

DIRECT BASE PLAN WITH FLEXIBLE PROVISIONS

Submitted by Bob Wellington as a possible method for a national base-excess plan to be structured. This plan would take Federal legislation and needs to be effective throughout the country.

This plan is a direct base plan where penalties are levied against farm milk production in excess of historic base milk volumes, including temporary base reductions .

These penalties only occur when market prices are below \$20 per cwt. and increase in both penalty value and adjusted penalty volume as farm milk prices fall. The goal of this program is to give dairy farmers an economic incentive to reduce milk production during times of low prices so market prices rise.

INDIVIDUAL FARM BASE

Calculate the production per day per farm on a monthly basis for a three year period. Each farmers daily base would be the highest of those monthly averages. Future monthly bases would be the daily base times the number of days in the month.

This plan was used by a cooperative already.

OVER-BASE PENALTIES

<u>All-Milk Price</u>	<u>Penalty/cwt.</u>	<u>Temporary Base Reduction</u>
	on over-base milk only	
\$18.00 to \$20.00	\$2.00	1%
\$17.00 to \$17.99	\$3.00	2%
\$16.00 to \$16.99	\$4.00	3%
\$15.00 to \$15.99	\$5.00	4%
Below \$15.00	\$6.00	5%

CHANGING OR SETTING NEW BASES

New farms get a 1,000,000 pound base and 95% of their actual production.

After 2 years, new farms can calculate their base based on actual production during that time period, using the highest monthly average milk produced per day

Bases are not transferable between farms

When the all-milk price rises above \$20.00/cwt for a consecutive 12-month average, farmers can choose to re-calculate their base using current production or continue with their existing base.

ADMINISTRATION OF PROGRAM

USDA would appoint a dairy farmer commission to oversee this program similar to the National Dairy Board.

Some flexibility could be written into the law to allow the commission to change selected aspects of the program depending upon market and farm level conditions.

USE OF PENALTY MONEY COLLECTED

Commission would determine how the money collected would be used.

Options could include:

- Lowering the costs of the MPP program

- Pay to farmers who decreased production

- Buying surplus product and donating it

- Apply it to dairy promotion funds

- Apply it to export incentive programs