Order Code IB97011

Issue Brief for Congress

Received through the CRS Web

Dairy Policy Issues

Updated August 20, 2002

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SUMMARY

Several major dairy policy issues are addressed in the context of the Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the 2002 farm bill), which was signed into law on May 13, 2002. Included in the enacted 2002 farm bill is a reauthorization of the dairy price support program for an additional 5 ½ years, and new authorization for direct payments to dairy farmers through September 2005, triggered whenever the market price of farm milk falls below a target price level.

Under the auspices of the dairy price support program, USDA supports farm milk prices through its purchases of surplus dairy products at stated prices. The 2002 farm bill extended the program through 2007 at the then-current support price of $9.90 per hundredweight (cwt.). USDA has been purchasing large quantities of surplus nonfat dry milk (powder) under the program and is considering using its statutory authority to cut the powder purchase price (and raise the butter price) in an effort to reduce government costs. Dairy producer groups are concerned that such a move would reduce dairy farmer income, while processors support a price reduction.

In each of the previous three fiscal years (FY1999-2001), Congress has authorized USDA to make ad-hoc "market loss" payments to dairy farmers to help mitigate the effects of volatile farm milk prices. Separately, the six New England states had temporary authority for a regional dairy compact from 1997 until its expiration on September 30, 2001. The Northeast compact allowed the region to establish minimum fluid farm milk prices above the federally mandated minimum price level. The enacted 2002 farm bill authorizes a new counter-cyclical direct payment program for all dairy farmers, which is modeled after the compact and the market loss payments. Under the new program, all dairy farmers will be eligible to receive a direct government payment when the farm price of milk used for fluid consumption in Boston falls below $16.94. When monthly prices fall below the target, producers will receive a government payment equal to 45% of the shortfall on that month's milk production, on up to 2.4 million lbs. of annual milk production per dairy farm. At the time of enactment, CBO estimated the lifetime cost of the program at about $1 billion. However, independent estimates show that the total cost of this program could be considerably higher ($3 to $4 billion.) The payment program has been controversial because of its cost and concerns that an included payment cap benefits small farmers at the expense of large farmers. Farmer enrollment in the program began on August 15, 2002, and will continue until the program expires on September 30, 2005.

Many dairy farmer groups support a prohibition on the use of dry milk protein concentrates (MPC) in the production of cheese. Farm groups are concerned that imports of MPC are displacing domestic milk used for cheesemaking and thus depressing farm milk prices. In response, companion bills (S. 847 and H.R. 1786) would impose tariff rate quotas on certain MPCs. Other bills (H.R. 1016 and S. 117) would prohibit the use of dry MPC in domestic cheese production. Dairy processor groups generally are opposed to these bills.

MOST RECENT DEVELOPMENTS

Farmer enrollment in the newly authorized direct payment program for dairy farmers began on August 15, 2002, and will continue until the program expires on September 30, 2005. These counter-cyclical payments will be made to a participating dairy farmer monthly whenever market prices fall below a target level. Program regulations are pending. However, USDA has issued a notice that provides guidelines on how producers can select the starting date for their payments, among other provisions.

Separately, USDA is considering a reduction in the government purchase price of surplus nonfat dry milk (and an increase in the butter purchase price) in an effort to reduce government expenditures. Meanwhile, USDA announced on August 12, 2002 that $150 million of its inventory of nonfat dry milk will be converted to animal feed and made available to farmers and ranchers in states suffering from severe drought conditions.

BACKGROUND AND ANALYSIS

Dairy and the 2002 Farm Bill (P.L. 107-171)

The Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the 2002 farm bill), which was signed into law on May 13, 2002, establishes federal farm commodity price and income support policy for the next 6 years. Among the major dairy provisions in the enacted 2002 farm bill is an extension of the dairy price support program at the current level of support, and authorization for counter-cyclical payments to dairy farmers when market prices for farm milk fall below a target level.

See **Table 1** below for a side-by-side comparison of the 2002 farm bill dairy provisions with previous law or policy. The two sections of the brief following the table provide more detail on the two major federal dairy pricing policy tools authorized by the 2002 farm bill – the dairy price support program and the counter-cyclical dairy farmer payments program. For an overview of all major provisions in the 2002 farm bill, see CRS Report RL31195, *The 2002 Farm Bill: Overview and Status*.

