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Detailed Summary of the Dairy Provisions of the Food Security Act of 1985

by

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Part I of Materials Prepared by the National Dairy Herd Buyout Extension Program Committee

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National Dairy Herd Buyout Extension Program Committee

In November, 1985 a group of agricultural economists representing six land-grant universities informally organized the National Dairy Herd Buyout Extension Program Committee.

The milk production termination program, as the buyout program is formally called, became official policy when the President signed the Food Security Act of 1985 on December 21.

The purpose of this ad hoc committee effort is to formulate materials that could be widely used in cooperative extension programs designed to help dairy farmers, lenders, and other industry groups to better understand and make decisions relative to the new milk production termination program.

The individuals and institutions who have contributed to this effort are listed below.

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Preface

Andrew Novakovic is an associate professor in the department of agricultural economics at Cornell University. This paper has been written as part of the program developed by the National Dairy Herd Buyout Extension Program Committee. Any errors of omission or commission rest with the author.

This paper attempts to describe the dairy provisions (Title I) of the Food Security Act of 1985 (FSA). The discussion is based on the text of the bill as it appears in the December 17, 1985 issue of the Congressional Record (No. 175, part II). This summary is the author's interpretation of this record of the FSA; however it is in no way an official interpretation nor is it a legal opinion. Official interpretations, rules and regulations can be expected from the U.S. Department of Agriculture in January, 1986.

Many stories and rumors have already appeared stating what is in the new bill. It would seem advisable to be cautious in assuming that everything one reads or hears is correct. It appears that the first reports of the bill may not have been entirely correct and/or that changes have taken place since the first reports of the bill appeared. Further changes or technical amendments are possible. In many areas the bill is (intentionally) vague. Therefore many questions cannot be answered until USDA has had an opportunity to review the legislation and promulgate rules and regulations by which to administer the programs and policies that Congress has set up. The National Dairy Herd Buyout Extension Program committee intends to provide a summary of the these rules and regulations as soon as they are available.

This paper updates a prior bulletin by the author, printed in December 1985. Although the revisions are minor, copies of A.E. Ext. 85-30 should be discarded in favor of this revised version.

Additional copies of this manuscript can be obtained from the author or by request from the:

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Introduction

The House of Representatives passed the so-called Dairy Unity Act on September 26, 1985; the final vote on its entire farm bill took place on October 8. On November 23 the Senate approved its version of a farm bill, including a dairy title. On December 18 Congress finally ironed out a compromise omnibus farm bill. The President signed the Food Security Act of 1985 on December 21, bringing to an end the long and overdue process of putting together legislation that is intended to define policy and shape agriculture for the next five years.

The Food Security Act of 1985 (FSA) is somewhat similar in its general outline and intent to the bill it succeeded, the Dairy Production Stabilization Act of 1983 (DPSA). It contains authority for future cuts in the support price, it levies an assessment on dairy farmers, and it authorizes a voluntary program which provides special incentives to farmers to reduce milk production.

Several striking differences also exist. First, the strategy of setting specific prices in the DPSA clearly was a temporary measure, bridging the gap between one omnibus farm bill (1981) and the next (1985). Although specific prices are set by legislation through 1987, the pricing procedures in the new bill will run the five year life of the bill (calendar years 1986 through 1990) and are intended as longer run measures that will respond to future needs. Second, the supply management program contained in this bill is also designed and intended to have longer lasting effects than the Milk Diversion Program (MDP). Unlike the 5 to 30 percent reductions called for under the MDP, producers will now be asked to consider whether they wish to cease producing milk altogether. Third, the FSA contains other measures intended to address federal orders and other, broader dairy issues than did the DPSA, which was more narrowly focused on price support policy. Finally, the dairy policies discussed below are part of a package of policies and programs affecting all of agriculture. Other parts of the FSA will have important impacts on the dairy sector.

Setting the Support Price

From January 1 to December 31, 1986 the support price will be held at its current level of $11.60 per hundredweight (cwt) of manufacturing grade milk testing 3.67% butterfat.

From January 1 to September 30, 1987 the support price will be pegged at $11.35 per cwt.

On October 1, 1987 the support price shall be reduced to $11.10 per cwt.

