, the loss is significant. On the other hand, the Dairy Price Support Program benefits all producers in the country.

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The following tables,

Table 2. Summary of the Impacts of Alternative MILC Program Options on the U.S. Dairy Sector

Table 3. The Regional Impacts on Revenue of Alternative MILC Program Options

are excerpted from the

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Table 2. Summary of the Impacts of Alternative MILC Program Options on the U.S. Dairy Sector

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	03-07 Ave.	08-12 Ave.
Milk Production (bil. lbs.)												
Baseline	171.2	172.8	174.5	175.4	176.7	178.4	180.0	181.7	183.5	185.2	174.1	181.8
MILC	171.2	172.8	174.5	176.2	177.9	179.7	181.5	183.2	185.0	186.7	174.5	183.2
Δ From Base	0.0	0.0	0.0	0.8	1.1	1.3	1.4	1.5	1.5	1.5	0.4	1.4
MILC+	172.0	173.9	175.8	177.6	179.4	181.3	183.2	184.9	186.6	188.3	175.8	184.9
Δ From Base	0.8	1.1	1.3	2.3	2.7	2.9	3.1	3.2	3.2	3.1	1.6	3.1
Δ From MILC	0.8	1.1	1.3	1.5	1.6	1.6	1.7	1.7	1.7	1.6	1.2	1.7
No MILC	170.3	171.7	173.1	174.7	176.3	178.1	179.8	181.6	183.4	185.2	173.2	181.6
Δ From Base	-0.9	-1.2	-1.3	-0.7	-0.4	-0.3	-0.2	-0.1	-0.1	-0.1	-0.9	-0.2
Δ From MILC	-0.9	-1.2	-1.3	-1.5	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.3	-1.6
Δ From MILC+	-1.7	-2.2	-2.6	-2.9	-3.1	-3.2	-3.3	-3.3	-3.3	-3.2	-2.5	-3.3
All Milk Price (\$/cwt.)												
Baseline	12.19	12.24	12.27	12.52	12.58	12.71	12.73	12.81	12.91	13.00	12.36	12.83
MILC	12.19	12.24	12.27	12.28	12.22	12.28	12.26	12.32	12.41	12.50	12.24	12.36
Δ From Base	0.00	0.00	0.00	-0.24	-0.36	-0.43	-0.47	-0.50	-0.50	-0.50	-0.12	-0.48
MILC+	11.96	11.89	11.85	11.80	11.71	11.74	11.71	11.75	11.85	11.95	11.84	11.80
Δ From Base	-0.23	-0.35	-0.42	-0.72	-0.88	-0.97	-1.03	-1.06	-1.06	-1.05	-0.52	-1.04
Δ From MILC	-0.23	-0.35	-0.42	-0.48	-0.52	-0.54	-0.56	-0.56	-0.56	-0.55	-0.40	-0.56
No MILC	12.45	12.61	12.71	12.75	12.73	12.81	12.80	12.86	12.95	13.02	12.65	12.89
Δ From Base	0.25	0.37	0.44	0.23	0.15	0.10	0.07	0.04	0.03	0.02	0.29	0.05
Δ From MILC	0.25	0.37	0.44	0.48	0.51	0.53	0.54	0.54	0.53	0.52	0.41	0.53
Δ From MILC+	0.49	0.72	0.86	0.95	1.02	1.07	1.09	1.10	1.10	1.08	0.81	1.09
MILC Payment (\$/cwt.) a/												
Baseline	1.22	1.18	1.16	0	0	0	0	0	0	0	0.71	0.00
