



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

February 1986

A.E.Ext.86-12

A SURVEY OF NEW YORK FARMERS'
INTENTIONS TO SUBMIT BIDS FOR
THE MILK PRODUCTION TERMINATION PROGRAM

by

Harry M. Kaiser

and

Robert D. Wellington

Department of Agricultural Economics
New York State College of Agriculture and Life Sciences
A Statutory College of the State University
Cornell University, Ithaca, New York 14853-7801

It is the policy of Cornell University actively to support equality of educational and employment opportunity. No person shall be denied admission to any educational program or activity or be denied employment on the basis of any legally prohibited discrimination involving, but not limited to, such factors as race, color, creed, religion, national or ethnic origin, sex, age or handicap. The University is committed to the maintenance of affirmative action programs which will assure the continuation of such equality of opportunity.

Preface

Harry M. Kaiser is an Assistant Professor in the Department of Agricultural Economics at Cornell University. Robert D. Wellington is Chief of Research for the New York-New Jersey Federal Milk Market Administrator's Office. This bulletin was prepared for publication by Wendy Barrett and Sandy Basso.

The authors wish to thank Walter Wasserman, Extension Specialist in milk marketing, for his contribution in designing the survey. The help from Andrew Novakovic, Associate Professor in the Department of Agricultural Economics at Cornell University, in writing the unofficial overview of the Milk Production Termination Program (sent with survey) is also gratefully acknowledged. Finally, useful comments by Deborah Streeter and Mae Liss on an earlier draft of this paper are appreciated.

This publication examines the results of a survey of New York dairy farmers on their tentative plans to enter bids in the Milk Production Termination Program. Because the government will have the ultimate role in determining whose bids and how many bids will be accepted, the results of this survey should be viewed as preliminary estimates of the number of farmers likely to submit bids rather than the number of farmers who will participate in the program. A follow-up paper is planned after the sign-up and contract issuance periods. That publication will examine the impact of the Milk Production Termination Program on milk supplies in New York.

Additional copies of this bulletin may be requested from the authors or from:

Publications Office
Department of Agricultural Economics
Warren Hall
Cornell University
Ithaca, New York 14853-7801

Introduction

On December 23, 1985, the President signed the Food Security Act of 1985, closing a chapter in a long and complicated process of shaping U.S. agricultural policy for the next five years. Included in this Act is the Milk Production Termination Program (MPTP). This program invites farmers to enter bids this February to cease producing milk over the next five years. The MPTP has been commonly referred to as a whole-herd buyout program. Although the full effects of the MPTP are unknown, it will undoubtedly have a tremendous impact on milk markets across the nation. Much of this will depend on how many producers participate and how much milk production is "bought out" by the USDA.

The purpose of this report is to summarize and interpret the results of a recent survey of New York farmers' intentions to submit bids under the MPTP. The paper is organized into four main sections. In the first section, a brief overview of the provisions of the MPTP (as they currently stand) is presented. Next, the procedures used in conducting the survey are described. The results and analysis of the survey are reported in the third section. Finally, the paper concludes with a brief reiteration of the important results of the survey.

1

The Milk Production Termination Program

Under the MPTP, interested dairy farmers will be invited to make bids (submitted in dollars per hundredweight) to cease producing milk over the next five years. If a bid is accepted, the producer will receive payments equal to the bid multiplied by his base marketings. Participants will be required to sell for export or for slaughter all their dairy cows, heifers, and calves.

The timing of the program is as follows. The detailed rules and regulations will be determined and announced by the end of January 1986. Producers will have from February 10 to March 7, 1986 to formulate and submit their bids. The USDA

1

This section is based on two papers by Novakovic: a) "Detailed Summary of the Dairy Provisions of the Food Security Act of 1985," A.E.Ext.86-1, Department of Agricultural Economics, Cornell University, January 1986; and b) "Update of ASCS Rules Concerning the MPTP," unpublished mimeograph, Department of Agricultural Economics, Cornell University, January 1986. The interested reader is referred to these two papers for a detailed review of the provisions of the MPTP.

will use March to review all bids and issue acceptances and rejections of bids. Finally, the program should take effect on April 1, 1986.

In order to be a candidate for participation in this program, farmers who plan to submit bids will be required to meet two eligibility conditions and provide several pieces of information. They must have started producing milk prior to January 1, 1985 and they must be actively engaged in milk production at the time they submit their bids. In addition, farmers will be required to provide documents on their monthly milk marketings between July 1984 and December 1985 as well as the size and composition of their herds on January 1, 1985, January 1, 1986, and the date that they enter their bid. The USDA will calculate two 12-month bases for the producer: (a) monthly marketings between July 1984 and June 1985, and (b) monthly marketings between January and December 1985. The USDA will take the lesser of these two 12-month periods as the farmer's preliminary base. This base may be subject to two adjustments. First, if a producer has sold dairy cattle for other than export or slaughter in 1986, then his base will be adjusted downward. Second, if a farmer's cow numbers on the date of the bid minus his 1986 cow transfers is less than 90 percent of the higher of cow numbers on January 1, 1985 or January 1, 1986, then his base will be adjusted downward. If the bid is accepted, the farmer will receive payments equal to his bid (submitted in dollars per hundredweight) multiplied by the lesser of the two adjusted marketing bases calculated by the USDA.