Table 1. A Comparison of the Dairy Provisions of the 2002 Farm Bill with Previous Law or Policy

Previous Law/Policy	Enacted 2002 Farm Bill Dairy Provisions
1. Dairy Price Support Program (DPSP)	
The 1996 farm bill (P.L. 104-127), as amended, reauthorized the DPSP at the then-current level of support ($9.90 per hundredweight (cwt.) of milk). The DPSP indirectly supports the farm price of milk through USDA purchases of surplus cheese, butter and nonfat dry milk (powder). The	Extends the DPSP through December 31,*2007* at the current level of support ($9.90 per cwt.). The Secretary is permitted to adjust purchase prices of butter and nonfat dry milk twice annually to minimize government expenditures on the program. *[Section 1501}*

Previous Law/Policy	**Enacted 2002 Farm Bill Dairy Provisions**
law allows the Secretary of Agriculture to adjust government purchase prices of butter and powder twice annually in order to minimize government expenditures. *[Section 141]* The FY2002 agriculture appropriations act (P.L. 107-76) extended the DPSP through May 31, 2002 *[Section 772(a)*]	
2. Counter-Cyclical Payments for Dairy Farmers The 1996 farm bill (P.L. 104-127) gave contingent authority for the six New England states to create an interstate dairy compact. *[Section 147]* The compact required fluid milk processors in New England to pay a minimum price for farm milk used for fluid consumption that is higher than the minimum price established under federal regulation. Compact was established in 1997 at a minimum price of $16.94 per hundredweight (cwt.). Legislative authority expired on September 30, 2001. Separately, emergency authority included in the agriculture appropriations acts of FY1999 (P.L. 105-277), FY2000 (P.L. 106-78) and FY2001 (P.L. 106-387) provided *ad-hoc* direct government payments to all dairy farmers in response to volatile farm milk prices.	Authorizes a new counter-cyclical payment program for dairy farmers through September 30, 2005. Whenever the minimum monthly fluid farm milk price in Boston falls below $16.94 per cwt., all eligible farmers nationwide will receive a direct government payment equal to 45% of the difference between $16.94 and the lower Boston price. Payments to individual farmers can be received on up to 2.4 million lbs. of annual production. Retroactive payments will be made for each month back to December 2001. No budget limitations on how much can be spent each year or in total. CBO estimates the total cost of the program at $963 million over the life of the program. *[Section 1502]*
3. Recourse Loan Program P.L. 104-127 permanently authorized a new recourse loan program to help dairy processors balance their inventories, to be implemented once the dairy price support program (DPSP) expires. *[Section 142]* P.L. 104-127 originally required the elimination of the DPSP on January 1, 2000. However, subsequent legislation extended price support authority. Recourse loan program was never implemented, and its authority was repealed by P.L. 107-76.	No provision.
4. Dairy Export Incentive Program The 1985 farm bill (P.L. 99-198) first authorized the dairy export incentive	Extends program authority through 2007. *[Section 1503(a)]*

