Large Farm Issues: Payment Limits

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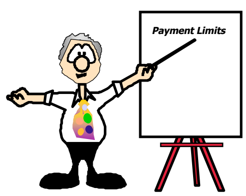
Outline of Presentation

- Background
- Experience From Crop Programs
- Dairy Payment Limits
- Product Innovation
- Conclusions



Background

- Contentious Issue
  - Value judgement laden
  - Who "really needs" the money
  - Getting "too much" money
  - Large vs. small farms
  - Goals of farm programs
- Targeting Benefits
- Attempt to Hold Back the Tide of Structural Change

Crop Program Experience

- Debate Began in the 1960s
  - A few cotton farmers got over $1 million
  - Passed in 1973 farm bill
- Lots of Issues
  - Who is a "person" for payment purposes
  - Partnerships, corporations
  - Delicate question: "Are wives people?"
- Effective?, Not
  - Reorganize farm
  - Congress has revised limits in bad times
  - Loan program

Payment Limits in Dairy

- Generally, Not Used
- MILC is Different
  - Payments limited to 2.4 million pounds
  - Limit on eligible production, not dollars
- Effective?
  - Basically, yes
  - Little evidence of reorganization
  - Different implementation, regionally
  - Partnerships
  - The "parlor" effect

Limits As A Large Farm Issue

- Targeting Has Been Effective
- As Implemented in MILC:
  - Insulated small farms from low prices
  - Exacerbated low prices
  - Detrimental to large farms
- Has Not Changed Fundamental Structural Change in the Industry
  - Economic incentive to grow, expand

Product Innovation

- Little Research on Targeted Benefits and Limits on Innovation
- Where is Product Innovation Done?
  - Processors, product makers
  - Production innovation, technology adoption
- Limits as Currently Implemented
  - Detrimental to lowest cost, most efficient producers

Conclusions

- Remain Thorny Issue
- Future of MILC
  - May take care of issue, may not
- Adds Divisiveness to Industry
  - Industry has enough of that already