

The Milkweed

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Bush: 3¢ Milk Tax, Zap Dairy Supports & DEIP

by John Bunting

In the early days of the Republic, bleeding was considered the cure for most everything. President George W. Bush's recently unveiled federal budget proposes "bleeding" dairy farmers' milk checks with an old-fashioned cure: a newly created "Milk Tax."

Specifically, the White House's controversial \$2.7 trillion federal budget calls for a three-cent per cwt. assessment against all milk producers' revenue, starting in October 2006. A new "Milk Tax"—like many aspects of this budget proposal—will generate heat. Like the rest of the controversial White House budget proposal, it must be approved by the House and Senate

The specific language reads: "Initiate a dairy assessment to be paid by dairy producers. An as-

essment of three cents per hundredweight of milk produced would be paid by all dairy producers on all their production." (Estimated savings: \$576 million over 10 years.)

On page 376 of the 440-page White House budget proposal, it seems that the Bush administration wants to kill off the Dairy Price Support program in 2008. And the Dairy Export Incentive Program would be axed in 2011. Killing those two programs would save an estimated \$257 million.

The White House budget proposes cutting all farm commodity program payments by five percent. That means even further reductions in the just-passed Milk Income Loss Contract (MILC) payments. Instead of the former payout of 45% (between the effective difference of the Class III price and \$13.69/cwt.), dairy farmers were to get 34.9% ... before any

additional five percent cut sought by the White House.

Reducing farm commodity payments by five percent over the next ten years will save the federal government \$4.9 billion—somewhat less than the monthly cost of the Iraq war. The budget also proposes to reduce the payment limit cap for individuals to \$250,000 for all commodity programs, for an estimated savings of \$1.2 billion over 10 years. That means that some corn ground will not get planted.

Other dairy details: the White House budget proposes to, "Require USDA to achieve effective dairy price supports at the least possible costs to the taxpayer. Change the law to require dairy product prices set by USDA to minimize costs, and allow purchases only when reported prices are below the support price." Estimated savings: \$618 million over 10 years. The current milk support price is \$9.90/cwt.

The federal government instituted controversial milk taxes against dairy farmers' gross production starting in the early 1980s. Those hated levies, which rose as high as \$1.00/cwt. in late 1983, were first used to cover costs of mammoth dairy surplus removals by USDA. When dairy surpluses abated, the milk taxes helped offset the federal budget deficit. No other economic group paid a tax on gross output as a federal deficit-offsetting measure.