Previous Law/Policy	Enacted 2002 Farm Bill Dairy Provisions
program, which helps U.S. exporters counter subsidized sales by foreign competitors through cash or commodity bonuses. *[Section 153]* Program was reauthorized periodically in subsequent farm bills. Most recently, the 1996 farm bill (P.L. 104-127) reauthorized the program through 2002. *[Section 148]*	
5. Dairy Indemnity Program Authorized in 1964, the dairy indemnity program indemnifies dairy farmers and processors who, through no fault of their own, suffer income losses due to contamination of milk or dairy products caused by pesticides and certain other toxic substances. Legislative authority expired September 30, 1995. However, annual appropriations have been made subsequent to program expiration.	Reauthorizes the program through September 30, 2007. *[Section 1503(b)]*
6. Fluid Milk Processor Promotion Program The Fluid Milk Promotion Act of 1990 (contained within the 1990 farm bill (P.L. 101-624)), as amended, authorized a research and promotion program for fluid milk products. *[Sections 1999A-1999R]* The program is funded through an assessment on fluid milk processors who handle more than 500,000 lbs. of fluid milk products each month. The 1996 farm bill (P.L. 101-624) extended program authority through December 31, 2002. *[Section 146]*	1) Gives permanent authority to the fluid milk promotion program; 2) strikes the statutory definition of a fluid milk product and use the definition promulgated in USDA regulations; and 3) changes the definition of a fluid milk processor for the purpose of the required assessment, to exclude any fluid processor that handles less than 3 million pounds of fluid milk products each month. 4) Fluid milk delivered directly to consumer residences does not count toward the 3 million pound minimum requirement for the processor assessment. *[Section 1506]*
7. Dairy Promotion and Research Program The Dairy Producer Stabilization Act of 1983 authorized a national dairy producer program for generic dairy product promotion, research, and nutrition education. The program is funded through a mandatory 15-cent per hundredweight assessment on all milk produced and marketed in the contiguous 48 states. Dairy farmers administer the program through the National Dairy Promotion and Research	1) Extends the 15-cent assessment to imported dairy products. The 15-cent assessment is to be paid to U.S. Customs by the importer on the equivalent of milk that went into the manufacturing of the imported product. 2) None of the importer-collected funds can be used for foreign market promotion. 3) Importers must be represented on the Board in the same proportion that imported dairy products comprise the total U.S. dairy market.

Previous Law/Policy	Enacted 2002 Farm Bill Dairy Provisions
Board.	4) The Secretary of Agriculture is required to consult with the U.S. Trade Representative to determine whether this provision is compatible with U.S. trade obligations. 5) dairy products must be promoted without regard to the country of origin of the product. *[Section 1505]*
8. Dairy Product Mandatory Reporting The Dairy Market Enhancement Act of 2000 (P.L. 106-532) established a mandatory reporting system for dairy product inventories and prices. It requires USDA's National Agricultural Statistics Service to regularly collect data on the prices and inventories of cheese, butter and nonfat dry milk sold by dairy manufacturers.	Amends the 2000 act to include "substantially identical products designated by the Secretary (of Agriculture)" as part of the mandatory reporting system. Changes the definition of a covered dairy product to include "substantially identical products designated by the Secretary." *[Section 1504]*
9. Dairy Studies No provision in previous law.	Requires the Secretary of Agriculture to submit to Congress two reports. Both are due by May 13, 2003. 1) a comprehensive economic evaluation of national dairy policies (i.e., the price support program, federal milk marketing order, over-order premiums and state pricing programs, dairy compacts and export programs) and their effect on the farm and rural economy, domestic food and nutrition programs, and consumer costs. 2) a series of studies on a) the market effects of terminating all federal dairy programs relating to price support and supply management; and b) the effects of changing the standard of identity for fluid milk so that the required minimum protein content of fluid milk is commensurate with the average nonfat solids contents of farm milk directly from the cow. *[Section 137]* [Note: California has a standard of identity for fluid milk that requires a nonfat solids content higher than the national requirement and higher than the average content of raw milk from the cow.] *[Section 1508]*

Dairy Price Support Program

Background

The Agricultural Act of 1949 first established the dairy price support program by permanently requiring the U.S. Department of Agriculture (USDA) to support the farm price of milk. Since 1949, Congress has regularly amended the program, usually in the context of multi-year omnibus farm acts and budget reconciliation acts. (See **Table 2**, below, for a recent history of spending on the dairy price support program.) Most recently, Section 1501 of the Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the omnibus 2002 farm bill) authorized a 5 ½-year extension of the program through December 31, 2007 at the then-current support price of $9.90 per hundredweight (cwt.) of farm milk.

Historically, the supported market price for milk is intended to protect farmers from price declines that might force them out of business and to protect consumers from seasonal imbalances of supply and demand. USDA's Commodity Credit Corporation (CCC) supports milk prices by its standing offer to purchase surplus nonfat dry milk, cheese, and butter from dairy processors. Government purchases of these storable dairy products indirectly support the market price of milk for all dairy farmers. Prices paid to the processors are set administratively by USDA at a level that should permit them to pay dairy farmers at least the federal support price for their milk.