In calendar years 1988 through 1990 a trigger mechanism approach for setting prices will be used. On January 1 of each of these years, the Secretary of Agriculture will be required to estimate what net removals would be in the ensuing year if the support price is not changed from its current level. If net removals are estimated to be 2.5 billion pounds (milk equivalent or m.e.) or less the Secretary must increase the support price by 50 cents/cwt. If net removals are projected to exceed five billion pounds (m.e.) the support price must be reduced 50 cents.

Conditions for Future Price Cuts

Future price cuts can be suspended if the Secretary does not satisfy one of two requirements with respect to the Milk Production Termination Program (MPTP), which will be discussed in detail later in this report. The first condition is that the MPTP "achieves a reduction in the production of milk by participants in the program of at least 12 billion pounds during the 18 months of the program." The author interprets this to mean that price cuts after 1987 may be suspended if the annual base marketings of MPTP participants is less than 12 billion pounds, but other interpretations are possible. If the signup under the MPTP fails to achieve this reduction, the second condition requires the Secretary to certify to the Congress that "reasonable contract offers were extended by the Secretary, but such offers were not accepted by a sufficient number of producers making reasonable bids."

In other words, if the signup is too small (less than 12 billion pounds) and the Secretary fails to certify to Congress that it wasn't his fault, price cuts after 1987 could be suspended. If the signup exceeds 12 billion pounds <u>or</u> the Secretary demonstrates that a lower signup was unavoidable <u>and</u> net removals for 1988, 1989, and/or 1990 are estimated to exceed five billion pounds, then the support price will be cut 50 cents per year until net removals can be held below five billion pounds.

Elimination of the Whey Credit

The Secretary of Agriculture attempts to achieve the support price goal for farm level milk prices by buying cheddar cheese, butter, and nonfat dry milk at specified wholesale prices. Since 1949, the Secretary of Agriculture has been free to set Commodity Credit Corporation purchase prices for dairy products at whatever level he thought was consistent with the support price. When USDA exercised the 50 cent price cut on April 1, 1985, the Secretary added a credit for the value of nonfat whey solids to his formula for setting the purchase price of cheese. In the past a slot was provided in the formula for this credit, but the value was pegged at zero. The ten cent credit added in April had the effect of reducing the purchase price of cheese by about one cent. For cheese manufacturers who were dependant on this cheese price, this

reduced their ability to pay farmers for milk by about 10 cents/cwt or the amount of the credit. The new bill instructs the Secretary to "not take into consideration any market value for whey" when setting a purchase price. Whether this will also result in the elimination of the credit for butterfat in whey (in addition to nonfat solids) remains to be seen. The fat credit has been used for years without challenge; so its further use may not be challenged by anyone now.

Impact of Gramm-Rudman

The Gramm-Rudman budget reduction bill is another wild card. This legislation, which forces budget cuts across the board, could require additional cuts in prices every fiscal year through 1991 no matter what the level of net removals. In early 1986 this could mean a price cut in the neighborhood of 25 cents. The original intent of the conference committee was to meet budget reduction requirements through greater assessments rather than cuts in the support price. The final bill does not specify this one way or the other. Which method would or could be used is not clear at this time. Gramm-Rudman has been challenged on constitutional grounds and may be held up in the federal courts. Even if it stays in effect, one can only guess at its eventual impact.

Assessment

Assessments are required during the 18 month phase-in of the MPTP. The conference report says that the purposes of the assessment (or "reduction in price" as they officially call it) are "to help offset the cost of the milk production termination program and mitigate dairy surpluses."

From April 1 to December 31, 1986, there will be a 40 cent/cwt assessment. This would imply an effective support price of $11.20.

From January 1 to September 30, 1987, there will be a 25 cent/cwt assessment. This 15 cent cut in the assessment occurs at the same time that the support price is reduced 25 cents. Hence the effective support price would be $11.10, a net decrease in returns to farmers of 10 cents.

Milk Production Termination Program (the Buyout)

Since the House first introduced the idea in September, there has been much discussion among dairy industry participants and observers about a "buyout" program. Now formally entitled the milk production termination program, this part of the FSA is especially fuzzy. What language there is is vague and in many cases the bill simply leaves it up to the Secretary to figure out what to do. The discussion below

includes what the author thinks the bill says and what might happen in areas where the bill is silent.

