

113TH CONGRESS
1ST SESSION

S. 605

To improve Federal dairy programs.

IN THE SENATE OF THE UNITED STATES

MARCH 19, 2013

Mrs. GILLIBRAND introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To improve Federal dairy programs.

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 “Dairy Income Fairness
5 Act of 2013”.

6 **SEC. 2. DEFINITION OF SECRETARY.**

7 In this Act, the term “Secretary” means the Sec-
8 retary of Agriculture.

Subtitle D—Dairy

PART I—DAIRY PRODUCTION MARGIN PROTECTION AND DAIRY MARKET STABILIZATION PROGRAMS

SEC. 1401. DEFINITIONS.

In this part:

(1) **ACTUAL DAIRY PRODUCTION MARGIN.**—The term “actual dairy production margin” means the difference between the all-milk price and the average feed cost, as calculated under section 1402.

(2) **ALL-MILK PRICE.**—The term “all-milk price” means the average price received, per hundredweight of milk, by dairy operations for all milk sold to plants and dealers in the United States, as determined by the Secretary.

(3) **ANNUAL PRODUCTION HISTORY.**—The term “annual production history” means the production history determined for a participating dairy operation under section 1413(b) whenever the participating dairy operation purchases supplemental production margin protection.

(4) **AVERAGE FEED COST.**—The term “average feed cost” means the average cost of feed used by a dairy operation to produce a hundredweight of

1 milk, determined under section 1402 using the sum
2 of the following:

3 (A) The product determined by multiplying
4 1.0728 by the price of corn per bushel.

5 (B) The product determined by multiplying
6 0.00735 by the price of soybean meal per ton.

7 (C) The product determined by multiplying
8 0.0137 by the price of alfalfa hay per ton.

9 (5) BASIC PRODUCTION HISTORY.—The term
10 “basic production history” means the production
11 history determined for a participating dairy oper-
12 ation under section 1413(a) for provision of basic
13 production margin protection.

14 (6) CONSECUTIVE 2-MONTH PERIOD.—The term
15 “consecutive 2-month period” refers to the 2-month
16 period consisting of the months of January and Feb-
17 ruary, March and April, May and June, July and
18 August, September and October, or November and
19 December, respectively.

20 (7) DAIRY OPERATION.—

21 (A) IN GENERAL.—The term “dairy oper-
22 ation” means, as determined by the Secretary,
23 1 or more dairy producers that produce and
24 market milk as a single dairy operation in
25 which each dairy producer—

- 1 (i) shares in the pooling of resources
2 and a common ownership structure;
- 3 (ii) is at risk in the production of milk
4 on the dairy operation; and
- 5 (iii) contributes land, labor, manage-
6 ment, equipment, or capital to the dairy
7 operation.

8 (B) ADDITIONAL OWNERSHIP STRUC-
9 TURES.—The Secretary shall determine addi-
10 tional ownership structures to be covered by the
11 definition of dairy operation.

12 (8) HANDLER.—

13 (A) IN GENERAL.—The term “handler”
14 means the initial individual or entity making
15 payment to a dairy operation for milk produced
16 in the United States and marketed for commer-
17 cial use.

18 (B) PRODUCER-HANDLER.—The term in-
19 cludes a “producer-handler” when the producer
20 satisfies the definition in subparagraph (A).

21 (9) PARTICIPATING DAIRY OPERATION.—The
22 term “participating dairy operation” means a dairy
23 operation that—

1 (A) signs up under section 1412 to partici-
2 pate in the production margin protection pro-
3 gram under subpart A; and

4 (B) as a result, also participates in the sta-
5 bilization program under subpart B.

6 (10) PRODUCTION MARGIN PROTECTION PRO-
7 GRAM.—The term “production margin protection
8 program” means the dairy production margin pro-
9 tection program required by subpart A.

10 (11) SECRETARY.—The term “Secretary”
11 means the Secretary of Agriculture.

12 (12) STABILIZATION PROGRAM.—The term
13 “stabilization program” means the dairy market sta-
14 bilization program required by subpart B for all par-
15 ticipating dairy operations.

16 (13) STABILIZATION PROGRAM BASE.—The
17 term “stabilization program base”, with respect to a
18 participating dairy operation, means the stabilization
19 program base calculated for the participating dairy
20 operation under section 1431(b).

21 (14) UNITED STATES.—The term “United
22 States”, in a geographical sense, means the 50
23 States, the District of Columbia, American Samoa,
24 Guam, the Commonwealth of the Northern Mariana
25 Islands, the Commonwealth of Puerto Rico, the Vir-

1 gin Islands of the United States, and any other ter-
2 ritory or possession of the United States.

3 **SEC. 1402. CALCULATION OF AVERAGE FEED COST AND AC-**
4 **TUAL DAIRY PRODUCTION MARGINS.**

5 (a) CALCULATION OF AVERAGE FEED COST.—The
6 Secretary shall calculate the national average feed cost for
7 each month using the following data:

8 (1) The price of corn for a month shall be the
9 price received during that month by farmers in the
10 United States for corn, as reported in the monthly
11 Agricultural Prices report by the Secretary.

12 (2) The price of soybean meal for a month shall
13 be the central Illinois price for soybean meal, as re-
14 ported in the Market News—Monthly Soybean Meal
15 Price Report by the Secretary.

16 (3) The price of alfalfa hay for a month shall
17 be the price received during that month by farmers
18 in the United States for alfalfa hay, as reported in
19 the monthly Agricultural Prices report by the Sec-
20 retary.

21 (b) CALCULATION OF ACTUAL DAIRY PRODUCTION
22 MARGINS.—

23 (1) PRODUCTION MARGIN PROTECTION PRO-
24 GRAM.—For use in the production margin protection
25 program under subpart A, the Secretary shall cal-

1 calculate the actual dairy production margin for each
2 consecutive 2-month period by subtracting—

3 (A) the average feed cost for that consecu-
4 tive 2-month period, determined in accordance
5 with subsection (a); from

6 (B) the all-milk price for that consecutive
7 2-month period.

8 (2) STABILIZATION PROGRAM.—For use in the
9 stabilization program under subpart B, the Sec-
10 retary shall calculate each month the actual dairy
11 production margin for the preceding month by sub-
12 tracting—

13 (A) the average feed cost for that pre-
14 ceding month, determined in accordance with
15 subsection (a); from

16 (B) the all-milk price for that preceding
17 month.

18 (3) TIME FOR CALCULATIONS.—The calcula-
19 tions required by paragraphs (1) and (2) shall be
20 made as soon as practicable using the full month
21 price of the applicable reference month.

1 **Subpart A—Dairy Production Margin Protection**
2 **Program**

3 **SEC. 1411. ESTABLISHMENT OF DAIRY PRODUCTION MAR-**
4 **GIN PROTECTION PROGRAM.**

5 Effective not later than 120 days after the effective
6 date of this subtitle, the Secretary shall establish and ad-
7 minister a dairy production margin protection program
8 under which participating dairy operations are paid—

9 (1) basic production margin protection program
10 payments under section 1414 when actual dairy pro-
11 duction margins are less than the threshold levels
12 for such payments; and

13 (2) supplemental production margin protection
14 program payments under section 1415 if purchased
15 by a participating dairy operation.