In order to achieve the support price of $9.90 per cwt. of milk, USDA has a standing offer to processors to purchase surplus manufactured dairy products at the following prices: $0.8548 per lb. for butter, $0.90 for nonfat dry milk, $1.1314 per lb. for block cheddar, and $1.1014 per lb. for barrel cheese. Whenever market prices fall to the support level, processors generally make the business decision of selling surplus product to the government rather than to the marketplace. Consequently, the government purchase prices usually serve as a floor for the market price, which in turn indirectly support the farm price of milk at $9.90 per cwt.

Butter-Powder "Tilt"

Under current dairy price support law, USDA has the authority twice annually to adjust the support prices of butter and nonfat dry milk (powder) in order to minimize federal expenditures on the purchase of surplus dairy products. Whenever USDA reduces the support price of one product, it must increase the support price of the other in order to continue supporting the overall farm price of milk at the mandated level of $9.90 per cwt. USDA last exercised this authority on May 31, 2001 when it reduced the purchase price of nonfat dry milk from $1.00 to $0.90 per lb. and increased the butter purchase by nearly $0.20 to $0.8548 per lb. At the time of the price adjustment, USDA said it took such action because it has accumulated nonfat dry milk stocks well above its ability to use the product and because of the government cost associated with purchasing the product.

Despite last year's price adjustment, market conditions are such that USDA continues to purchase surplus nonfat dry milk. For the first ten month's of FY2002 (October 2001 through July 2002), USDA purchased 607 million lbs. of surplus powder, compared with 395

Table 2. Commodity Credit Corporation Milk Price and Income Support Operations, 1979/80-2001/02

Marketing year[a]	Net Removals Milk Equivalent (billion lbs.)[b]	Net Outlays (million $)	CCC Support Price ($ per cwt.)	CCC Purchases as Percentage of Production
1980-81	12.7	1,975	13.10	9.6
1981-82	13.8	2,239	13.49-13.10	10.2
1982-83	16.6	2,600	13.10	12.0
1983-84	10.4	1,597	13.10-12.60	7.6
1984-85	11.5	2,181	12.60-11.60	8.2
1985-86	12.3	2,420	11.60	8.5
1986-87	5.4	1,238	11.60-11.35	3.8
1987-88	9.7	1,346	11.10-10.60	6.7
1988-89	9.6	712	10.60-11.10	6.7
1989-90	8.4	505	10.60-10.10	5.7
1990-91	10.4	839	10.10	7.0
1991-92	10.1	232	10.10	6.7
1992-93	7.6	253	10.10	5.0
1993-94	4.2	158	10.10	2.8
1994-95	2.9	4	10.10	1.8
1995-96	0.1	-98	10.10-10.35	0.1
1996-97	0.7	67	10.20	0.4
1997-98	0.7	291	10.20-10.05	0.4
1998-99	0.3	480(c)	10.05-9.90	0.2
1999-2000	0.8	684(d)	9.90	0.5
2000-01	0.3	1,140(e)	9.90	0.3
2001-02 (f)	0.2	57	9.90	0.1

Source: U.S. Department of Agriculture, Farm Service Agency, selected publications.
a. The marketing year is October 1-September 30.
b. The milk equivalent is the pounds of fluid milk used to manufacture cheese and butter, on a milkfat basis.
c. Includes $200 million in emergency "market loss" payments authorized by P.L. 105-277.
d. Includes $125 million in net outlays for market loss payments authorized by P.L. 106-78.
e. Includes $675 million in market loss payments authorized by P.L. 106-387.
f. USDA estimate.

million lbs. in the same period of FY2001. As of mid-August 2002, USDA had uncommitted powder inventories of approximately 1.4 billion lbs.

Some dairy processor groups are urging USDA to further reduce the government purchase price for surplus nonfat dry milk. Proponents say this would reduce government costs, and make domestic nonfat dry milk more competitive in world markets. Most dairy farmer groups strongly oppose a further reduction in the nonfat dry milk purchase price. They contend that the income of all dairy farmers will be adversely affected, especially since current pricing policy pegs the farm price of milk used for fluid consumption to the price of milk used for nonfat dry milk and butter. Instead, dairy producer groups contend that quotas should be placed on imports of milk protein concentrates, which they say displace domestic production of nonfat dry milk and contribute to powder surpluses. (See "Milk Protein Concentrate Trade Issues" below.) Others are concerned that an increase in the butter purchase price, which is required by law whenever USDA reduces the powder price, could trigger government purchases of surplus butter at the higher price.