Not later than April 1, 1986 the Secretary must establish a milk production termination program, i.e. by April 1 bids must have been taken, offers must be reviewed and accepted, and the first contracts must be ready to execute. When would a signup period start? This is not specified in the bill. Obviously it will have to be sufficiently in advance of April 1 to permit farmers to submit bids and the Secretary to select the bids he wants. This may mean that the signup will start sometime in February, with all or part of March for USDA to review bids and extend offers to those who make acceptable bids.

A MPTP is authorized for the 18 months from April 1, 1986 to September 30, 1987. What does this mean? This also is not precisely clear. It does not mean that a farmer only has to sell out for 18 months. It seems to mean that Congress wants the Secretary to phase in the MPTP over these 18 months, and it may mean that he could initiate a call for another signup during this period.

Making and Selecting Bids

Under the MPTP, farmers would be invited to make bids for payments in return for which they would agree to cease producing milk for three, four, or five years. The exact time period would probably be specified by the Secretary before the signup period commenced. A producer must have begun producing milk prior to 1985 in order to be eligible to enter a bid. An exception to this rule is allowed for a producer who received by inheritance or gift from a family member the "entire milk production facility and entire dairy herd" after 1984. USDA may decide to also disqualify anyone who sold out in 1985 or sells out before April 1, 1986, but there is no language in the bill to that effect.

There is no language in the bill to suggest how bids would be entered or to specify a maximum bid. And, there is virtually nothing to tell the Secretary how to select bids or administer the program. Prior discussions of a buyout program assumed that dollar per cwt bids would be entered relative to some base period marketings; however the bill makes no mention of the unit of the bid or a base period. Instead the bill simply suggests that producers who wish to volunteer bids should be required to provide: 1) evidence of their marketing history, 2) the size and composition of their herd during this period, and 3) the size and composition of their herd at the time the bid is submitted. Apparently the Secretary is given free rein to establish bases or whatever else he deems are appropriate procedures for producers to enter bids. Penalties can be imposed on producers who make false statements in their bid application about the three items mentioned above. The

fine in these cases is $5,000 per head of cattle corresponding to the false statement.

Equally if not more important are the procedures that USDA will use to select bids. There is no language in the bill even suggesting selection criteria that the Secretary might use. Some observers have suggested that USDA should simply start with the lowest bids ($/cwt) and work their way up until they get the signup they need or hit unreasonably high bids. This makes obvious sense from a budgetary point of view, but concerns have been expressed that this procedure could very well result in the kind of regionally skewed participation rates that occurred under the old MDP. Thus, it has also been suggested that the Secretary should select bids so that the regional decreases in milk production are approximately equal to the change in production nationally. This may mean passing up some relatively lower bids in one region in favor of higher bids in another region; thereby increasing the cost of the program. Some combination of these two approaches is possible, and other criteria may also be developed, perhaps relating to farm size or other farm characteristics. How USDA will decide to select bids remains to be seen, and it is not clear that details on selection procedures will be available at the same time as the rules concerning the submission of bids.

Disposition of Dairy Cattle

All dairy cattle (including cows, heifers, heifer calves, and maybe even bulls and bull calves) must be sold for slaughter or export. A penalty of $5000 per animal can be imposed on producers who make false statements as to the number of dairy cattle that they sold for slaughter or export. Buyers who purchase properly identified animals are subject to the same fine if they fail to dispose of the animal properly.

The bill devotes considerable space to prescribing acceptable levels and schedules for dairy cattle slaughter. For the 18 month period beginning on April 1, 1986, USDA must estimate the number of dairy cattle that will be slaughtered above and beyond the normal culling rate. The culling due to the MPTP can not exceed seven percent of the total dairy herd (i.e. heifers and cows) in any one year; this would be a number in excess of one million dairy cattle. Furthermore, the Secretary must schedule MPTP contracts "to ensure that greater numbers of dairy cattle shall be slaughtered <u>in each of</u> the periods April through August, 1986 and March through August, 1987 than for the other months of the program" (the emphasis is by the author). In addition, USDA is instructed to take whatever other steps are necessary to ensure that historical seasonal patterns of the marketing of dairy cattle for slaughter are maintained. The purpose of this language is to minimize the impact of heavy dairy cattle culling on farm prices for red meat animals, especially between September, 1986 and February, 1987, the months when sales of market beef animals, pigs, and lambs are high. This language appears to

imply that USDA will not be able to quickly implement MPTP contracts. Even if most contracts are effected between April and August, 1986, some will have to wait until after February, 1987 (so that at least as many cows are culled between March and August, 1987 as are culled between September, 1986 and February, 1987).