16 **SEC. 1412. PARTICIPATION OF DAIRY OPERATIONS IN PRO-**
17 **DUCTION MARGIN PROTECTION PROGRAM.**

18 (a) **ELIGIBILITY.**—All dairy operations in the United
19 States shall be eligible to participate in the production
20 margin protection program, except that a participating
21 dairy operation shall be required to register with the Sec-
22 retary before the participating dairy operation may re-
23 ceive—

24 (1) basic production margin protection program
25 payments under section 1414; and

1 (2) if the participating dairy operation pur-
2 chases supplemental production margin protection
3 under section 1415, supplemental production margin
4 protection program payments under such section.

5 (b) REGISTRATION PROCESS.—

6 (1) IN GENERAL.—The Secretary shall specify
7 the manner and form by which a participating dairy
8 operation may register to participate in the produc-
9 tion margin protection program.

10 (2) TREATMENT OF MULTIPRODUCER DAIRY
11 OPERATIONS.—If a participating dairy operation is
12 operated by more than 1 dairy producer, all of the
13 dairy producers of the participating dairy operation
14 shall be treated as a single dairy operation for pur-
15 poses of—

16 (A) registration to receive basic production
17 margin protection and election to purchase sup-
18 plemental production margin protection;

19 (B) payment of the participation fee under
20 subsection (d) and producer premiums under
21 section 1415; and

22 (C) participation in the stabilization pro-
23 gram under subtitle B.

24 (3) TREATMENT OF PRODUCERS WITH MUL-
25 TIPLE DAIRY OPERATIONS.—If a dairy producer op-

1 erates 2 or more dairy operations, each dairy oper-
2 ation of the producer shall separately register to re-
3 ceive basic production margin protection and pur-
4 chase supplemental production margin protection
5 and only those dairy operations so registered shall
6 be covered by the stabilization program.

7 (c) TIME FOR REGISTRATION.—

8 (1) EXISTING DAIRY OPERATIONS.—During the
9 15-month period beginning on the date of the initi-
10 ation of the registration period for the production
11 margin protection program, a dairy operation that is
12 actively engaged as of such date may register with
13 the Secretary—

14 (A) to receive basic production margin pro-
15 tection; and

16 (B) if the dairy operation elects, to pur-
17 chase supplemental production margin protec-
18 tion.

19 (2) NEW ENTRANTS.—A dairy producer that
20 has no existing interest in a dairy operation as of
21 the date of the initiation of the registration period
22 for the production margin protection program, but
23 that, after such date, establishes a new dairy oper-
24 ation, may register with the Secretary during the 1-

1 year period beginning on the date on which the dairy
2 operation first markets milk commercially—

3 (A) to receive basic production margin pro-
4 tection; and

5 (B) if the dairy operation elects, to pur-
6 chase supplemental production margin protec-
7 tion.

8 (d) TRANSITION FROM MILC TO PRODUCTION MAR-
9 GIN PROTECTION.—

10 (1) DEFINITION OF TRANSITION PERIOD.—In
11 this subsection, the term “transition period” means
12 the period during which the milk income loss pro-
13 gram established under section 1506 of the Food,
14 Conservation, and Energy Act of 2008 (7 U.S.C.
15 8773) and the production margin protection pro-
16 gram under this subtitle are both in existence.

17 (2) NOTICE OF AVAILABILITY.—Not later than
18 30 days after the date of enactment of this Act, the
19 Secretary shall publish a notice in the Federal Reg-
20 ister to inform dairy operations of the availability of
21 basic production margin protection and supple-
22 mental production margin protection, including the
23 terms of the protection and information about the
24 option of dairy operations during the transition pe-
25 riod to make an election described in paragraph (3).

1 (3) ELECTION.—Except as provided in para-
2 graph (4), a dairy operation may elect to participate
3 in either the milk income loss program established
4 under section 1506 of the Food, Conservation, and
5 Energy Act of 2008 (7 U.S.C. 8773) or the produc-
6 tion margin protection program under this subtitle
7 for the duration of the transition period.

8 (4) TRANSFER TO PRODUCTION MARGIN PRO-
9 TECTION.—A dairy operation that elects to partici-
10 pate in the milk income loss program established
11 under section 1506 of the Food, Conservation, and
12 Energy Act of 2008 (7 U.S.C. 8773) during the
13 transition period may, at any time, make a perma-
14 nent transfer to the production margin protection
15 program.

16 (e) ADMINISTRATION FEE.—

17 (1) ADMINISTRATION FEE REQUIRED.—Except
18 as provided in paragraph (5), a participating dairy
19 operation shall—

20 (A) pay an administration fee under this
21 subsection to register to participate in the pro-
22 duction margin protection program; and

23 (B) pay the administration fee annually
24 thereafter to continue to participate in the pro-
25 duction margin protection program.

1 (2) FEE AMOUNT.—The administration fee for
 2 a participating dairy operation for a calendar year
 3 shall be based on the pounds of milk (in millions)
 4 marketed by the participating dairy operation in the
 5 previous calendar year, as follows:

Pounds Marketed (in millions)	Administration Fee
less than 1	\$100
1 to 5	\$250
more than 5 to 10	\$350
more than 10 to 40	\$1,000
more than 40	\$2,500.

6 (3) DEPOSIT OF FEES.—All administration fees
 7 collected under this subsection shall be credited to
 8 the fund or account used to cover the costs incurred
 9 to administer the production margin protection pro-
 10 gram and the stabilization program and shall be
 11 available to the Secretary, without further appro-
 12 priation and until expended, for use or transfer as
 13 provided in paragraph (4).

14 (4) USE OF FEES.—The Secretary shall use ad-
 15 ministration fees collected under this subsection—

16 (A) to cover administrative costs of the
 17 production margin protection program and sta-
 18 bilization program; and

19 (B) to cover costs of the Department of
 20 Agriculture relating to reporting of dairy mar-
 21 ket news, carrying out the amendments made

1 by section 1476, and carrying out section 273
2 of the Agricultural Marketing Act of 1946 (7
3 U.S.C. 1637b), to the extent funds remain
4 available after operation of subparagraph (A).

5 (5) WAIVER.—The Secretary shall waive or re-
6 duce the administration fee required under para-
7 graph (1) in the case of a limited-resource dairy op-
8 eration, as defined by the Secretary.

9 (f) LIMITATION.—A dairy operation may only partici-
10 pate in the production margin protection program or the
11 livestock gross margin for dairy program under the Fed-
12 eral Crop Insurance Act (7 U.S.C. 1501 et seq.), but not
13 both.

14 **SEC. 1413. PRODUCTION HISTORY OF PARTICIPATING**
15 **DAIRY OPERATIONS.**

16 (a) PRODUCTION HISTORY FOR BASIC PRODUCTION
17 MARGIN PROTECTION.—

18 (1) DETERMINATION REQUIRED.—For purposes
19 of providing basic production margin protection, the
20 Secretary shall determine the basic production his-
21 tory of a participating dairy operation.

