

## CAG - Food Marketing Policy Center

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**From:** Powermfm@aol.com  
**Sent:** Thursday, April 05, 2007 1:57 PM  
**To:** undisclosed-recipients  
**Subject:** CNFC E-letter, April 12, 2007 ed. Bob Gray

## Council of Northeast Farmer Cooperatives

Bob Gray, Editor

Agri-Mark, Inc.  
 Dairylea Cooperative, Inc.  
 Dairy Farmers of America  
 St. Albans Cooperative Creamery  
 Upstate Niagara Cooperative, Inc.

Robert J. Gray, Executive Director

## CNFC Newsletter

P. O. Box 151240  
 Alexandria, Virginia 22315  
 tel:703 751 0204  
 fax:703 751 5735  
 e-mail: [bgray15452@aol.com](mailto:bgray15452@aol.com)

April 8, 2007

### ***New York State Approves Dairy Payout To Producers***

Happy Easter  
from the Editor  
& Staff



When the state legislature and Governor agreed upon a final budget this weekend for the upcoming fiscal year they included \$30 million for a direct payment to dairy producers in the state. According to information I have received this payment would be capped at 4.8 million pounds of milk of annual milk production per farm which is equivalent to about a 260 cow herd and the amount would be based on 2006 milk production on eligible dairy operations. It is estimated that the payment would average between 31 and 35 cents per hundredweight of milk and based on that level of payment a dairy farm producing 4.8 million pounds of milk would receive a maximum payment of about \$16,000. It is also estimated that almost 90% of the milk produced in the state would be covered. Since these are preliminary figures and if the numbers change I will report that in next week's newsletter.

The Empire State now joins several other states in the Northeast who are providing payments to dairy producers or are considering some type of economic assistance. The state of Maine has had a three tier payment program since 2002 and both Vermont and Connecticut had made \$11.9 and \$4 million in payments respectively. As reported recently in this newsletter Vermont made a \$3 million payment to producers for January and February milk. In addition, New Jersey has made fuel a cost adjustment payment to producers of about 35 cents per hundredweight and a final decision is pending on an additional payment of 76 cents per hundredweight to producers who are not using BST. Also, the state of Massachusetts is considering a payment program in the neighborhood of \$12 million. And the Pennsylvania Milk Marketing Board is reviewing the possibility of expanding its over-order price payments to a portion of producers who ship milk outside the Commonwealth. Right now only producers who ship milk utilized within the state are eligible for over-order payments. This trend reflects increased interest on the part of many Northeastern states in helping dairy operations cope with higher feed and fuel costs.

### ***CWT to Remove 54,000 Head of Dairy Cattle Nationwide***

Continuing its efforts to help keep milk production in line with supply, NMPF just

completed its latest round of herd retirement through the CWT program. Although recent milk production levels across the country have not shown huge increases in the last couple of months the CWT program will clearly help to stave off another spike in over-production nationally. About 1 billion pounds of milk production will be reduced through the CWT buyout program. And keep in mind this program heavily targets the Southwest and Western areas of the country in which milk production levels have risen the most rapidly.

### *Corn, Corn and More Corn*

I am expecting any day to have a corn producer show up at my doorstep and ask if he can plant the tiny lawn I have around my house in corn. Nationally the numbers are staggering as USDA projects that 90.5 million acres of corn will be planted in 2007, the most corn planted since 1944 and up a whopping 15% from last year. And corn acreage increases will mean less soybeans planted this year. The appetite for increased ethanol production has no limit. We will see how this plays out in the market price for corn and feed prices for our dairy cattle.

### *Mad Cow Testing*

Last Thursday a federal judge ruled that USDA may not prohibit Kansas-based Creekstone Farms Premium Beef from testing their animals for mad cow disease. USDA threatened Creekstone with prosecution if it tested all its animals but U.S. District Judge James Robertson rules that the government does not have the authority to regulate the test. The judge's order was put on hold until the government can appeal.

### ***Pennsylvania Department of Agriculture Adds Additional Provisions To Its Farm Bill Recommendations***

The Pennsylvania Department of Agriculture as reported in previous newsletters has developed a series of dairy related Farm Bill recommendations. As they receive comments on their draft provisions they continue to revise them. Enclosed is a brief summary of the key provisions in the legislation they have prepared.

- Repeal of the federal dairy price support program.
- Replace the price support program with a Recourse Loan Program based on and structured after the loan program in the 1996 Farm Bill.
- Develop a Milk Target Price Program that would replace the MILC program.
- Payments would be made under this program when Class III prices drop below \$12.00 per hundredweight.
- The maximum annual payments per farm under the Milk Target Price Program would be \$50,000.
- Establish a feed price index and adjustment factor within the Federal Milk Marketing Orders that would reflect higher feed costs.
- Develop a Milk Revenue Insurance Program through USDA's Risk Management Agency.
- Change the current Federal Milk Marketing Order from a four class order system to a two class system that would have a separate class for fluid and one for manufactured milk.
- Re-implement the Dairy Options Pilot Program and the Dairy Forward Contracting Program nationwide.
- Establish a dairy processing equipment loan guarantee program to encourage investments in

new processing technologies.

- Eliminate forward pricing and use the manufacturing value of milk for the Class I mover and implement a combination of Chicago Mercantile Exchange (CME) cash market and manufacturing reporting under NASS for price discovery.

### ***Senator Clinton Introduces Rural Development and Local Food Bills***

On Thursday, March 29, Senator Clinton (D-NY) introduced a package of three bills. The Rural Investment to Strengthen Our Economy Act (S. 1034) would create a National Board on Rural America and emphasize a regional planning approach to business development in a manner similar to the RSIP program authorized in the 2002 Farm Bill but never launched. The Broadband Initiatives Act (S. 1032) would expand rural broadband access through a streamlined program delivery strategy and the creation of a Rural Broadband Innovation Fund. Finally, the School Food Fresh Act (S. 1031) would improve the school lunch commodity foods program by linking local and regional farmers with schools and provide grants for projects evaluating product specifications for commodities used in all USDA programs.

#### ***New Farm Bill Analysis Site***

USDA's Economic Research Service this week put up a new online page – [www.ers.usda.gov/Features/FarmBill2007/](http://www.ers.usda.gov/Features/FarmBill2007/) - that pulls together ERS research and analysis relevant to the 2007 Farm Bill categorized by farm bill title. They plan to update the site regularly as more publications are issued.