Obligations of the Participant

After eliminating his herd, a producer who participates in the MPTP "neither shall acquire any interest in dairy cattle or in the production of milk nor acquire, or make available to any person, any milk production capacity of a facility that becomes available... unless the Secretary shall by regulation otherwise permit." Once again USDA has been given generous latitude, this time to determine what the conditions of the contract will be. If USDA adheres to what Congress suggests, in addition to agreeing not to produce milk on his/her farm, the producer must agree not to "acquire any interest in the production of milk" anywhere else. Moreover the farmer's facility (i.e. milking barn) cannot be used to produce milk by anyone else, and this restriction is likely to hold up even if the farm is sold. Can a producer sell his milking equipment, e.g. machines, parlor, etc., as opposed to the building? This is not specified either; however an initial guess would be that such a sale would be permitted.

If a producer violates his contract by producing milk, he must repay any and all payments received under the program plus interest, and a large penalty can also be levied. The fine would equal the amount of milk produced multiplied by the support price(s) in effect at the time.

What a Participant Can Do

What can a participating farmer do? This too has not been specified, but some reasonable guesses can be made. Can he/she raise dairy heifers? Most likely not. Can he/she raise hay or corn and sell it to a dairy farmer or can the land be rented to a dairy farmer? Very likely yes. Can he/she raise beef, grow crops, or do anything else unrelated to milking cows? Certainly yes.

CCC Purchases

The Secretary is instructed to monitor dairy product purchases by the Commodity Credit Corporation during 1986 and 1987 and report to Congress quarterly on any "disruptions of or attempts...to circumvent the historical distribution of milk among processors." Presumably the purpose of this is to determine whether cooperatives or other handlers who market milk are selling dairy products made in their plants to the CCC while holding back scarce milk supplies from processors who have commercial sales possibilities. What the congressional response would be to possible "disruptions" is not specified.

Future Voluntary Supply Management Programs

The MPTP is authorized through October 1, 1987 and some participants could be under contract until September, 1992 (1990 under a three year program). Nonetheless, the FSA provides for additional supply management programs, including another milk diversion program as well as another milk production termination program. "The Secretary may establish and carry out a milk diversion or milk production termination program for any of the calendar years 1988, 1989, and 1990 as necessary to avoid the creation of burdensome excess supplies of milk or milk products." This would seem to suggest that Congress is saying that if 50 cent price cuts in each of these years is not enough, then the Secretary will have to resort to another supply control program if he wants to reduce the surplus further.

Administrative Procedures

Normally all administrative rule-making procedures are subject to a section of the U.S. Code requiring that time be allowed for review and comment by parties who would potentially be affected by the rules. The FSA exempts the Secretary from these standard procedures when he 1) sets the support price, 2) levies an assessment, and 3) sets up the milk production termination program. Hence, the dairy industry will have little opportunity to formally influence how these aspects of dairy policy are set up, at least through normal administrative procedures.

Federal Milk Marketing Orders

On May 1, 1986 (i.e. on the first day of the first month beginning more than 120 days after the bill is signed), Class I differentials in 35 of 44 federal orders will be increased, as shown in Table 1. With the exception of the Upper Michigan order, the effected orders are the easternmost orders, generally those east of the Rocky Mountains. The weighted average increase in the Class I differential would be about 30 cents/cwt. The smallest increases are generally in the Upper Midwest area, which already has the lowest differentials. The largest increases are in the South. Hence the FSA will result in a wider range of Class I differentials as well as higher differentials. These differentials would be mandatory for at least a two year period, after which they could be changed through normal order hearing procedures.

It appears that USDA will require a hearing for the effected orders before the increases take place. It is possible that in some orders the differential could be increased more than is specified by the new bill or that other changes could be introduced. Nevertheless, the Class I differentials could not be lower than those mandated by