All farmers having their bids accepted will be given four options on receiving these payments over the five-year duration of the program. The first option is equal annual payments, which simply means an annual payment equal to the total payment divided by five. The second option is no payment in the first year and equal annual payments over the last four years. The third option specifies no payment in the first year, a second-year payment of no more than 85 percent of the total payment, and the remainder paid in equal annual payments during the final three years. The final option is a payment of no more than 80 percent of the total payment in the first year and the remainder paid in equal annual payments during the next four years of the program.

Procedures

A short questionnaire was mailed to 1,200 randomly selected New York dairy farmers at the beginning of December 1985. The survey requested information on: (1) farmers' tentative plans to submit bids for the MPTP, (2) reasons for their decision to bid or not bid for the program, and (3) several farm and nonfarm characteristics of their operation. A copy of the survey is included in the Appendix. A brief, unofficial

description of a potential buyout program was included with the survey (see Appendix).

A total of 445 usable responses were completed and returned, which shows a fairly high interest in the program by New York farmers. The average respondent had 70 milking cows as of December 1985, 304 owned and/or rented total tillable acres, and marketed 1,003,436 pounds of milk in 1985. This is fairly close to 1985 state averages as reported in the Cornell Dairy Farm Business Summary and Economic Outlook Bulletin. According to these sources, the average New York dairy farmer had 70 milking cows, 280 tillable acres, and sold 864,451 pounds of milk in 1985. Thus, the results of the survey were judged to be representative of dairy farmers in New York.

Results

Who Will Bid

One-third of the 445 farmers who responded to the survey said that they were "likely" as opposed to "not likely" to submit a bid for the program (although these two terms were used in the questionnaire, the text hereafter refers to these two terms as "more likely" and "less likely"). Of course, these farmers could change their minds when actually faced with signing a binding contract. In addition, the rules and regulations of the program in its final form might differ from the brief, unofficial description included with the survey.² In the final analysis, therefore, we do not expect one-third of the farmers to submit a bid in New York. But the response does strongly suggest that farmers are viewing the buyout as a realistic option. It is also important to note that the farmer's bid is only one-half of the equation. The actual participation in the program ultimately will be determined by what bids are accepted by the USDA.

2

Two important rules in the MPTP that were recently announced (not included in our description of the program) may bias the proportion of producers bidding in the program downward. First, it has been determined that across the board federal budget cuts triggered by Gramm-Rudman will include MPTP payments. This means that a participant in the MPTP may have his payments reduced during the program. Second, the actual determination of the size of the base is quite different (lower) than that described by the survey. Therefore, some of the farmers who indicated that they would likely bid may, in fact, not bid due to these recent announcements.

Figure 1 shows that the proportion of farmers planning to make a bid is similar for most regions in the state (29 to 34 percent). Exceptions are the South Hudson, North Hudson, and Oneida/Mohawk regions. A lower proportion (11%) indicated they are more likely to bid in the buyout in the South Hudson region, while a relatively high percentage of farmers (42% in both regions) indicated interest in the North Hudson and Oneida/Mohawk regions. Special caution is advised in interpreting the relatively low percentage in the South Hudson area since this is based on only 9 responses.

Reasons for Current Plans

Farmers were asked to give the major reason why they would or would not submit a bid (see Table 1, left column). The most frequent reason listed by those likely to bid was the opinion that there is "no future in dairying". While 37 percent offered this as the major reason, 26 percent said they would retire soon and another 25 percent indicated that they were in financial difficulty. Only 2 percent stated that pressure from lenders would be the dominant factor in their decision, but this undoubtedly will be more important for farmers with high debt loads when the bidding process begins.

The primary reasons offered by those more likely to bid differed for younger vs. older and smaller vs. larger farmers, as illustrated in Table 1. Two important differences existed between younger (less than 45 years old) and older (45 years or older) farmers. First, a significantly lower proportion of younger farmers (5%) listed that they would retire soon, compared to 44 percent of the older farmers, as the major reason for their tentative plans to submit a bid. Second, a significantly higher proportion of younger farmers indicated financial distress (41%) as their major reason for bidding compared to older farmers (15%). This should be expected since older farmers are closer to retirement and usually have less farm debt than younger producers. There was not any major differences between smaller (farms that marketed less than 995,000 pounds of milk in 1985) and larger (farms that marketed 995,000 or more pounds of milk in 1985) farmers in their reasons for planning to bid.