Separately, in an effort to reduce its powder inventory, USDA announced on August 12, 2002 that $150 million of surplus powder will be converted to animal feed and made available to farmers and ranchers in states suffering from severe drought conditions.

Counter-Cyclical Dairy Farmer Payments

Background

Over the previous three fiscal years (FY1999-FY2001), Congress provided just over $32.5 billion in emergency spending for USDA programs, primarily to help farmers recover from low farm commodity prices and natural disasters. The majority of these funds were for supplemental direct farm payments made to producers of certain commodities, primarily grains and cotton, but also including soybeans, peanuts, tobacco and milk. Of this amount, dairy farmers received supplemental "market loss" payments of $200 million in FY1999 under the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277), $125 million under the FY2000 agriculture appropriations act (P.L. 106-78), and $675 million under the emergency provisions in the FY2001 agriculture appropriations act (P.L. 106-387).

Some dairy farmer groups sought a permanent direct payment program for dairy farmers to be included in the 2002 farm bill as a means of supplementing dairy farm income when farm milk prices are low. Prior to the emergency payments made each year on an ad-hoc basis in FY1999 through FY2001, dairy farmers generally were not recipients of direct government payments. However, some groups contended that farm milk prices had been volatile in recent years and that dairy farmers needed more income stability.

Separately, the Northeast Dairy Compact, which provided price premiums to New England dairy farmers when market prices fell below a certain level, expired on September 30, 2001. These premiums were funded by assessments on fluid milk processors whenever fluid farm milk prices in the region fell below $16.94 per hundredweight (cwt.). Supporters of the Northeast compact had sought for an extension of the compact; the Southeastern states were seeking new authority to create a separate compact. However, processors and Upper Midwest producers are strongly opposed to regional compacts.

2002 Farm Bill Provisions

Section 1502 of the Farm Security and Rural Investment Act of 2002 (P.L. 107-171, the 2002 farm bill) contains authorization for a new counter-cyclical "national dairy market loss payment program." The program does not replace the dairy price support program and federal milk marketing orders, the current federal milk pricing policy tools. Instead, it serves as an alternative to regional dairy compacts and ad-hoc emergency payments to farmers, by authorizing additional federal payments when farm milk prices fall below an established target price.

Under the provision, dairy farmers nationwide are eligible for a federal payment whenever the minimum monthly market price for farm milk used for fluid consumption in Boston falls below $16.94 per hundredweight (cwt.). In order to receive a payment, a dairy farmer must enter into a contract with the Secretary of Agriculture. While under contract, a producer can receive a payment equal to 45% of the difference between the $16.94 per cwt. target price in any month that the Boston market price falls below $16.94. A producer can receive a payment on all milk production during that month, but no payments will be made on any annual production in excess of 2.4 million pounds per dairy operation. All contracts expire on September 30, 2005, and payments will be made retroactively to December 1, 2001.

This new dairy program is modeled after the Northeast dairy compact which was in effect in the six New England states from 1997 until its expiration on September 30, 2001. However, under the expired dairy compact, dairy processors were required to pay the difference between the $16.94 fluid milk target price and any market price shortfall for fluid use milk in the compact region. The new program shifts the responsibility of the payment from the processor (and ultimately the consumer) to the federal government.

During the farm bill debate, the dairy payment program was generally supported by milk producer groups in the Northeast and the Upper Midwest. Producer groups in the Northeast region view it as an alternative to the Northeast dairy compact. Upper Midwest producers prefer the new program to state compacts since the new program shares the price premiums nationally. Large dairy farmers have expressed concern that the new program will cause excess milk production that will in turn decrease farm milk market prices. They contend that this would negatively affect their income, since their annual production is well in excess of the 2.4 million lb. payment limit, and any production in excess of 2.4 million pounds would receive the market price and no federal payments. (Annual production of 2.4 million pounds is roughly equal to the annual production of a herd of approximately 120 to 130 dairy cows.) The International Dairy Foods Association, a trade association representing dairy processors, was opposed to the program in its earlier version when processors would have been required to continue paying the price premiums in the Northeast. However, its opposition was lifted when the funding responsibility was shifted to the federal government as in the final version of the program.