Table 1. Federal Order Class I Differentials

Federal Milk Order Marketing Area	Current Fluid Diff. ($/cwt)	New Fluid Diff. ($/cwt)	Change ($/cwt)
NORTH ATLANTIC			
New England	3.00	3.24	.24
New York - New Jersey	2.84	3.14	.30
Middle Atlantic	2.78	3.03	.25
SOUTH ATLANTIC			
Georgia	2.30	3.08	.78
Alabama - West Florida	2.30	3.08	.78
Upper Florida	2.85	3.58	.73
Tampa Bay	2.95	3.88	.93
Southeastern Florida	3.15	4.18	1.03
EAST NORTH CENTRAL			
Michigan Upper Pen.	1.35	1.35	.00
Southern Michigan	1.60	1.75	.15
Eastern Ohio - W. Pa.	1.85	1.95	.10
Ohio Valley	1.70	2.04	.34
Indiana	1.53	2.00	.47
Chicago Regional	1.26	1.40	.14
Central Illinois	1.39	1.61	.22
Southern Illinois	1.53	1.92	.39
Louis.-Lex.-Evans.	1.70	2.11	.41
WEST NORTH CENTRAL			
Upper Midwest	1.12	1.20	.08
Eastern South Dakota	1.40	1.50	.10
Black Hills	1.95	2.05	.10
Iowa	1.40	1.55	.15
Nebr. - Western Iowa	1.60	1.75	.15
Greater Kansas City	1.74	1.92	.18
EAST SOUTH CENTRAL			
Tennessee Valley	2.10	2.77	.67
Nashville	1.85	2.52	.67
Paducah	1.70	2.39	.69
Memphis	1.94	2.77	.83
WEST SOUTH CENTRAL			
Central Arkansas	1.94	2.77	.83
Fort Smith	1.95	2.77	.82
Southwest Plains	1.98	2.77	.79
Texas Panhandle	2.25	2.49	.24
Lubbock - Plainview	2.42	2.49	.07
Texas	2.32	3.28	.96
Greater Louisiana	2.47	3.28	.81
New Orleans - Miss.	2.85	3.85	1.00

Table 1. (continued)

Federal Milk Order Marketing Area	Current Fluid Diff. ($/cwt)	New Fluid Diff. ($/cwt)	Change ($/cwt)
MOUNTAIN			
Eastern Colorado	2.30	2.73	.43
Western Colorado	2.00	0	.00
S.W. Idaho - E. Oregon	1.50	0	.00
Great Basin	1.90	0	.00
Lake Mead	1.60	0	.00
Central Arizona	2.52	0	.00
Rio Grande Valley	2.35	0	.00
PACIFIC			
Puget Sound - Inland	1.85	0	.00
Oregon - Washington	1.95	0	.00

legislation, and it is likely that the focus of the hearing(s) will be limited to the subject of Class I differentials.

Authority was extended to continue seasonal pricing plans and other minor order provisions not covered by permanent legislation.

New authority was granted to permit federal orders to reimburse handlers for "marketwide services", including but not limited to 1) seasonal balancing of milk supplies, 2) daily balancing, 3) transporting milk to meet Class I requirements or to dispose of milk in excess of market capacity. Payment would be made out of the producer settlement fund or pool before uniform or blend prices were calculated. Such payments could only be made subsequent to the usual hearing procedure and appropriate revision of an order. The services for which an order might provide payments and the level of those payments can only be speculated upon at this point. This feature of the bill is an important sleeper that is likely to receive much attention once the dust settles.

Miscellaneous

Red Meat Purchases

USDA must buy 400 million pounds of red meat; half of which is to be distributed domestically, the other half in international programs or to U.S. military commissaries located abroad. This, in addition to the requirement to phase in culling, is intended to minimize the downward pressure on farm prices for producers of beef, pork, and lamb.

Nonfat Dry Milk Sales for Casein

In order to promote a domestic casein industry, the USDA must offer at least one million pounds of nonfat dry milk annually to the lowest bidder for the purpose of making casein. This amount of nonfat dry milk might produce 300 thousand pounds of casein, compared to imports of about 200 million pounds.

Casein Study

No later than 60 days after the bill is signed (i.e. about February 19), the USDA must report to Congress a study of casein imports. The purpose of this study is to determine whether imports of casein tend to "interfere with or render ineffective the milk price support program." If the Secretary answers these carefully chosen words in the affirmative, i.e. casein imports do interfere..., he would implicitly invoke the criteria which authorize all other dairy import quotas.

The most recent USDA study of casein imports was published in 1981. In it the authors refrain from making specific recommendations; however their analysis does not seem to provide strong support for quotas. They conclude that casein import quotas would not result in much greater use of nonfat dry milk nor reduce the cost of the price support program substantially; the primary beneficiary they suggest would be producers of soybeans and other non-dairy proteins. Moreover they imply that the fairly small savings in support program expenditures would be more than offset by additional consumer costs and the ill-will generated among important trading partners. This is not to say that a positive finding by USDA is not possible. However, a positive finding does not necessarily imply that quotas would be imposed, although it would substantially strengthen the case for casein quotas.

