



## FAPRI's Analysis of the Domenici Dairy Amendment to S. 1731

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Features of the Domenici dairy amendment:

- Program is in operation through fiscal 2005
- Program cost capped at \$2 billion
- Eligible milk production is paid \$0.315 per cwt annually
- No cap on eligible milk production
- Producers are paid on current milk production

At the aggregate level, the major difference between the Domenici amendment and the Harkin amendment to S. 1731 lies in the definition of eligible milk production. Under the Harkin amendment, eligible milk production is based on historical production levels (1999-2001) while under the Domenici amendment eligible milk production is equal to current milk production. This difference results in a larger supply response under the Domenici amendment than the Harkin amendment. The additional supply of milk causes larger declines across all classes of milk prices relative to the baseline under the Domenici amendment than is the case under the Harkin amendment. This results in the change in revenue including the government payments at the national level increasing by \$0.14 per cwt on average over the 2002 to 2005 period under the Domenici amendment while it increases by \$0.20 per cwt under the Harkin amendment.

The change in state revenue under the Domenici amendment differs from the Harkin amendment primarily as a result of the Harkin amendment capping payments on the first eight million pounds of milk marketed by a producer while the Domenici amendment has no cap on the pounds of milk each producer will be paid. This difference in the programs results in states with large milk producers (Arizona, California, Colorado, Florida, Idaho, New Mexico) enjoying higher revenue under the Domenici amendment while those states with smaller producers receive higher benefits from the Harkin amendment. The results also differ between the two programs since the Harkin amendment has one program operating for the Northeast states and another program for the remaining states while the Domenici amendment has only one program for the entire country.

The following tables provide the FAPRI quantitative assessment of the Domenici amendment and compare them to the Harkin amendment to S. 1731.

# Impacts of the Domemici Dairy Amendment on the U.S. Dairy Industry

	2002	2003	2004	2005	Ave 02-05
<b>Milk Production</b>					
					(Million Pounds)
Baseline	168,333	170,650	173,008	175,401	171,848
Scenario	168,652	171,045	173,451	175,783	172,233
Change	319	395	443	382	385
<b>Payment Rate</b>					
					(Dollars per cwt)
Baseline	0.000	0.000	0.000	0.000	0.000
Scenario	0.315	0.315	0.315	0.219	0.291
Change	0.315	0.315	0.315	0.219	0.291
<b>CCC Spending on Payment Program</b>					
					(Million Dollars)
	531	539	546	384	500
<b>All Milk Price</b>					
					(Dollars per cwt)
Baseline	12.99	12.91	12.94	13.03	12.97
Scenario	12.88	12.77	12.77	12.87	12.82
Change	-0.11	-0.14	-0.17	-0.16	-0.15

