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DAIRY PROVISIONS OF NEW FARM LAW

The Agriculture and Consumer Protection Act was signed into law by President Nixon on August 10, 1973. Included in this Act are a number of provisions of importance to the dairy industry, which are described as follows:

1. Class I Base, Seasonal Base and Louisville Plan Authority. The law extends until December 31, 1977, the authority for including these provisions in Federal milk marketing orders. Class I base plans issued prior to December 31, 1977, may remain effective until the end of 1980. Presently, there are Class I base plans operating in only the Puget Sound and Georgia orders.

The basic purpose of the seasonal base plan and the Louisville plan is to level out seasonal variations in milk production. Under the seasonal base plan, a base is established for each producer determined by his deliveries during the short season of the year. Such plans are now used in nine Federal order markets. The Louisville plan withholds funds due producers during the flush production months and disburses the money during the short season. Louisville plans are currently being used in 11 Federal orders.

2. Other Amendments to the 1937 Agricultural Marketing Agreement Act. (The 1937 Act provides the basic authority for the Federal milk order program).

The first amendment requires the Secretary of Agriculture to call a hearing on a proposed amendment to a Federal milk

market order if one-third or more of the producers apply in writing for such a hearing. Applications for a hearing must be submitted by individual producers for this purpose; cooperatives may not act for their members.

Another amendment emphasizes the requirement that the Secretary consider the level of farm income needed to meet anticipated future milk needs when setting minimum milk prices under a Federal order.

3. Dairy Price Support Levels. The new farm law requires that manufacturing milk be supported between 80 and 90 percent of parity through March 31, 1975. After that, dairy price supports will revert back to the 75 to 90 percent requirement provided under the Agricultural Act of 1949. (The 1949 Act provides the basic authority for the dairy price support program).

4. Price Support Requirement for Butterfat. The 1973 Act removed the price support requirement for butterfat. The 1970 Agricultural Act had temporarily suspended the mandatory support on butterfat until March 31, 1974. By removing this requirement, the CCC purchase price of butter can be more flexible to make butter more competitive with other fats.

If butterfat was still being supported at the current 80 percent of parity level, the CCC purchase price for butter would have to be about 87 cents per pound, compared with the current 62 cents.

5. Revision of the Adequate Supply Provisions of the Price Support Program. The Secretary of Agriculture must set dairy price supports each marketing year within the specified parity range that will provide an adequate supply of milk. The 1973 Farm Act directs the Secretary to set the level of support which would... "meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs."

6. Authority to Transfer Dairy Products Acquired by the CCC to the Military and Veterans Administration. The authority the CCC has had since 1954 to transfer dairy products acquired under the price support program to the military and the Veterans Administration is extended 4 more years. Although CCC stocks of dairy products are now low, this has been an important outlet for excess stocks in the past.

7. Dairy Indemnity Program. The program is extended another 4 years till June 30, 1977. The indemnity program provides for payments to farmers and to dairy processing and manufacturing plants when their milk or dairy products must be removed from the market because of the presence of pesticide residues,

when the dairy farmer or plant operator is not at fault. The new law also provides for the first time for the government to purchase cows whose milk contains the residue. Since indemnities were begun in 1964, payments to dairy farmers and dairy plants have totaled only a little over \$1.5 million. However, they have been important to many individual farmers and plants.

8. Dairy Import Study. The legislation directs the Secretary of Agriculture to conduct a study to determine the effect of increased dairy imports on domestic dairy producers, handlers, processors, and consumers. This report, along with the Secretary's recommendations, is to be submitted to Congress no later than January 1, 1975.

9. Cost of Production Study. The new law requires the Secretary of Agriculture to conduct a cost of production study for dairy commodities in cooperation with the land grant colleges, commodity organizations, general farm organizations, and individual farmers. A national weighted average cost of production is to be established and updated annually. These studies are to be based upon the size unit operated by one full time man.

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