

TAD BUSINESS

Member Update: Since there were lobbying and political expenditures during the year, TAD is required to inform its members of the percentage of their dues which will not be deductible in the current year. Pursuant to Section 6033(e)(1)(A) of the Internal Revenue Code, the nondeductible portion of your 2002 dues will be 9.81%. If you have any questions please call us and we will try to answer your questions.

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committee is a result of pressure for EPA to regulate agriculture under the Clean Air Act. EPA has indicated that it may make "regulatory determinations" for animal ag as a result of the interim NAS report, with potential guidance's or even rulemaking to follow the final report. The good news is that the interim report doesn't say much, with the overall consensus being that "generating reasonably accurate estimates of air emissions from AFOs is difficult." The report highlights the fact that the lack of science makes a difficult environment for development of regulations. The report is available online at <http://www.nap.edu/catalog/10391.html> (click on the link on the left to read it online for free). The final report is expected to be released by the end of the year.

INDUSTRY UPDATE

Texas TB Status: It's official. On June 6, the USDA officially downgraded Texas' cattle tuberculosis (TB) status from "Accredited-Free" to "Modified Accredited-Advanced". The status was lowered because TB infection was confirmed in two Texas cattle herds in 2001. Now, unless they are moving directly to slaughter, Texas breeding cattle and bison must be officially identified and be tested for cattle TB within 60 days prior to being transported across state lines (interstate movement). Untested Texas cattle and bison still can move freely within the state. Additional restriction on moving feeder cattle out of state (steers, bull calves, heifers destined for grazing and feeding for slaughter) has been delayed until January 1, 2003. Brochures outlining the changes in the testing requirements can be obtained from the TAHC at no charge. The USDA is accepting public comments on the US cattle TB regulations until August 5. A copy of the regulation downgrading Texas' cattle TB status and instructions for submitting comments may be obtained at <http://www.aphis.usda.gov/ppd/rad/webrepor.html>, or by calling the USDA's Regulatory Analysis and Development at 301-734-8682.

TAD Website: The TAD website is now up and running. The site address is: <http://www.milk4texas.org> Please let us know what you think of it and how we may improve this site for Texas producers.

ENVIRONMENTAL UPDATE

Regulations on the horizon: Deanne Meyer wrote an excellent piece looking at potential regulatory changes. Producers are encouraged to read the 1-page article in Hoard's (May 25, 2002).

Air Quality: Recently, the National Academy of Sciences (NAS) Committee on Air Emissions from Animal Feeding Operations released an Interim Report on the findings, entitled "The Scientific Basis for Estimating Emissions from Animal Feeding Operations." This

Impacts of the Farm Bill Dairy Provisions

Authors: David P. Anderson and Robert Schwart

The 2002 farm bill included provisions for direct payments to dairy producers. Payments are calculated as 45 percent of the difference between \$16.94 per cwt and the Boston Class I price. In a way, the program replaces payments made to New England producers through the Northwest dairy compact which expired in 2001. These payments will be made monthly on up to 2.4 million pounds of milk produced per year. At 20,000 pounds of milk per cow, that is equivalent to 120 cows.

An analysis done by the Food and Agriculture Policy Research Institute (University of Missouri) in May 2002 indicated that the program payments would result in reductions in Class III and IV prices of \$0.17 and \$0.28 per cwt, respectively. Milk prices are expected to decline as producers increase production in response to the payments. The direct payment on eligible production was estimated to average \$0.89 per cwt. The net revenue impact for Texas was estimated to be \$0.18 per cwt. So, for Texas as a whole, the direct payments would offset the impact of lower milk prices indicating increased revenue.

Using these estimates, a dairy producer would receive \$0.89 per cwt on 2.4 million pounds of milk for a

total of about \$21,360. Large dairies, for example 1500 cows averaging 20,000 pounds per cow, might receive the \$21,360 as a direct payment but face lower milk prices for all 300,000 cwt produced, leaving the producer worse off. Research by the Agricultural and Food Policy Center (AFPC) at Texas A&M University indicates that dairies in the 500 to 750-cow range would represent the cutoff where reduced prices would offset all the gain from the direct payments. Small dairies would experience gains in net income as the direct payment exceeds the revenue lost due to lower prices.

Issues remain as to whether the payment is on the first 2.4 million pounds produced or if a producer can choose the month to receive the payment. This is an issue for large producers that might produce 2.4 million pounds in a month or less. The issue of adding more partners to capture more payments (so that there are now more producers to receive payment on their 2.4 million pounds) is also an open question. Producers should watch for more information to be released later in the summer as the program implementation is completed. Additional information can be accessed on the TAMU website (<http://agecoext.tamu.edu/schwart>).

The logo for Milk4Texas is a red ribbon graphic with the text "Milk4Texas" in blue, bold, sans-serif font centered within the ribbon.

Milk4Texas

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