

107TH CONGRESS
2D SESSION

H. R. 5627

To establish a counter-cyclical income support program for dairy producers.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 10, 2002

Mr. OBEY (for himself and Mr. SANDERS) introduced the following bill; which
was referred to the Committee on Agriculture

A BILL

To establish a counter-cyclical income support program for
dairy producers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Family Dairy Farmer
5 and Rural Community Rescue Act of 2002”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

8 (1) BOARD.—The term “Board” means a Re-
9 gional Supply Management Board.

10 (2) CLASS I, II, III, AND IV MILK.—The terms
11 “Class I milk”, “Class II milk”, “Class III milk”,

1 and “Class IV milk” mean milk classified as Class
2 I, II, III, or IV milk, respectively, under an order.

3 (3) DISTRICT.—The term “District” means a
4 Regional Supply Management District.

5 (4) ELIGIBLE PRODUCER.—The term “eligible
6 producer” means an individual or entity that directly
7 or indirectly has an interest in the production of
8 milk.

9 (5) ELIGIBLE PRODUCTION.—The term “eligi-
10 ble production” means the lesser of—

11 (A) the quantity of milk produced by an el-
12 igible producer during a month; or

13 (B) 230,000 pounds per month.

14 (6) MARKETING AREA.—The term “marketing
15 area” means a marketing area subject to an order.

16 (7) ORDER.—The term “order” means—

17 (A) an order issued under section 8c of the
18 Agricultural Adjustment Act (7 U.S.C. 608c),
19 reenacted with amendments by the Agricultural
20 Marketing Agreement Act of 1937; or

21 (B) a comparable State order, as deter-
22 mined by the Secretary.

23 (8) PARTICIPATING STATE.—The term “parti-
24 cipating State” means a State that is participating in
25 the program authorized by section 3.

1 (9) SECRETARY.—The term “Secretary” means
2 the Secretary of Agriculture.

3 (10) STATE.—The term ‘State’ means one of
4 the 48 contiguous States of the United States.

5 (11) TRUST FUND.—The term “Trust Fund”
6 means the National Dairy Producers Trust Fund.

7 **SEC. 3. NATIONAL COUNTER-CYCLICAL INCOME SUPPORT**
8 **PROGRAM FOR DAIRY PRODUCERS.**

9 (a) INCOME SUPPORT FOR ELIGIBLE PRODUCERS
10 FOR MILK SOLD TO PROCESSORS IN PARTICIPATING
11 STATES.—During each of calendar years 2003 through
12 2011, the Secretary shall carry out a program under this
13 section to support the income of eligible producers for milk
14 sold to processors in participating States.

15 (b) PARTICIPATING STATES.—

16 (1) AUTOMATIC PARTICIPATION.—Each State
17 shall be a participant in the program established by
18 the Secretary under this section unless the State
19 elects to withdrawal from the program as provided
20 in paragraph (2).

21 (2) WITHDRAWAL.—For a State to withdraw
22 from participation in the program under this section,
23 the Governor of the State (with the concurrence of
24 the legislature of the State) shall provide written no-

1 tice to the Secretary of the withdrawal of the State
2 from participation in the program.

3 (3) EFFECTIVE DATE OF WITHDRAWAL.—In
4 the case of written notice submitted by a State dur-
5 ing the 180-day period beginning on the date of the
6 enactment of this Act, the withdrawal of the State
7 shall take effect on the date on which the notice is
8 submitted to the Secretary. After the end of such
9 period, the withdrawal of the State shall take effect
10 on the date that is one year after the date on which
11 the notice is provided to the Secretary.

12 (c) REGIONAL SUPPLY MANAGEMENT DISTRICTS.—
13 To carry out this section, the Secretary shall establish 5
14 Regional Supply Management Districts to be composed of
15 the following States, unless and until the States with-
16 drawal from participation in the program under subsection
17 (b):

18 (1) NORTHEAST DISTRICT.—A Northeast Dis-
19 trict consisting of the States of Connecticut, Dela-
20 ware, Maine, Maryland, Massachusetts, New Hamp-
21 shire, New Jersey, New York, Ohio, Pennsylvania,
22 Rhode Island, and Vermont.

23 (2) SOUTHERN DISTRICT.—A Southern District
24 consisting of the States of Alabama, Arkansas, Flor-
25 ida, Georgia, Kansas, Kentucky, Louisiana, Mis-

1 Mississippi, Missouri, Nebraska, New Mexico, North
2 Carolina, Oklahoma, South Carolina, Texas, Ten-
3 nessee, Virginia, and West Virginia.

4 (3) UPPER MIDWEST DISTRICT.—An Upper
5 Midwest District consisting of the States of Illinois,
6 Indiana, Iowa, Michigan, Minnesota, North Dakota,
7 South Dakota, and Wisconsin.