22 (2) CALCULATION.—Except as provided in
23 paragraph (3), the basic production history of a par-
24 ticipating dairy operation for basic production mar-
25 gin protection is equal to the highest annual milk

1 marketings of the participating dairy operation dur-
2 ing any 1 of the 3 calendar years immediately pre-
3 ceding the calendar year in which the participating
4 dairy operation first signed up to participate in the
5 production margin protection program.

6 (3) ELECTION BY NEW DAIRY OPERATIONS.—In
7 the case of a participating dairy operation that has
8 been in operation for less than a year, the partici-
9 pating dairy operation shall elect 1 of the following
10 methods for the Secretary to determine the basic
11 production history of the participating dairy oper-
12 ation:

13 (A) The volume of the actual milk mar-
14 ketings for the months the participating dairy
15 operation has been in operation extrapolated to
16 a yearly amount.

17 (B) An estimate of the actual milk mar-
18 ketings of the participating dairy operation
19 based on the herd size of the participating dairy
20 operation relative to the national rolling herd
21 average data published by the Secretary.

22 (4) NO CHANGE IN PRODUCTION HISTORY FOR
23 BASIC PRODUCTION MARGIN PROTECTION.—Once
24 the basic production history of a participating dairy
25 operation is determined under paragraph (2) or (3),

1 the basic production history shall not be subse-
2 quently changed for purposes of determining the
3 amount of any basic production margin protection
4 payments for the participating dairy operation made
5 under section 1414.

6 (b) ANNUAL PRODUCTION HISTORY FOR SUPPLE-
7 MENTAL PRODUCTION MARGIN PROTECTION.—

8 (1) DETERMINATION REQUIRED.—For purposes
9 of providing supplemental production margin protec-
10 tion for a participating dairy operation that pur-
11 chases supplemental production margin protection
12 for a year under section 1415, the Secretary shall
13 determine the annual production history of the par-
14 ticipating dairy operation under paragraph (2).

15 (2) CALCULATION.—The annual production his-
16 tory of a participating dairy operation for a year is
17 equal to the actual milk marketings of the partici-
18 pating dairy operation during the preceding calendar
19 year.

20 (3) NEW DAIRY OPERATIONS.—Subsection
21 (a)(3) shall apply with respect to determining the
22 annual production history of a participating dairy
23 operation that has been in operation for less than a
24 year.

1 (c) REQUIRED INFORMATION.—A participating dairy
2 operation shall provide all information that the Secretary
3 may require in order to establish—

4 (1) the basic production history of the partici-
5 pating dairy operation under subsection (a); and

6 (2) the production history of the participating
7 dairy operation whenever the participating dairy op-
8 eration purchases supplemental production margin
9 protection under section 1415.

10 (d) TRANSFER OF PRODUCTION HISTORIES.—

11 (1) TRANSFER BY SALE OR LEASE.—In promul-
12 gating the rules to initiate the production margin
13 protection program, the Secretary shall specify the
14 conditions under which and the manner by which the
15 production history of a participating dairy operation
16 may be transferred by sale or lease.

17 (2) COVERAGE LEVEL.—

18 (A) BASIC PRODUCTION MARGIN PROTEC-
19 TION.—A purchaser or lessee to whom the Sec-
20 retary transfers a basic production history
21 under this subsection shall not obtain a dif-
22 ferent level of basic production margin protec-
23 tion than the basic production margin protec-
24 tion coverage held by the seller or lessor from
25 whom the transfer was obtained.

1 (B) SUPPLEMENTAL PRODUCTION MARGIN
2 PROTECTION.—A purchaser or lessee to whom
3 the Secretary transfers an annual production
4 history under this subsection shall not obtain a
5 different level of supplemental production mar-
6 gin protection coverage than the supplemental
7 production margin protection coverage in effect
8 for the seller or lessor from whom the transfer
9 was obtained for the calendar year in which the
10 transfer was made.

11 (e) MOVEMENT AND TRANSFER OF PRODUCTION
12 HISTORY.—

13 (1) MOVEMENT AND TRANSFER AUTHOR-
14 IZED.—Subject to paragraph (2), if a participating
15 dairy operation moves from one location to another
16 location, the participating dairy operation may
17 transfer the basic production history and annual
18 production history associated with the participating
19 dairy operation.

20 (2) NOTIFICATION REQUIREMENT.—A partici-
21 pating dairy operation shall notify the Secretary of
22 any move of a participating dairy operation under
23 paragraph (1).

24 (3) SUBSEQUENT OCCUPATION OF VACATED LO-
25 CATION.—A party subsequently occupying a partici-

1 participating dairy operation location vacated as described
2 in paragraph (1) shall have no interest in the basic
3 production history or annual production history pre-
4 viously associated with the participating dairy oper-
5 ation at such location.

6 **SEC. 1414. BASIC PRODUCTION MARGIN PROTECTION.**

7 (a) PAYMENT THRESHOLD.—The Secretary shall
8 make a payment to participating dairy operations in ac-
9 cordance with subsection (b) whenever the average actual
10 dairy production margin for a consecutive 2-month period
11 is less than \$4.00 per hundredweight of milk.

12 (b) BASIC PRODUCTION MARGIN PROTECTION PAY-
13 MENT.—The basic production margin protection payment
14 for a participating dairy operation for a consecutive 2-
15 month period shall be equal to the product obtained by
16 multiplying—

17 (1) the difference between the average actual
18 dairy production margin for the consecutive 2-month
19 period and \$4.00, except that, if the difference is
20 more than \$4.00, the Secretary shall use \$4.00; by

21 (2) the lesser of—

22 (A) 80 percent of the production history of
23 the participating dairy operation, divided by 6;
24 or

1 (B) the actual quantity of milk marketed
2 by the participating dairy operation during the
3 consecutive 2-month period.

4 **SEC. 1415. SUPPLEMENTAL PRODUCTION MARGIN PROTEC-**
5 **TION.**

6 (a) ELECTION OF SUPPLEMENTAL PRODUCTION
7 MARGIN PROTECTION.—A participating dairy operation
8 may annually purchase supplemental production margin
9 protection to protect, during the calendar year for which
10 purchased, a higher level of the income of a participating
11 dairy operation than the income level guaranteed by basic
12 production margin protection under section 1414.

13 (b) SELECTION OF PAYMENT THRESHOLD.—A par-
14 ticipating dairy operation purchasing supplemental pro-
15 duction margin protection for a year shall elect a coverage
16 level that is higher, in any increment of \$0.50, than the
17 payment threshold for basic production margin protection
18 specified in section 1414(a), but not to exceed \$8.00.

19 (c) COVERAGE PERCENTAGE.—A participating dairy
20 operation purchasing supplemental production margin
21 protection for a year shall elect a percentage of coverage
22 equal to not more than 90 percent, nor less than 25 per-
23 cent, of the annual production history of the participating
24 dairy operation.