National Dairy Research Endowment

The Secretary <u>may</u> establish a new endowment for dairy product research. This endowment would be funded at a level of $100 million; with the funds coming from the U.S. Treasury or the CCC budget during fiscal years 1986 and 1987. The endowment would be administered by the National Dairy Promotion and Research Board, which also administers the farmer funded national promotion and research program begun under the DPSA. The endowment is intended as a permanent system for funding scientific research activities designed to facilitate the expansion of markets for milk and dairy products.

National Commission on Dairy Policy

A National Commission on Dairy Policy will be set up to study the development of new technologies and their impacts on dairy farming and dairy support programs. The commission will consist of 18 dairy farmers representing the milk producing

regions of the U.S. Members would be chosen by the agriculture committees of Congress and the Secretary of Agriculture. In conducting this study, the commission is instructed to consider 1) how effective the current price support program will be in preventing significant surpluses of dairy products, 2) how well this program will respond to challenges technological changes will bring to small and medium sized family farms, and 3) whether or not a better response to those challenges could be achieved through a different policy. The commission is to submit its report to the Secretary of Agriculture and Congress no later than March 31, 1987.

On a similar vein, Title XVII(C) of the FSA establishes a National Commission on Agricultural Policy. The purpose of this commission is to conduct a study of 1) the structure, procedures, and methods of formulating and administering agricultural policies and 2) conditions in rural areas and the manner in which such conditions relate to the provision of public services. This commission will include 15 members appointed by the President from nominations made by state Governors. The commission is to make annual reports and terminates in December, 1990.

More Routine Extensions

Authority to transfer CCC dairy products to military and Veteran's Administration hospitals was extended, as was the authority for the Dairy Indemnity Program.

Dairy Exports

A dairy export incentive program was authorized to encourage dairy exports. The program would encourage any firm or individual who exports U.S. dairy products to increase their export sales. Such businesses could make bids for payments from the CCC "on the quantity of dairy products sold...for export in any year that is in addition to, and not in place of, any export sales that the entity would otherwise make." CCC could make payments in cash or in kind, i.e. in the form of certificates redeemable in commodities. What this may mean in practice is that dairy exporters will be able to bid on CCC dairy products that they could then export at a cost much lower than would otherwise have been possible. This program would begin on February 19, 1986 (60 days after enactment) and end on September 30, 1989.

In addition to this component of the dairy title (I) of the FSA, the trade title (XI) instructs the Secretary to sell for export dairy products from CCC stocks. In each of the fiscal years 1986 through 1988, USDA must export 150,000 metric tons of dairy products (about 165,000 tons in U.S. standard measure). Of this amount, not less than 100,000 metric tons (110,000 U.S. tons) shall be butter and not less than 20,000 metric tons (22,000 U.S. tons) shall be cheese. The latter restrictions recognize that most international dispositions of

CCC dairy products are nonfat dry milk; hence this would require a new strategy for CCC exports.

As of November 30, 1985 the CCC had uncommitted inventories of 823,730 tons of dairy products, 63,111 tons of butter, and 304,052 tons of American cheese. Thus these export requirements represent about 20% of the currently available government stocks of dairy products, over 100% of the butter stock, and 7% of the cheese.

Feed Prices

Another non-dairy part of the FSA that will have an important albeit more indirect impact on dairy is the feed grains title (IV). The language of the bill suggests that loan rates on feed grains could fall 10 to 20 percent below their current levels. Unless there is a major crop failure, this would result in lower market prices for feed grains. Loan rates on soybeans will not drop until the 1988 crop years, after which they can be reduced 5 percent per year. Thus, in the next two years prices of some basic dairy feeds will probably fall considerably. Eventually this means lower prices for dairy concentrate feeds also.

Dairy farmers who also raise feed grains for sale will find their cash grain income can be more or less protected because target prices will be frozen at least through the 1987 crop year. Dairy farmers who buy feed will find even lower dairy feed prices after the 1986 crop is harvested. Thus, the feed grains program, which is intended to stimulate exports of feed grains while protecting the incomes of grain producers, will tend to make it more difficult to rein in milk production.