8 (4) INTERMOUNTAIN DISTRICT.—An Inter-
9 mountain District consisting of the States of Ari-
10 zona, Colorado, Idaho, Montana, Nevada, Utah, and
11 Wyoming.

12 (5) PACIFIC DISTRICT.—A Pacific District con-
13 sisting of the States of California, Oregon, and
14 Washington.

15 (d) REGIONAL SUPPLY MANAGEMENT BOARDS.—

16 (1) IN GENERAL.—Each District shall be ad-
17 ministered by a Regional Supply Management
18 Board.

19 (2) COMPOSITION.—The Board of a District
20 shall be composed of not less than two, and not
21 more than three, members from each participating
22 State in the District, appointed by the Secretary
23 from nominations submitted by the Governor of the
24 State.

1 (3) NOMINATIONS.—The Governor of a partici-
2 pating State shall nominate at least five residents of
3 the State to serve on the Board, of which—

4 (A) at least one nominee shall be an eligi-
5 ble producer at the time of nomination; and

6 (B) at least one nominee shall be a con-
7 sumer representative.

8 (e) NATIONAL DAIRY PRODUCERS TRUST FUND.—

9 (1) ESTABLISHMENT AND FUNDING.—There is
10 established in the Treasury of the United States a
11 trust fund to be known as the National Dairy Pro-
12 ducers Trust Fund, which shall consist of—

13 (A) the payments received by the Secretary
14 and deposited in the Trust Fund under sub-
15 section (g); and

16 (B) the payments made by the Secretary
17 to the Trust Fund under subsection (i).

18 (2) EXPENDITURES.—Amounts in the Trust
19 Fund shall be available to the Secretary, to the ex-
20 tent provided for in advance in an appropriations
21 Act, to carry out this section.

22 (f) ADMINISTRATIVE AND INCREASED FOOD ASSIST-
23 ANCE COSTS.—The Secretary shall use amounts in the
24 Trust Fund to cover—

1 (1) administrative costs incurred by the Sec-
2 retary and Boards in carrying out this section; and

3 (2) the increased cost of any milk and milk
4 products provided under any food assistance pro-
5 gram administered by the Secretary that results
6 from carrying out this section.

7 (g) PAYMENTS FROM PROCESSORS TO TRUST
8 FUND.—

9 (1) IN GENERAL.—During any month for which
10 the Secretary estimates that the average price paid
11 by processors for Class I milk in a District will not
12 exceed a target price applicable to that District, each
13 processor in a participating State in the District
14 that purchases Class I milk from an eligible pro-
15 ducer during the month shall pay to the Secretary
16 for deposit in the Trust Fund an amount obtained
17 by multiplying—

18 (A) the payment rate determined under
19 subparagraph (B); by

20 (B) the quantity of Class I milk purchased
21 from the eligible producer during the month.

22 (2) PAYMENT RATE.—The payment rate for a
23 payment made by a processor that purchases Class
24 I milk in a participating State in a District under
25 paragraph (1)(A) shall be equal to—

1 (A) in the case of a marketing area in the
2 District, the difference between the target price
3 for that marketing area and the minimum price
4 required to be paid to eligible producers for
5 Class I milk in that marketing area; and

6 (B) in the case of an area in the District
7 not covered by an order, the difference between
8 the target price for the area and the minimum
9 price determined by the Secretary, taking into
10 account the minimum price referred to in sub-
11 paragraph (A) in adjacent marketing areas.

12 (h) TARGET PRICES.—For purposes of subsection
13 (g), the following target prices shall be in effect:

14 (1) \$17.50 per hundredweight, in the case of
15 the Northeast marketing area.

16 (2) \$17.35 per hundredweight, in the case of
17 the Appalachian marketing area.

18 (3) \$18.25 per hundredweight, in the case of
19 the Florida marketing area.

20 (4) \$17.35 per hundredweight, in the case of
21 the Southeast marketing area.

22 (5) \$16.05 per hundredweight, in the case of
23 the Upper Midwest marketing area.

24 (6) \$16.25 per hundredweight, in the case of
25 the Central marketing area.

1 (7) \$16.25 per hundredweight, in the case of
2 the Mideast marketing area.

3 (8) \$16.15 per hundredweight, in the case of
4 the Pacific Northwest marketing area.

5 (9) \$17.25 per hundredweight, in the case of
6 the Southwest marketing area.

7 (10) \$16.60 per hundredweight, in the case of
8 the Arizona-Las Vegas marketing area.

9 (11) \$16.15 per hundredweight, in the case of
10 the Western marketing area.