Estimated Cost of the New Dairy Program

There are a wide range of estimates on the projected cost of the new dairy program over its nearly 4-year life. Based on market conditions in March 2002, the Congressional Budget Office (CBO) estimated total direct federal payments of $963 million over the life of the program. However, more recent independent estimates from the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri and USDA show that the total cost could range between $3 and $4 billion. The main reason for this disparity is that FAPRI and USDA project significantly lower market prices for milk than CBO over the 46-month life of the program. Consequently, CBO estimates that the average monthly payment rate over the 46-month life of the program will be about $0.45 per cwt.; FAPRI and USDA independently estimate an average monthly payment rate of about $0.90 per cwt.

Retroactive program payments will be made in each month from December 2001 through August 2002, since the Boston market price was below $16.94 per cwt. in each month. The average payment rate for these 8 months, based on market prices during that period, will be approximately $1.04 per cwt. At that rate, FY2002 program costs alone could approach $1 billion.

USDA Implementation

On August 5, 2002, USDA announced that signup for the new counter-cyclical program (which it has named the "Milk Income Loss Contract (MILC) Program") would begin on August 15, 2002 and continue until the program expires on September 30, 2005
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USDA has also announced how it will handle certain implementation issues that were not addressed in the authorizing legislation. For example, the legislation limits individual payments to the first 2.4 million lbs. of annual production, but does not address whether a producer with annual production in excess of the limit can choose which month's production would receive a payment. Larger producers wanted this flexibility so that they could waive payments in a month when the payment rate is relatively low, if they thought the payment rate might be higher in other months of the year. USDA has announced that beginning in FY2003, it will allow an individual producer to designate which month to receive the first payment for the fiscal year. The producer must designate the starting month in advance of the first of that month. Once the selected month arrives, producers will continue to receive payments from that month forward, until payments are received on 2.4 million lbs. of production, or the end of the fiscal year, whichever comes first. For the retroactive payments (covering milk production from December 2001 through September 2002), producers will not have the flexibility of determining a starting month for payments and will receive payments beginning with December 2001 production. (For more on the USDA announcement, see USDA Notice LD-524 on the USDA website.)

Milk Protein Concentrate Trade Issues

Milk protein concentrate is a product in which certain milk proteins necessary for cheese production are selectively included and all or most of the water is removed from the milk, thus making it efficient to ship long distances. Dairy farmer groups, which support a prohibition on the use of dry MPC, are concerned that imports of MPC are displacing domestic milk used for cheesemaking and depressing farm milk prices. Certain concentrations are not covered by tariffs or quotas under the existing World Trade Organization agreement. The importation of these products was not an issue when the agreement was debated in the 1990s.

On March 5, 2001, the General Accounting Office released a study on the production, imports, and regulation of milk protein concentrates. The study found that MPC imports grew rapidly from 1990 to 1999 – from 805 to 44,878 metric tons, including a near doubling in 1999 over 1998 alone. According to the study, six countries (New Zealand, Ireland, Germany, Australia, the Netherlands and Canada) accounted for 95% of the 1999 imports. For the full text of the GAO study, see [http://www.gao.gov/new.items/d01326.pdf].

Currently, neither wet nor dry MPC is allowed as an ingredient in any U.S. cheese which has a standard of identity defined by the Food and Drug Administration, which includes most cheese. Cheese processors had petitioned FDA for a change in standards to allow MPC in cheese production. Conferees deleted from the FY2001 agriculture appropriations bill a Senate provision that would have prohibited FDA from issuing any regulations that would allow MPC as an ingredient in the production of cheese. Companion bills (S. 117 and H.R. 1016) have been introduced in the 107th Congress that would prohibit FDA from allowing milk protein concentrates as an ingredient in any cheese with a standard of identity. Other bills (S. 847 and H.R. 1786) would impose a tariff rate quota on MPC and casein (the major portion of milk protein). Supporters of these bills, including most milk producer groups, contend that foreign MPC and casein is being dumped in the United States. Opponents of the legislation include dairy processor groups, the largest of which is the International Dairy Foods Association, who contend that MPC imports are not displacing U.S. production of nonfat dry milk. They maintain that the domestic support price for nonfat dry milk should be lowered instead to stimulate the market for domestic powder.