MILC	1.22	1.18	1.16	1.15	1.17	1.13	1.13	1.10	1.05	1.00	1.18	1.08
Δ From Base	0.00	0.00	0.00	1.15	1.17	1.13	1.13	1.10	1.05	1.00	0.46	1.08
MILC+	1.32	1.33	1.34	1.35	1.39	1.36	1.37	1.34	1.29	1.23	1.35	1.32
Δ From Base	0.10	0.15	0.18	1.35	1.39	1.36	1.37	1.34	1.29	1.23	0.63	1.32
Δ From MILC	0.10	0.15	0.18	0.20	0.22	0.23	0.24	0.24	0.24	0.24	0.17	0.24
No MILC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Δ From Base	-1.22	-1.18	-1.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.71	0.00
Δ From MILC	-1.22	-1.18	-1.16	-1.15	-1.17	-1.13	-1.13	-1.10	-1.05	-1.00	-1.18	-1.08
Δ From MILC+	-1.32	-1.33	-1.34	-1.35	-1.39	-1.36	-1.37	-1.34	-1.29	-1.23	-1.35	-1.32
Net Revenue (\$/cwt.) b/												
Baseline	12.91	12.93	12.95	12.52	12.58	12.71	12.73	12.81	12.91	13.00	12.78	12.83
MILC	12.91	12.93	12.95	12.95	12.90	12.95	12.92	12.96	13.02	13.08	12.93	12.99
Δ From Base	0.00	0.00	0.00	0.43	0.32	0.23	0.19	0.15	0.11	0.08	0.15	0.15
MILC+	13.28	13.22	13.19	13.15	13.09	13.10	13.07	13.09	13.13	13.18	13.19	13.12
Δ From Base	0.37	0.29	0.24	0.63	0.51	0.39	0.34	0.28	0.22	0.18	0.41	0.28
Δ From MILC	0.37	0.29	0.24	0.20	0.19	0.16	0.15	0.13	0.11	0.10	0.26	0.13
No MILC	12.45	12.61	12.71	12.75	12.73	12.81	12.80	12.86	12.95	13.02	12.65	12.89
Δ From Base	-0.46	-0.32	-0.24	0.23	0.15	0.10	0.07	0.04	0.03	0.02	-0.13	0.05
Δ From MILC	-0.46	-0.32	-0.24	-0.20	-0.17	-0.14	-0.13	-0.10	-0.08	-0.06	-0.28	-0.10
Δ From MILC+	-0.83	-0.61	-0.48	-0.40	-0.36	-0.30	-0.27	-0.23	-0.19	-0.16	-0.54	-0.23
Government Outlays (mil \$, fiscal year)												
Baseline	2,586	1,524	1,501	580	268	272	260	244	226	210	1,292	242
MILC	2,586	1,524	1,501	1,498	1,516	1,515	1,512	1,483	1,427	1,366	1,725	1,461
Δ From Base	0	0	0	919	1,247	1,243	1,252	1,239	1,200	1,156	433	1,218
MILC+	3,399	2,664	2,709	2,758	2,831	2,852	2,871	2,844	2,761	2,665	2,872	2,799
Δ From Base	813	1,140	1,207	2,178	2,563	2,580	2,612	2,600	2,535	2,455	1,580	2,556
Δ From MILC	813	1,140	1,207	1,259	1,316	1,337	1,359	1,360	1,335	1,299	1,147	1,338
No MILC	1,639	281	264	257	249	258	251	237	222	207	538	235
Δ From Base	-947	-1,243	-1,237	-323	-19	-14	-9	-7	-5	-3	-754	-8
Δ From MILC	-947	-1,243	-1,237	-1,242	-1,266	-1,257	-1,261	-1,246	-1,205	-1,159	-1,187	-1,226
Δ From MILC+	-1,760	-2,383	-2,444	-2,501	-2,582	-2,594	-2,620	-2,606	-2,540	-2,458	-2,334	-2,564