## Change in Milk Revenue Under the Domemici Dairy Amendment

	2002	2003	2004	2005	Ave 02-05
	(Dollars per cwt)				
Class III	-0.07	-0.10	-0.13	-0.12	-0.10
Class IV	-0.13	-0.18	-0.21	-0.19	-0.18
Alabama	0.19	0.15	0.12	0.04	0.13
Alaska	0.20	0.16	0.13	0.05	0.14
Arizona	0.21	0.16	0.13	0.05	0.14
Arkansas	0.19	0.15	0.12	0.04	0.13
California	0.21	0.17	0.14	0.05	0.14
Colorado	0.21	0.17	0.14	0.06	0.15
Connecticut	0.20	0.16	0.13	0.05	0.13
Delaware	0.20	0.16	0.13	0.05	0.13
Florida	0.18	0.14	0.11	0.03	0.12
Georgia	0.19	0.15	0.12	0.04	0.13
Hawaii	0.21	0.16	0.13	0.05	0.14
Idaho	0.21	0.17	0.14	0.06	0.15
Illinois	0.21	0.17	0.14	0.06	0.15
Indiana	0.20	0.16	0.13	0.05	0.13
Iowa	0.21	0.17	0.14	0.06	0.15
Kansas	0.21	0.17	0.14	0.06	0.15
Kentucky	0.19	0.14	0.11	0.03	0.12
Louisiana	0.19	0.15	0.12	0.04	0.13
Maine	0.20	0.16	0.13	0.05	0.13
Maryland	0.20	0.16	0.13	0.05	0.13
Massachusetts	0.20	0.16	0.13	0.05	0.13
Michigan	0.20	0.16	0.13	0.05	0.13
Minnesota	0.24	0.20	0.17	0.09	0.17
Mississippi	0.19	0.15	0.12	0.04	0.13
Missouri	0.19	0.15	0.12	0.04	0.13
Montana	0.21	0.17	0.14	0.06	0.15
Nebraska	0.21	0.17	0.14	0.06	0.15
Nevada	0.21	0.17	0.14	0.06	0.15
New Hampshire	0.20	0.16	0.13	0.05	0.13
New Jersey	0.20	0.16	0.13	0.05	0.13
New Mexico	0.21	0.17	0.14	0.06	0.14
New York	0.20	0.16	0.13	0.05	0.13
North Carolina	0.19	0.14	0.11	0.03	0.12
North Dakota	0.24	0.20	0.17	0.09	0.17
Ohio	0.20	0.16	0.13	0.05	0.13
Oklahoma	0.21	0.17	0.14	0.06	0.15
Oregon	0.20	0.16	0.13	0.05	0.14
Pennsylvania	0.20	0.16	0.13	0.05	0.13
Rhode Island	0.20	0.16	0.13	0.05	0.13
South Carolina	0.19	0.14	0.11	0.03	0.12
South Dakota	0.21	0.17	0.14	0.06	0.15
Tennessee	0.19	0.15	0.12	0.04	0.13
Texas	0.21	0.17	0.14	0.06	0.14
Utah	0.21	0.17	0.14	0.06	0.15
Vermont	0.20	0.16	0.13	0.05	0.13
Virginia	0.20	0.16	0.13	0.05	0.13
Washington	0.20	0.16	0.13	0.05	0.14
West Virginia	0.20	0.16	0.13	0.05	0.13
Wisconsin	0.24	0.20	0.17	0.09	0.17
Wyoming	0.21	0.17	0.14	0.06	0.15
<b>United States</b>	<b>0.21</b>	<b>0.17</b>	<b>0.14</b>	<b>0.06</b>	<b>0.14</b>

# Comparison of the Domenici and Harkin Dairy Amendments to S. 1731

(Average 2002-2005, Change in Milk Revenue)

	Harkin	Domenici	Harkin - Domenici
		(Dollars per cwt)	
Class III	-0.04	-0.10	0.06
Class IV	-0.12	-0.18	0.06
Alabama	0.22	0.13	0.10
Alaska	0.23	0.14	0.10
Arizona	0.05	0.14	-0.09
Arkansas	0.22	0.13	0.10
California	0.09	0.14	-0.05
Colorado	0.14	0.15	-0.01
Connecticut	0.28	0.13	0.14
Delaware	0.28	0.13	0.14
Florida	0.07	0.12	-0.04
Georgia	0.19	0.13	0.07
Hawaii	0.24	0.14	0.10
Idaho	0.11	0.15	-0.04
Illinois	0.27	0.15	0.12
Indiana	0.24	0.13	0.11
Iowa	0.26	0.15	0.12
Kansas	0.24	0.15	0.10
Kentucky	0.24	0.12	0.12
Louisiana	0.22	0.13	0.10
Maine	0.27	0.13	0.14
Maryland	0.29	0.13	0.15
Massachusetts	0.27	0.13	0.14
Michigan	0.22	0.13	0.09
Minnesota	0.28	0.17	0.11
Mississippi	0.22	0.13	0.10
Missouri	0.25	0.13	0.12
Montana	0.24	0.15	0.10
Nebraska	0.24	0.15	0.10
Nevada	0.24	0.15	0.10
New Hampshire	0.29	0.13	0.15
New Jersey	0.29	0.13	0.15
New Mexico	0.04	0.14	-0.10
New York	0.28	0.13	0.14
North Carolina	0.20	0.12	0.09
North Dakota	0.27	0.17	0.10
Ohio	0.25	0.13	0.12
Oklahoma	0.22	0.15	0.07
Oregon	0.19	0.14	0.05
Pennsylvania	0.30	0.13	0.17
Rhode Island	0.30	0.13	0.16
South Carolina	0.21	0.12	0.10
South Dakota	0.23	0.15	0.08
Tennessee	0.24	0.13	0.12
Texas	0.19	0.14	0.05
Utah	0.21	0.15	0.07
Vermont	0.28	0.13	0.14
Virginia	0.25	0.13	0.12
Washington	0.14	0.14	0.00
West Virginia	0.28	0.13	0.15
Wisconsin	0.28	0.17	0.11
Wyoming	0.24	0.15	0.10
<b>United States</b>	<b>0.20</b>	<b>0.14</b>	<b>0.06</b>