

MARKET COW BONUS PROGRAM ANALYSIS—REVISED PARAMETERS

RATIONALE:

Culling 100,000 extra cows is enough to turn the market. \$50 million would be enough to pay \$500 on 100,000 extra cows.

A 10 cent / cwt assessment is enough to generate \$150 to \$190 million a year, which is enough to remove 300,000 to 380,000 extra cows per year.

***Include in the analysis the fact that the same bill would end the Dairy Price Support Program*

TRIGGER:

The MCBP would trigger whenever the Class I "mover" declines for two consecutive months: *Why use "mover" instead of margin?* To be sure producers have the opportunity to recoup their investment and to tie the program to supply/demand signals in the milk market. The subcommittee felt that connecting the MCBP to a margin would mean the possibility of money being collected and not used and that it would not be a true market adjustment program if it were tied to a margin.

PARAMETERS FOR ANALYSIS:

- 1) MCBP program collects a 10-cent/cwt assessment continuously on all milk.
- 2) There would be no cap on the fund.
- 3) The program would collect, but not trigger, for the first 6 months (or until \$100 million accrues).
- 4) The trigger is two consecutive months of a decline in the announced Class I "mover" or other "manufacturing price" indicator.

5) The MCBP would work as follows:

****A) The first month in which the Class I "mover" or manufacturing price declines**, each dairy producer's pounds of milk shipped for that month would be that producer's temporary milk "base" for the purpose of establishing eligibility to receive a Market Cow Bonus for culling over a baseline of one cow per 100,000 pounds of milk shipped if the "mover" declined the next month (second consecutive month).

****B) The second consecutive month in which the Class I "mover" declines**, the Market Cow Bonus Program would immediately trigger on the Monday following the Friday of the USDA price announcement showing the second month of a declining "mover."

****C) The MCBP would then run for the next 30 days** during which time every dairy producer would be eligible to receive \$500 per market cow sold to slaughter above the baseline of one cow per 100,000 lbs* of milk base (using that prior month's milk "base" to establish the baseline # of cows before a bonus could be earned).

**If base is below 100,000 lbs/month, \$500 bonus begins with the first cow culled. Only milking cows that have calved at least once qualify for the \$500 per head bonus.*

****D) The program would be administered through FSA as follows:** To receive the \$500 per head for "extra" cull cows, the producer would show the farm's milk marketings for the previous month and proof of sale to slaughter for all cows culled from that herd during that 30-days in which the program was active. The producer would receive zero bonus on one cow culled per 100,000 lbs milk base* and receive \$500 bonus on each cow culled above that baseline during that 30 days.

****E) If the "mover" declined a third month in a row**, the MCBP would remain in effect for the next 30 days as described in "B" above, and so on.

****F) The program would not trigger if the fund dropped below \$50 million until the fund again reached \$50 million.**