1 (d) PREMIUMS FOR SUPPLEMENTAL PRODUCTION
 2 MARGIN PROTECTION.—

3 (1) PREMIUMS REQUIRED.—A participating
 4 dairy operation that purchases supplemental produc-
 5 tion margin protection shall pay an annual premium
 6 equal to the product obtained by multiplying—

7 (A) the coverage percentage elected by the
 8 participating dairy operation under subsection
 9 (c);

10 (B) the annual production history of the
 11 participating dairy operation; and

12 (C) the premium per hundredweight of
 13 milk, as specified in the applicable table under
 14 paragraph (2) or (3).

15 (2) PREMIUM PER HUNDREDWEIGHT FOR FIRST
 16 4 MILLION POUNDS OF PRODUCTION.—For the first
 17 4,000,000 pounds of milk marketings included in
 18 the annual production history of a participating
 19 dairy operation, the premium per hundredweight
 20 corresponding to each coverage level specified in the
 21 following table is as follows:

Coverage Level	Premium per Cwt.
\$6.50	\$0.00
\$7.00	\$0.40
\$7.50	\$0.60
\$8.00	\$0.95.

1 (3) PREMIUM PER HUNDREDWEIGHT FOR PRO-
 2 DUCTION IN EXCESS OF 4 MILLION POUNDS.—For
 3 milk marketings in excess of 4,000,000 pounds in-
 4 cluded in the annual production history of a partici-
 5 pating dairy operation, the premium per hundred-
 6 weight corresponding to each coverage level is as fol-
 7 lows:

Coverage Level	Premium per Cwt.
\$4.50	\$0.02
\$5.00	\$0.04
\$5.50	\$0.10
\$6.00	\$0.15
\$6.50	\$0.29
\$7.00	\$0.62
\$7.50	\$0.83
\$8.00	\$1.06.

8 (4) TIME FOR PAYMENT.—In promulgating the
 9 rules to initiate the production margin protection
 10 program, the Secretary shall provide more than 1
 11 method by which a participating dairy operation that
 12 purchases supplemental production margin protec-
 13 tion for a calendar year may pay the premium under
 14 this subsection for that year in any manner that
 15 maximizes participating dairy operation payment
 16 flexibility and program integrity.

17 (e) PREMIUM OBLIGATIONS.—

18 (1) PRO-RATION OF PREMIUM FOR NEW DAIRY
 19 OPERATIONS.—A participating dairy operation de-
 20 scribed in section 1412(e)(2) that purchases supple-

1 mental production margin protection for a calendar
2 year after the start of the calendar year shall pay
3 a pro-rated premium for that calendar year based on
4 the portion of the calendar year for which the par-
5 ticipating dairy operation purchases the coverage.

6 (2) LEGAL OBLIGATION.—A participating dairy
7 operation that purchases supplemental production
8 margin protection for a calendar year shall be legally
9 obligated to pay the applicable premium for that cal-
10 endar year, except that the Secretary may waive
11 that obligation, under terms and conditions deter-
12 mined by the Secretary, for 1 or more producers in
13 any participating dairy operation in the case of
14 death, retirement, permanent dissolution of a par-
15 ticipating dairy operation, or other circumstances as
16 the Secretary considers appropriate to ensure the in-
17 tegrity of the program.

18 (f) SUPPLEMENTAL PAYMENT THRESHOLD.—A par-
19 ticipating dairy operation with supplemental production
20 margin protection shall receive a supplemental production
21 margin protection payment whenever the average actual
22 dairy production margin for a consecutive 2-month period
23 is less than the coverage level threshold selected by the
24 participating dairy operation under subsection (b).

1 (g) SUPPLEMENTAL PRODUCTION MARGIN PROTEC-
2 TION PAYMENTS.—

3 (1) IN GENERAL.—The supplemental produc-
4 tion margin protection payment for a participating
5 dairy operation is in addition to the basic production
6 margin protection payment.

7 (2) AMOUNT OF PAYMENT.—The supplemental
8 production margin protection payment for the par-
9 ticipating dairy operation shall be determined as fol-
10 lows:

11 (A) The Secretary shall calculate the dif-
12 ference between the coverage level threshold se-
13 lected by the participating dairy operation
14 under subsection (b) and the greater of—

15 (i) the average actual dairy production
16 margin for the consecutive 2-month period;

17 or

18 (ii) \$4.00.

19 (B) The amount determined under sub-
20 paragraph (A) shall be multiplied by the per-
21 centage selected by the participating dairy oper-
22 ation under subsection (c) and by the lesser of
23 the following:

1 (i) The annual production history of
2 the participating dairy operation, divided
3 by 6.

4 (ii) The actual amount of milk mar-
5 keted by the participating dairy operation
6 during the consecutive 2-month period.

7 **SEC. 1416. EFFECT OF FAILURE TO PAY ADMINISTRATION**
8 **FEES OR PREMIUMS.**

9 (a) LOSS OF BENEFITS.—A participating dairy oper-
10 ation that fails to pay the required administration fee
11 under section 1412 or is in arrears on premium payments
12 for supplemental production margin protection under sec-
13 tion 1415—

14 (1) remains legally obligated to pay the admin-
15 istration fee or premiums, as the case may be; and

16 (2) may not receive basic production margin
17 protection payments or supplemental production
18 margin protection payments until the fees or pre-
19 miums are fully paid.

20 (b) ENFORCEMENT.—The Secretary may take such
21 action as necessary to collect administration fees and pre-
22 mium payments for supplemental production margin pro-
23 tection.

1 **Subpart B—Dairy Market Stabilization Program**

2 **SEC. 1431. ESTABLISHMENT OF DAIRY MARKET STABILIZA-**
3 **TION PROGRAM.**

4 (a) PROGRAM REQUIRED; PURPOSE.—Effective not
5 later than 120 days after the effective date of this subtitle,
6 the Secretary shall establish and administer a dairy mar-
7 ket stabilization program applicable to participating dairy
8 operations for the purpose of assisting in balancing the
9 supply of milk with demand when participating dairy oper-
10 ations are experiencing low or negative operating margins.

11 (b) ELECTION OF STABILIZATION PROGRAM BASE
12 CALCULATION METHOD.—

13 (1) ELECTION.—When a dairy operation signs
14 up under section 1412 to participate in the produc-
15 tion margin protection program, the dairy operation
16 shall inform the Secretary of the method by which
17 the stabilization program base for the participating
18 dairy operation will be calculated under paragraph
19 (3).

20 (2) CHANGE IN CALCULATION METHOD.—A
21 participating dairy operation may change the sta-
22 bilization program base calculation method to be
23 used for a calendar year by notifying the Secretary
24 of the change not later than a date determined by
25 the Secretary.

1 (3) CALCULATION METHODS.—A participating
2 dairy operation may elect either of the following
3 methods for calculation of the stabilization program
4 base for the participating dairy operation:

5 (A) The volume of the average monthly
6 milk marketings of the participating dairy oper-
7 ation for the 3 months immediately preceding
8 the announcement by the Secretary that the
9 stabilization program will become effective.

10 (B) The volume of the monthly milk mar-
11 ketings of the participating dairy operation for
12 the same month in the preceding year as the
13 month for which the Secretary has announced
14 the stabilization program will become effective.

15 (4) EXEMPTION.—The stabilization program
16 base for a participating dairy producer shall not in-
17 clude the first 4,000,000 pounds of production of
18 the participating dairy producer per calendar year,
19 as determined by the Secretary.