11 (12) In the case of an area not covered by an
12 order, a price per hundredweight determined by the
13 Secretary, taking into account the target prices in
14 adjacent marketing areas.

15 (i) COUNTER-CYCLICAL PAYMENTS FROM SEC-
16 RETARY TO TRUST FUND.—

17 (1) IN GENERAL.—To the extent provided for
18 in advance in an appropriations Act, the Secretary
19 shall use the funds, facilities, and authorities of the
20 Commodity Credit Corporation to make a payment
21 each month to the Trust Fund in an amount deter-
22 mined by multiplying—

23 (A) the payment rate determined under
24 paragraph (2); by

1 (B) the quantity of eligible production of
2 Class II, Class III, and Class IV milk sold in
3 the various Districts during the month, as de-
4 termined by the Secretary.

5 (2) PAYMENT RATE.—The payment rate for a
6 payment made to the Trust Fund for a month under
7 paragraph (1)(A) shall equal 25 percent of the dif-
8 ference between—

9 (A) \$13.00 per hundredweight; and

10 (B) the weighted average of the price re-
11 ceived by producers in each District for Class
12 III milk during the month, as determined by
13 the Secretary.

14 (j) PAYMENTS FROM TRUST FUND TO BOARDS.—

15 (1) IN GENERAL.—The Secretary shall use any
16 amounts in the Trust Fund that remain after pro-
17 viding the compensation required under subsection
18 (f) to make monthly payments to Boards.

19 (2) AMOUNT.—The amount of a payment made
20 to a Board of a District for a month under para-
21 graph (1) shall bear the same ratio to payments
22 made to all Boards for the month as the eligible pro-
23 duction sold in the District during the month bears
24 to eligible production sold in all Districts.

25 (3) PAYMENTS BY BOARDS TO PRODUCERS.—

1 (A) IN GENERAL.—With the approval of
2 the Secretary, a Board of a District shall use
3 payments received under paragraph (2) to make
4 payments to eligible producers for eligible pro-
5 duction of milk that is commercially sold in a
6 participating State in the District.

7 (B) SUPPLY MANAGEMENT.—In carrying
8 out subparagraph (A), a Board of a District
9 may—

10 (i) use a portion of the payments de-
11 scribed in subparagraph (A) to provide bo-
12 nuses or other incentives to eligible pro-
13 ducers for eligible production to manage
14 the supply of milk produced in the Dis-
15 trict; and

16 (ii) request the Secretary to review a
17 proposed action under clause (i).

18 (C) REIMBURSEMENT OF COMMODITY
19 CREDIT CORPORATION.—

20 (i) IN GENERAL.—If the Secretary de-
21 termines that the Commodity Credit Cor-
22 poration has incurred additional costs to
23 carry out the milk price support program
24 as a result of overproduction of milk due
25 to the operation of this section in a Dis-

trict, the Secretary shall require the Board of the District to reimburse the Commodity Credit Corporation for the additional costs.

(ii) BOARD ASSESSMENT.—The Board of the District may impose an assessment on the sale of milk within participating States in the District to compensate the Commodity Credit Corporation for the additional costs.

SEC. 4. COUNTER-CYCLICAL PAYMENTS FOR ELIGIBLE PRODUCERS FOR MILK SOLD TO PROCESSORS IN NONPARTICIPATING STATES.

(a) PAYMENTS TO ELIGIBLE PRODUCERS.—To the extent provided for in advance in an appropriations Act, during each of calendar years 2003 through 2011, the Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation to make payments to an eligible producer in a District for milk sold to processors in a State that is not a participating State in an amount determined by multiplying—

(1) the payment rate determined under subsection (b); by

(2) the payment quantity determined under subsection (c).

1 (b) PAYMENT RATE.—The payment rate for a pay-
2 ment made to an eligible producer in a District for a
3 month under subsection (a) shall equal 25 percent of the
4 difference between—

5 (1) \$13.00 per hundredweight; and

6 (2) the average price received by producers in
7 the District for Class III milk during the month, as
8 determined by the Secretary.

9 (c) PAYMENT QUANTITY.—The payment quantity for
10 a payment made to an eligible producer in a District for
11 a month under subsection (a) shall be equal to—

12 (1) the quantity of eligible production of Class
13 II, Class III, and Class IV milk for the eligible pro-
14 ducer during the month, as determined by the Sec-
15 retary; less

16 (2) the quantity of any milk that is sold by the
17 eligible producer to a processor in a participating
18 State during the month.

19 **SEC. 5. PAYMENT LIMITATION.**

20 In determining the amount of payments made for eli-
21 gible production under this Act, no individual or entity di-
22 rectly or indirectly may be paid on production in excess
23 of 230,000 pounds of milk per month.

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