The National Milk Producers Federation (NMPF), the largest trade association representing milk producer cooperatives, has urged the federal government to examine several trade policy options for addressing the milk protein concentrate import issue. These include provisions in the Trade Act of 1974 that allow the President (following an International Trade Commission investigation) to provide relief to a U.S. industry adversely affected by imports; a 1974 Trade Act provision that allows the U.S. Trade Representative to retaliate against certain foreign trade policies; and the use of antidumping laws and countervailing measures. On April 17, 2002, the NMPF filed a formal challenge of how the U.S. Customs Service classifies various dairy product imports, including MPC. Under Section 516 of U.S. tariff law, interested parties are permitted to challenge the tariff classification of imported items. The NMPF claims that imported MPC is not a true concentrated milk protein, but is instead a blend of other dairy products (such as nonfat dry milk, whey powder and casein). These blends, they say, "take unfair advantage of U.S. trade policies that allow the unrestricted entry of MPC, but not the individual components found in the blended products."

LEGISLATION

P.L. 107-171 (H.R. 2646)

Provides for the continuation of agricultural programs through fiscal year 2011. Introduced and referred to the House Agriculture Committee on July 26, 2001. Reported by the House Agriculture Committee on August 2 (H.Rept. 107-191, part I). Supplemental committee report (part II) filed on August 31. Referred sequentially to the House International Relations Committee, which reported the bill on September 10 (H.Rept. 107-191, part III). Passed the House on October 5, 2001 by a vote of 291-120. Received in the Senate on October 9, 2001. Conferees appointed February 28, 2002. Conference report (H.Rept. 107-424) filed on May 1, 2002. Conference agreement adopted by the full House by a vote of 280-141 on May 2, 2002. Conference report adopted by the Senate on May 8, 2002 by a vote of 64-35. Signed by the President on May 13, 2002, became P.L. 107-171. (See S. 1731 below for action on Senate version of the 2002 farm bill.)

H.R. 1016 (Baldwin), S. 117 (Feingold)

Quality Cheese Act of 2001. Prohibits the Food and Drug Administration from making regulatory changes that would allow milk protein concentrates or casein as an ingredient in certain cheeses. H.R. 1016 introduced on March 14, 2001; referred to the House Energy and Commerce Committee on March 14, 2001; referred to the Subcommittee on Health on March 22, 2001. S. 117 introduced and referred to the Senate Agriculture Committee on January 22, 2001.

H.R. 1786 (Obey), S. 847 (Dayton)

Impose tariff rate quotas on certain casein and milk protein concentrates. H.R. 1786 introduced and referred to the House Ways and Means Committee on May 9, 2001. S. 847 introduced and referred to the Senate Finance Committee on May 9, 2001.

S. 1731 (Harkin)

The Senate Agriculture Committee reported version of the omnibus farm bill. Full committee markup of the chairman's mark of the farm bill was completed on November 15, 2001. A revised version of the mark was introduced as S. 1731 on November 27, 2001. Motion to proceed to the consideration of the measure on November 30. Cloture motion on the motion to proceed on November 30. Daschle substitute amendment (S.Amdt. 2471) considered as a complete substitute to S. 1731 on December 10-14, 2001 and December 17-19, 2001. Two cloture motions to S.Amdt. 2471 not invoked by Yea-Nay Votes of 54-43 on December 18 and 19, 2001. Debate resumed February 6-8 and 11-13, 2002, with many amendments adopted. Senate incorporated this measure as a complete substitute to the House-passed bill (H.R. 2646) on February 13, and passed H.R. 2646, as amended on February 13, 2002, by a vote of 58-40. Conferees appointed February 28, 2002. (See P.L.107-171, H.R. 2646 above for further action on the measure.)