20 **SEC. 1432. THRESHOLD FOR IMPLEMENTATION AND RE-**
21 **DUCTION IN DAIRY PAYMENTS.**

22 (a) WHEN STABILIZATION PROGRAM REQUIRED.—
23 Except as provided in subsection (b), the Secretary shall
24 announce that the stabilization program is in effect and
25 order reduced payments by handlers to participating dairy

1 operations that exceed the applicable percentage of the
2 participating dairy operation's stabilization program base
3 whenever—

4 (1) the actual dairy production margin has been
5 \$6.00 or less per hundredweight of milk for each of
6 the immediately preceding 2 months; or

7 (2) the actual dairy production margin has been
8 \$4.00 or less per hundredweight of milk for the im-
9 mediately preceding month.

10 (b) EXCEPTION.—If any of the conditions described
11 in section 1436(b) have been met during the 2-month pe-
12 riod immediately preceding the month in which the an-
13 nouncement under subsection (a) would otherwise be made
14 by the Secretary in the absence of this exception, the Sec-
15 retary shall—

16 (1) suspend the stabilization program;

17 (2) refrain from making the announcement
18 under subsection (a) to implement order the sta-
19 bilization payment; or

20 (3) order reduced payments.

21 (c) EFFECTIVE DATE FOR IMPLEMENTATION OF
22 PAYMENT REDUCTIONS.—Reductions in dairy payments
23 shall commence beginning on the first day of the month
24 immediately following the date of the announcement by
25 the Secretary under subsection (a).

1 **SEC. 1433. MILK MARKETINGS INFORMATION.**

2 (a) COLLECTION OF MILK MARKETING DATA.—The
 3 Secretary shall establish, by regulation, a process to collect
 4 from participating dairy operations and handlers such in-
 5 formation that the Secretary considers necessary for each
 6 month during which the stabilization program is in effect.

7 (b) REDUCE REGULATORY BURDEN.—When imple-
 8 menting the process under subsection (a), the Secretary
 9 shall minimize the regulatory burden on participating
 10 dairy operations and handlers.

11 **SEC. 1434. CALCULATION AND COLLECTION OF REDUCED**
 12 **DAIRY OPERATION PAYMENTS.**

13 (a) REDUCED PARTICIPATING DAIRY OPERATION
 14 PAYMENTS REQUIRED.—During any month in which pay-
 15 ment reductions are in effect under the stabilization pro-
 16 gram, each handler shall reduce payments to each partici-
 17 pating dairy operation from whom the handler receives
 18 milk.

19 (b) REDUCTIONS BASED ON ACTUAL DAIRY PRO-
 20 Duction MARGIN.—

21 (1) REDUCTION REQUIREMENT 1.—If the Sec-
 22 retary determines that the average actual dairy pro-
 23 duction margin has been less than \$6.00 but greater
 24 than \$5.00 per hundredweight of milk for 2 consecu-
 25 tive months, the handler shall make payments to a

1 participating dairy operation for a month based on
2 the greater of the following:

3 (A) 98 percent of the stabilization program
4 base of the participating dairy operation.

5 (B) 94 percent of the marketings of milk
6 for the month by the participating dairy oper-
7 ation.

8 (2) REDUCTION REQUIREMENT 2.—If the Sec-
9 retary determines that the average actual dairy pro-
10 duction margin has been less than \$5.00 but greater
11 than \$4.00 for 2 consecutive months, the handler
12 shall make payments to a participating dairy oper-
13 ation for a month based on the greater of the fol-
14 lowing:

15 (A) 97 percent of the stabilization program
16 base of the participating dairy operation.

17 (B) 93 percent of the marketings of milk
18 for the month by the participating dairy oper-
19 ation.

20 (3) REDUCTION REQUIREMENT 3.—If the Sec-
21 retary determines that the average actual dairy pro-
22 duction margin has been \$4.00 or less for any 1
23 month, the handler shall make payments to a par-
24 ticipating dairy operation for a month based on the
25 greater of the following:

1 (A) 96 percent of the stabilization program
2 base of the participating dairy operation.

3 (B) 92 percent of the marketings of milk
4 for the month by the participating dairy oper-
5 ation.

6 (c) CONTINUATION OF REDUCTIONS.—The largest
7 level of payment reduction required under paragraph (1),
8 (2), or (3) of subsection (b) shall be continued for each
9 month until the Secretary suspends the stabilization pro-
10 gram and terminates payment reductions in accordance
11 with section 1436.

12 (d) PAYMENT REDUCTION EXCEPTION.—Notwith-
13 standing any preceding subsection of this section, a han-
14 dler shall make no payment reductions for a participating
15 dairy operation for a month if the participating dairy oper-
16 ation's milk marketings for the month are equal to or less
17 than the percentage of the stabilization program base ap-
18 plicable to the participating dairy operation under para-
19 graph (1), (2), or (3) of subsection (b).

20 **SEC. 1435. REMITTING FUNDS TO THE SECRETARY AND USE**
21 **OF FUNDS.**

22 (a) REMITTING FUNDS.—As soon as practicable after
23 the end of each month during which payment reductions
24 are in effect under the stabilization program, each handler
25 shall remit to the Secretary an amount equal to the

1 amount by which payments to participating dairy oper-
2 ations are reduced by the handler under section 1434.

3 (b) DEPOSIT OF REMITTED FUNDS.—All funds re-
4 ceived under subsection (a) shall be available to the Sec-
5 retary, without further appropriation and until expended,
6 for use or transfer as provided in subsection (c).

7 (c) USE OF FUNDS.—

8 (1) AVAILABILITY FOR CERTAIN COMMODITY
9 DONATIONS.—Not later than 90 days after the
10 funds described in subsection (a) are due as deter-
11 mined by the Secretary, the Secretary shall obligate
12 the funds for the purpose of—

13 (A) purchasing dairy products for donation
14 to food banks and other programs that the Sec-
15 retary determines appropriate; and

16 (B) expanding consumption and building
17 demand for dairy products.

18 (2) NO DUPLICATION OF EFFORT.—The Sec-
19 retary shall ensure that expenditures under para-
20 graph (1) are compatible with, and do not duplicate,
21 programs supported by the dairy research and pro-
22 motion activities conducted under the Dairy Produc-
23 tion Stabilization Act of 1983 (7 U.S.C. 4501 et
24 seq.).

1 (3) ACCOUNTING.—The Secretary shall keep an
2 accurate account of all funds expended under para-
3 graph (1).

4 (d) ANNUAL REPORT.—Not later than December 31
5 of each year that the stabilization program is in effect,
6 the Secretary shall submit to the Committee on Agri-
7 culture of the House of Representatives and the Com-
8 mittee on Agriculture, Nutrition, and Forestry of the Sen-
9 ate a report that provides an accurate accounting of—

10 (1) the funds received by the Secretary during
11 the preceding fiscal year under subsection (a);

12 (2) all expenditures made by the Secretary
13 under subsection (b) during the preceding fiscal
14 year; and

15 (3) the impact of the stabilization program on
16 dairy markets.