Baseline - FAPRI March 2003 Baseline, **MILC** - Extend current MILC program through 2012, **MILC+** - Extend MILC program through 2012 and pay on all milk marketed, **No MILC** - Eliminate the current MILC program 1/1/2003

a/ - Payment rate on eligible milk

b/ - Net revenue on all milk produced

Table 3. The Regional Impacts on Revenue of Alternative MILC Program Options

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	03-07 Ave.	08-12 Ave.
	(\$/cwt.)											
Baseline (Revenue Level)												
California	11.09	11.13	11.17	11.24	11.30	11.44	11.47	11.55	11.65	11.73	11.19	11.57
Wisconsin	13.45	13.50	13.52	12.80	12.88	13.02	13.06	13.16	13.28	13.38	13.23	13.18
New York	13.80	13.83	13.86	13.23	13.31	13.45	13.49	13.58	13.69	13.78	13.61	13.60
Pennsylvania	14.89	14.92	14.94	14.17	14.24	14.39	14.42	14.51	14.62	14.72	14.63	14.53
Minnesota	13.52	13.57	13.60	12.87	12.95	13.10	13.14	13.23	13.35	13.46	13.30	13.25
Idaho	11.74	11.79	11.83	11.82	11.90	12.04	12.08	12.17	12.28	12.38	11.82	12.19
New Mexico	11.92	11.99	12.03	12.21	12.29	12.43	12.47	12.56	12.68	12.78	12.09	12.59
Michigan	13.13	13.18	13.21	12.66	12.73	12.88	12.91	13.01	13.12	13.22	12.98	13.03
Washington	12.48	12.53	12.56	12.50	12.57	12.72	12.74	12.83	12.94	13.03	12.53	12.85
Texas	13.45	13.50	13.54	13.26	13.34	13.48	13.52	13.61	13.72	13.82	13.42	13.63
Other States	13.45	13.50	13.52	12.98	13.06	13.20	13.24	13.33	13.44	13.54	13.30	13.35
MILC (Δ in Revenue relative to Baseline)												
California	0.00	0.00	0.00	-0.05	-0.17	-0.24	-0.28	-0.32	-0.33	-0.34	-0.04	-0.30
Wisconsin	0.00	0.00	0.00	0.74	0.63	0.54	0.49	0.44	0.39	0.35	0.27	0.44
New York	0.00	0.00	0.00	0.64	0.53	0.43	0.39	0.34	0.29	0.25	0.23	0.34
Pennsylvania	0.00	0.00	0.00	0.79	0.68	0.58	0.53	0.48	0.42	0.38	0.29	0.48
Minnesota	0.00	0.00	0.00	0.74	0.63	0.54	0.49	0.44	0.39	0.35	0.27	0.44
Idaho	0.00	0.00	0.00	0.02	-0.09	-0.17	-0.21	-0.25	-0.27	-0.28	-0.01	-0.24
New Mexico	0.00	0.00	0.00	-0.16	-0.28	-0.35	-0.39	-0.42	-0.43	-0.43	-0.09	-0.40
Michigan	0.00	0.00	0.00	0.56	0.45	0.36	0.32	0.27	0.22	0.19	0.20	0.27
Washington	0.00	0.00	0.00	0.08	-0.04	-0.12	-0.17	-0.21	-0.23	-0.24	0.01	-0.19
Texas	0.00	0.00	0.00	0.29	0.18	0.10	0.05	0.01	-0.02	-0.04	0.10	0.02
Other States	0.00	0.00	0.00	0.56	0.45	0.35	0.31	0.26	0.22	0.18	0.20	0.26
MILC+ (Δ in Revenue relative to Baseline)												
California	0.89	0.79	0.74	0.64	0.52	0.41	0.35	0.29	0.23	0.19	0.72	0.30
Wisconsin	0.06	-0.01	-0.05	0.65	0.53	0.41	0.36	0.30	0.24	0.20	0.24	0.30
New York	0.14	0.06	0.02	0.62	0.50	0.38	0.32	0.26	0.20	0.16	0.27	0.26
Pennsylvania	-0.01	-0.08	-0.13	0.62	0.50	0.38	0.32	0.26	0.20	0.16	0.18	0.27
Minnesota	0.06	-0.01	-0.05	0.66	0.53	0.42	0.37	0.30	0.25	0.20	0.24	0.31
Idaho	0.79	0.70	0.64	0.63	0.50	0.38	0.33	0.26	0.21	0.16	0.65	0.27
New Mexico	1.00	0.90	0.84	0.64	0.51	0.40	0.34	0.28	0.22	0.18	0.78	0.29
Michigan	0.23	0.16	0.11	0.64	0.51	0.40	0.34	0.28	0.22	0.18	0.33	0.28
Washington	0.72	0.62	0.57	0.60	0.47	0.35	0.29	0.23	0.17	0.13	0.60	0.23
Texas	0.52	0.43	0.38	0.64	0.51	0.40	0.34	0.28	0.22	0.18	0.50	0.28
Other States	0.24	0.16	0.11	0.63	0.51	0.39	0.34	0.27	0.22	0.17	0.33	0.28
No MILC (Δ in Revenue relative to Baseline)												
California	0.05	0.17	0.24	0.23	0.15	0.10	0.07	0.05	0.03	0.02	0.17	0.05
Wisconsin	-0.78	-0.64	-0.55	0.23	0.15	0.10	0.07	0.05	0.03	0.02	-0.32	0.05
New York	-0.68	-0.53	-0.45	0.24	0.15	0.10	0.07	0.05	0.03	0.02	-0.25	0.06
Pennsylvania	-0.84	-0.69	-0.60	0.24	0.15	0.10	0.07	0.05	0.03	0.02	-0.35	0.06
Minnesota	-0.78	-0.64	-0.55	0.23	0.15	0.10	0.07	0.05	0.03	0.02	-0.32	0.05
Idaho	-0.03	0.10	0.17	0.24	0.15	0.10	0.07	0.05	0.03	0.02	0.13	0.06
New Mexico	0.16	0.28	0.35	0.24	0.15	0.10	0.07	0.05	0.03	0.02	0.24	0.05
Michigan	-0.60	-0.46	-0.38	0.24	0.15	0.10	0.07	0.05	0.03	0.02	-0.21	0.05
Washington	-0.08	0.04	0.12	0.25	0.16	0.11	0.07	0.05	0.03	0.03	0.10	0.06
Texas	-0.32	-0.18	-0.10	0.24	0.15	0.10	0.07	0.05	0.03	0.02	-0.04	0.05
Other States	-0.59	-0.45	-0.37	0.24	0.15	0.10	0.07	0.05	0.03	0.02	-0.20	0.06

Baseline - FAPRI March 2003 Baseline, **MILC** - Extend current MILC program through 2012, **MILC+** - Extend MILC program through 2012 and pay on all milk marketed, **No MILC** - Eliminate the current MILC program 1/1/2003