17 (e) ENFORCEMENT.—If a participating dairy oper-
18 ation or handler fails to remit or collect the amounts by
19 which payments to participating dairy operations are re-
20 duced under section 1434, the participating dairy oper-
21 ation or handler responsible for the failure shall be liable
22 to the Secretary for the amount that should have been
23 remitted or collected, plus interest. In addition to the en-
24 forcement authorities available under section 1437, the

1 Secretary may enforce this subsection in the courts of the
2 United States.

3 **SEC. 1436. SUSPENSION OF REDUCED PAYMENT REQUIRE-**
4 **MENT.**

5 (a) DETERMINATION OF PRICES.—For purposes of
6 this section:

7 (1) The price in the United States for cheddar
8 cheese and nonfat dry milk shall be determined by
9 the Secretary.

10 (2) The world price of cheddar cheese and skim
11 milk powder shall be determined by the Secretary.

12 (b) SUSPENSION THRESHOLDS.—The stabilization
13 program shall be suspended or the Secretary shall refrain
14 from making the announcement under section 1432(a) if
15 the Secretary determines that—

16 (1) the actual dairy production margin is great-
17 er than \$6.00 per hundredweight of milk for 2 con-
18 secutive months;

19 (2) the actual dairy production margin is equal
20 to or less than \$6.00 (but greater than \$5.00) for
21 2 consecutive months, and during the same 2 con-
22 secutive months—

23 (A) the price in the United States for
24 cheddar cheese is equal to or greater than the
25 world price of cheddar cheese; or

1 (B) the price in the United States for non-
2 fat dry milk is equal to or greater than the
3 world price of skim milk powder;

4 (3) the actual dairy production margin is equal
5 to or less than \$5.00 (but greater than \$4.00) for
6 2 consecutive months, and during the same 2 con-
7 secutive months—

8 (A) the price in the United States for
9 cheddar cheese is more than 5 percent above
10 the world price of cheddar cheese; or

11 (B) the price in the United States for non-
12 fat dry milk is more than 5 percent above the
13 world price of skim milk powder; or

14 (4) the actual dairy production margin is equal
15 to or less than \$4.00 for 2 consecutive months, and
16 during the same 2 consecutive months—

17 (A) the price in the United States for
18 cheddar cheese is more than 7 percent above
19 the world price of cheddar cheese; or

20 (B) the price in the United States for non-
21 fat dry milk is more than 7 percent above the
22 world price of skim milk powder.

23 (c) IMPLEMENTATION BY HANDLERS.—Effective on
24 the day after the date of the announcement by the Sec-
25 retary under subsection (b) of the suspension of the sta-

1 bilization program, the handler shall cease reducing pay-
2 ments to participating dairy operations under the sta-
3 bilization program.

4 (d) **CONDITION ON RESUMPTION OF STABILIZATION**
5 **PROGRAM.**—Upon the announcement by the Secretary
6 under subsection (b) that the stabilization program has
7 been suspended, the stabilization program may not be im-
8 plemented again until, at the earliest—

9 (1) 2 months have passed, beginning on the
10 first day of the month immediately following the an-
11 nouncement by the Secretary; and

12 (2) the conditions of section 1432(a) are again
13 met.

14 **SEC. 1437. ENFORCEMENT.**

15 (a) **UNLAWFUL ACT.**—It shall be unlawful and a vio-
16 lation of the this subpart for any person subject to the
17 stabilization program to willfully fail or refuse to provide,
18 or delay the timely reporting of, accurate information and
19 remittance of funds to the Secretary in accordance with
20 this subpart.

21 (b) **ORDER.**—After providing notice and opportunity
22 for a hearing to an affected person, the Secretary may
23 issue an order against any person to cease and desist from
24 continuing any violation of this subpart.

1 (c) APPEAL.—An order of the Secretary under sub-
2 section (b) shall be final and conclusive unless an affected
3 person files an appeal of the order of the Secretary in
4 United States district court not later than 30 days after
5 the date of the issuance of the order. A finding of the
6 Secretary in the order shall be set aside only if the finding
7 is not supported by substantial evidence.

8 (d) NONCOMPLIANCE WITH ORDER.—If a person
9 subject to this subpart fails to obey an order issued under
10 subsection (b) after the order has become final and
11 unappealable, or after the appropriate United States dis-
12 trict court has entered a final judgment in favor of the
13 Secretary, the United States may apply to the appropriate
14 United States district court for enforcement of the order.
15 If the court determines that the order was lawfully made
16 and duly served and that the person violated the order,
17 the court shall enforce the order.

18 **SEC. 1438. AUDIT REQUIREMENTS.**

19 (a) AUDITS OF DAIRY OPERATION AND HANDLER
20 COMPLIANCE.—

21 (1) AUDITS AUTHORIZED.—If determined by
22 the Secretary to be necessary to ensure compliance
23 by participating dairy operations and handlers with
24 the stabilization program, the Secretary may con-

1 duct periodic audits of participating dairy operations
2 and handlers.

3 (2) SAMPLE OF DAIRY OPERATIONS.—Any
4 audit conducted under this subsection shall include,
5 at a minimum, investigation of a statistically valid
6 and random sample of participating dairy oper-
7 ations.

8 (b) SUBMISSION OF RESULTS.—The Secretary shall
9 submit the results of any audit conducted under sub-
10 section (a) to the Committee on Agriculture of the House
11 of Representatives and the Committee on Agriculture, Nu-
12 trition, and Forestry of the Senate and include such rec-
13 ommendations as the Secretary considers appropriate re-
14 garding the stabilization program.

15 **SEC. 1439. STUDY; REPORT.**

16 (a) IN GENERAL.—The Secretary shall direct the Of-
17 fice of the Chief Economist to conduct a study of the im-
18 pacts of the program established under section 1431(a).

19 (b) CONSIDERATIONS.—The study conducted under
20 subsection (a) shall consider—

21 (1) the economic impact of the program
22 throughout the dairy product value chain, including
23 the impact on producers, processors, domestic cus-
24 tomers, export customers, actual market growth and

1 potential market growth, farms of different sizes,
2 and different regions and States; and

3 (2) the impact of the program on the competi-
4 tiveness of the United States dairy industry in inter-
5 national markets.

6 (c) REPORT.—Not later than December 1, 2016, the
7 Office of the Chief Economist shall submit to the Com-
8 mittee on Agriculture of the House of Representatives and
9 the Committee on Agriculture, Nutrition, and Forestry of
10 the Senate a report that describes the results of the study
11 conducted under subsection (a).

12 **Subpart C—Administration**

13 **SEC. 1451. DURATION.**

14 The production margin protection program and the
15 stabilization program shall end on December 31, 2017.

16 **SEC. 1452. ADMINISTRATION AND ENFORCEMENT.**

17 (a) IN GENERAL.—The Secretary shall promulgate
18 regulations to address administrative and enforcement
19 issues involved in carrying out the production margin pro-
20 tection, supplemental production margin protection, and
21 market stabilization programs.

22 (b) RECONSTITUTION AND ELIGIBILITY ISSUES.—

23 (1) RECONSTITUTION.—Using authorities under
24 section 1001(f) and 1001B of the Food Security Act
25 of 1985 (7 U.S.C. 1308(f), 1308–2), the Secretary

1 shall promulgate regulations to prohibit a dairy pro-
2 ducer from reconstituting a dairy operation for the
3 sole purpose of the dairy producer—

4 (A) receiving basic margin protection;

5 (B) purchasing supplemental margin pro-
6 tection; or

7 (C) avoiding participation in the market
8 stabilization program.

9 (2) ELIGIBILITY ISSUES.—Using authorities
10 under section 1001(f) and 1001B of the Food Secu-
11 rity Act of 1985 (7 U.S.C. 1308(f), 1308–2), the
12 Secretary shall promulgate regulations—

13 (A) to prohibit a scheme or device;

14 (B) to provide for equitable relief; and

15 (C) to provide for other issues affecting eli-
16 gibility and liability issues.

17 (3) ADMINISTRATIVE APPEALS.—Using authori-
18 ties under section 1001(h) of the Food Security Act
19 of 1985 (7 U.S.C. 1308(h)) and subtitle H of the
20 Department of Agriculture Reorganization Act (7
21 U.S.C. 6991 et seq.), the Secretary shall promulgate
22 regulations to provide for administrative appeals of
23 decisions of the Secretary that are adverse to par-
24 ticipants of the programs described in subsection
25 (a).

1 **PART II—DAIRY MARKET TRANSPARENCY**

2 **SEC. 1461. DAIRY PRODUCT MANDATORY REPORTING.**

3 (a) DEFINITIONS.—Section 272(1)(A) of the Agricul-
4 tural Marketing Act of 1946 (7 U.S.C. 1637a(1)(A)) is
5 amended by inserting “, or any other products that may
6 significantly aid price discovery in the dairy markets, as
7 determined by the Secretary” after “of 1937”.

8 (b) MANDATORY REPORTING FOR DAIRY PROD-
9 UCTS.—Section 273(b) of the Agricultural Marketing Act
10 of 1946 (7 U.S.C. 1637b(b)) is amended—

11 (1) by striking paragraph (1) and inserting the
12 following new paragraph:

13 “(1) IN GENERAL.—In establishing the pro-
14 gram, the Secretary shall only—

15 “(A)(i) subject to the conditions described
16 in paragraph (2), require each manufacturer to
17 report to the Secretary, more frequently than
18 once per month, information concerning the
19 price, quantity, and moisture content of dairy
20 products sold by the manufacturer and any
21 other product characteristics that may signifi-
22 cantly aid price discovery in the dairy markets,
23 as determined by the Secretary; and

24 “(ii) modify the format used to provide the
25 information on the day before the date of enact-
26 ment of this subtitle to ensure that the infor-

1 mation can be readily understood by market
2 participants; and

3 “(B) require each manufacturer and other
4 person storing dairy products (including dairy
5 products in cold storage) to report to the Sec-
6 retary, more frequently than once per month,
7 information on the quantity of dairy products
8 stored.”; and

9 (2) in paragraph (2), by inserting “or those
10 that may significantly aid price discovery in the
11 dairy markets” after “Federal milk marketing
12 order” each place it appears in subparagraphs (A),
13 (B), and (C).

14 **SEC. 1462. FEDERAL MILK MARKETING ORDER INFORMA-**
15 **TION.**

16 (a) INFORMATION CLEARINGHOUSE.—

17 (1) IN GENERAL.—The Secretary shall, on be-
18 half of each milk marketing order issued under the
19 Agricultural Adjustment Act (7 U.S.C. 601 et seq.),
20 reenacted with amendments by the Agricultural
21 Marketing Agreement Act of 1937, establish an in-
22 formation clearinghouse for the purposes of edu-
23 cating the public about the Federal milk marketing
24 order system and any marketing order referenda, in-
25 cluding proposal information and timelines that shall

1 be kept current and updated as information becomes
2 available.

3 (2) REQUIREMENTS.—Information under para-
4 graph (1) shall include—

5 (A) information on procedures by which
6 cooperatives vote;

7 (B) if applicable, information on the man-
8 ner by which producers may cast an individual
9 ballot;

10 (C) if applicable, instructions on the man-
11 ner in which to vote online;

12 (D) due dates for each specific referendum;

13 (E) the text of each referendum question
14 under consideration;

15 (F) a description in plain language of the
16 question;

17 (G) any relevant background information
18 to the question; and

19 (H) any other information that increases
20 Federal milk marketing order transparency.

21 (b) NOTIFICATION LIST FOR UPCOMING REF-
22 ERENDUM.—Each Federal milk marketing order shall—

23 (1) make available the information described in
24 subsection (b) through an Internet site; and

1 (2) publicize the information in major agri-
2 culture and dairy-specific publications on upcoming
3 referenda.

4 (c) STUDY.—

5 (1) IN GENERAL.—The Secretary shall conduct
6 a study of the feasibility of establishing 2 classes of
7 milk, a fluid class and a manufacturing class, to re-
8 place the 4-class system in effect on the date of en-
9 actment of this Act in administering Federal milk
10 marketing orders.

11 (2) FEDERAL MILK MARKET ORDER REVIEW
12 COMMISSION.—The Secretary may elect to use the
13 Federal Milk Market Order Review Commission es-
14 tablished under section 1509(a) of the Food, Con-
15 servation, and Energy Act of 2008 (Public Law
16 110–246; 122 Stat. 1726), or documents of the
17 Commission, to conduct all or part of the study.

18 (3) REPORT.—Not later than 180 days after
19 the date of enactment of this Act, the Secretary
20 shall submit to the Committee on Agriculture of the
21 House of Representatives and the Committee on Ag-
22 riculture, Nutrition, and Forestry of the Senate a
23 report that describes the results of the study re-
24 quired under this subsection, including any rec-
25 ommendations.

1 **PART III—REPEAL OR REAUTHORIZATION OF**
2 **OTHER DAIRY-RELATED PROVISIONS**

3 **SEC. 1471. REPEAL OF DAIRY PRODUCT PRICE SUPPORT**
4 **AND MILK INCOME LOSS CONTRACT PRO-**
5 **GRAMS.**

6 (a) REPEAL OF DAIRY PRODUCT PRICE SUPPORT
7 PROGRAM.—Section 1501 of the Food, Conservation, and
8 Energy Act of 2008 (7 U.S.C. 8771) is repealed.

9 (b) REPEAL OF MILK INCOME LOSS CONTRACT PRO-
10 GRAM.—

11 (1) PAYMENTS UNDER MILK INCOME LOSS CON-
12 TRACT PROGRAM.—Section 1506(c) of the Food,
13 Conservation, and Energy Act of 2008 (7 U.S.C.
14 8773(e)) is amended—

15 (A) in paragraph (2)(A), by striking
16 “\$16.94” and inserting “\$18.85”; and

17 (B) in paragraph (3)—

18 (i) in subparagraph (A), by inserting
19 “and” after the semicolon;

20 (ii) in subparagraph (B), by striking
21 “August 31, 2013, 45 percent; and” and
22 inserting “on the date that is 270 days
23 after the date of enactment of the Dairy
24 Income Fairness Act of 2013, 45 per-
25 cent.”; and

26 (iii) by striking subparagraph (C).

1 (2) **EXTENSION.**—Section 1506(h)(1) of the
 2 Food, Conservation, and Energy Act of 2008 (7
 3 U.S.C. 8773(h)(1)) is amended by striking “Sep-
 4 tember 30, 2013” and inserting “the date that is
 5 270 days after the date of enactment of the Dairy
 6 Income Fairness Act of 2013”.

7 (3) **REPEAL.**—Effective on the date that is 271
 8 days after the date of enactment of the Dairy In-
 9 come Fairness Act of 2013, section 1506 of the
 10 Food, Conservation, and Energy Act of 2008 (7
 11 U.S.C. 8773) is repealed.

12 **SEC. 1472. REPEAL OF DAIRY EXPORT INCENTIVE PRO-**
 13 **GRAM.**

14 (a) **REPEAL.**—Section 153 of the Food Security Act
 15 of 1985 (15 U.S.C. 713a–14) is repealed.

16 (b) **CONFORMING AMENDMENTS.**—Section 902(2) of
 17 the Trade Sanctions Reform and Export Enhancement
 18 Act of 2000 (22 U.S.C. 7201(2)) is amended—

19 (1) by striking subparagraph (D); and

20 (2) by redesignating subparagraphs (E) and
 21 (F) as subparagraphs (D) and (E), respectively.

22 **SEC. 1473. EXTENSION OF DAIRY FORWARD PRICING PRO-**
 23 **GRAM.**

24 Section 1502(e) of the Food, Conservation, and En-
 25 ergy Act of 2008 (7 U.S.C. 8772(e)) is amended—

1 (1) in paragraph (1), by striking “2012” and
2 inserting “2017”; and

3 (2) in paragraph (2), by striking “2015” and
4 inserting “2020”.

5 **SEC. 1474. EXTENSION OF DAIRY INDEMNITY PROGRAM.**

6 Section 3 of Public Law 90–484 (7 U.S.C. 450l) is
7 amended by striking “2012” and inserting “2017”.

8 **SEC. 1475. EXTENSION OF DAIRY PROMOTION AND RE-**
9 **SEARCH PROGRAM.**

10 Section 113(e)(2) of the Dairy Production Stabiliza-
11 tion Act of 1983 (7 U.S.C. 4504(e)(2)) is amended by
12 striking “2012” and inserting “2017”.

13 **SEC. 1476. EXTENSION OF FEDERAL MILK MARKETING**
14 **ORDER REVIEW COMMISSION.**

15 Section 1509(a) of the Food, Conservation, and En-
16 ergy Act of 2008 (Public Law 110–246; 122 Stat. 1726)
17 is amended by inserting “or other funds” after “Subject
18 to the availability of appropriations”.

19 **PART IV—FEDERAL MILK MARKETING ORDER**
20 **REFORM**

21 **SEC. 1481. FEDERAL MILK MARKETING ORDER PROGRAM**
22 **PRE-HEARING PROCEDURE FOR CLASS III**
23 **PRICING.**

24 (a) IN GENERAL.—The Secretary shall use the pre-
25 hearing procedure described in this section to determine

1 to conduct a hearing to consider alternative formulas for
2 Class III milk product pricing under section 8c of the Ag-
3 ricultural Adjustment Act (7 U.S.C. 608c), reenacted with
4 amendments by the Agricultural Marketing Agreement
5 Act of 1937.

6 (b) REQUESTS FOR PROPOSALS.—

7 (1) IN GENERAL.—Not later than 60 days after
8 the date of enactment of this Act, the Secretary
9 shall issue a request for the submission by interested
10 persons of preliminary proposals for replacement of
11 the Class III milk product pricing formula.

12 (2) PRELIMINARY PROPOSALS.—Preliminary
13 proposals submitted under paragraph (1)—

14 (A) may include competitive pay price for-
15 mulas; and

16 (B) shall provide sufficient detail in con-
17 cept to serve as the basis for the convening by
18 the Secretary of a public information session
19 for review and discussion in accordance with
20 section 900.24 of title 7, Code of Federal Regu-
21 lations (as in effect on the date of enactment of
22 this Act), but need not conform with the other
23 procedural requirements of part 900 of title 7,
24 Code of Federal Regulations (as in effect on the
25 date of enactment of this Act).

1 (c) PRE-HEARING INFORMATION SESSION RE-
2 VIEW.—

3 (1) IN GENERAL.—Not later than 180 days
4 after the date of enactment of this Act, the Sec-
5 retary shall convene a public information session
6 under section 900.24 of title 7, Code of Federal
7 Regulations (as in effect on the date of enactment
8 of this Act).

9 (2) REQUIREMENTS.—The Secretary shall re-
10 view all preliminary proposals submitted under this
11 section that are of sufficient conceptual detail to
12 allow for the review described in paragraph (1).

13 (d) HEARING DETERMINATION.—

14 (1) IN GENERAL.—Not later than 90 days after
15 the conduct of the public information session under
16 subsection (c), the Secretary shall determine whether
17 to conduct a formal hearing in accordance with part
18 900 of title 7, Code of Federal Regulations (as in ef-
19 fect on the date of enactment of this Act).

20 (2) HEARING TO BE CONDUCTED.—If the Sec-
21 retary determines under paragraph (1) to conduct a
22 formal hearing, the Secretary shall issue notice and
23 conduct the hearing in accordance with part 900 of
24 title 7, Code of Federal Regulations (as in effect on
25 the date of enactment of this Act).

1 (3) HEARING NOT TO BE CONDUCTED.—If the
2 Secretary determines under paragraph (1) not to
3 conduct a formal hearing, not later than 90 days
4 after that determination, the Secretary shall submit
5 to the Committee on Agriculture of the House of
6 Representatives and the Committee on Agriculture,
7 Nutrition and Forestry of the Senate a written re-
8 port that explains the basis for the decision.

9 (e) PROCEEDING WITH A HEARING AT ANY TIME.—
10 Consistent with the purposes of this section, the Secretary
11 may dispense with the pre-hearing requirements of this
12 section and initiate at any time a formal hearing under
13 part 900 of title 7, Code of Federal Regulations (as in
14 effect on the date of enactment of this Act).

15 **SEC. 1482. FEDERAL MILK MARKETING ORDERS.**

16 Not later than 180 days after the date of enactment
17 of this Act, the Secretary shall conduct hearings—

18 (1) to analyze the implications of transitioning
19 from a 4-class system for milk products to a 2-class
20 system;

21 (2) to explore methods to improve signals for
22 price discovery in the short- and long-term to allow
23 dairy producers to better use risk management tools;
24 and

1 (3) to assess whether a 2-class competitive pay
2 pricing system for milk products would be more or
3 less transparent than the system in effect as of the
4 day before the date of enactment of this Act.

5 **PART V—EFFECTIVE DATE**

6 **SEC. 1491. EFFECTIVE DATE.**

7 Except as otherwise provided in this subtitle, this
8 subtitle and the amendments made by this subtitle take
9 effect on October 1, 2012.

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