Farmers who indicated that they are more likely to bid were asked the following question: if your bid is accepted, do you plan to return to dairy farming after the program expires? Of those more likely to make a bid, about two-thirds said they would not return to dairy farming when the program expires, while 25 percent said they would (see Table 1). We would expect that the actual number of farmers who return to milk production after five years would be much smaller than this, given the high reentry costs for most farmers. In any case, this

CORNELL DAIRY FARM BUSINESS SUMMARY REGIONS

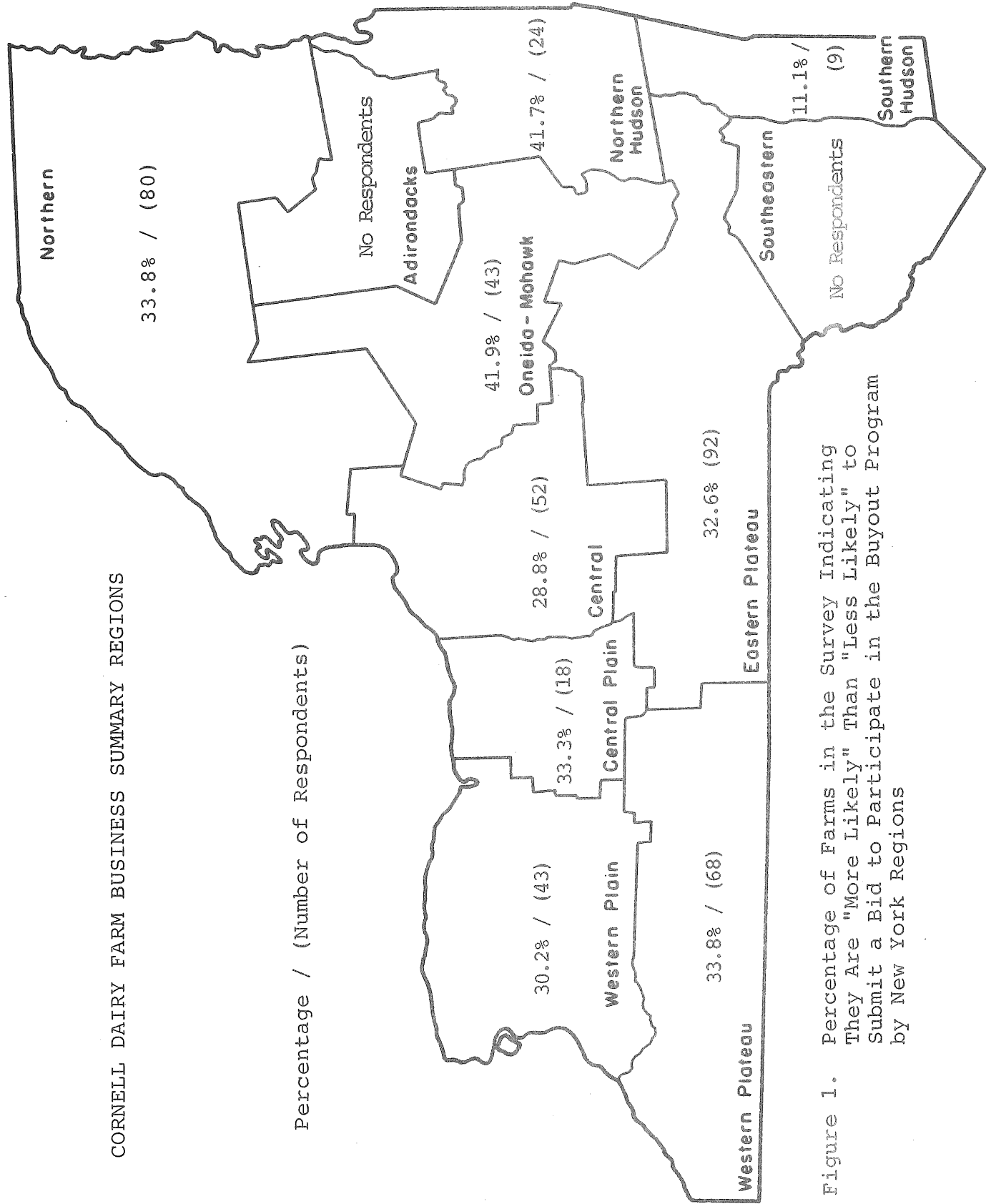


Figure 1. Percentage of Farms in the Survey Indicating They Are "More Likely" Than "Less Likely" to Submit a Bid to Participate in the Buyout Program by New York Regions

Table 1. Reasons for Tentative Bidding Plans by Selected Farm Characteristics

| Item | Respondents | | | | percentage |
|--|-----------------|-----------------------|---------------------|---|------------|
| | All Respondents | Younger Than 45 Years | Older Than 44 Years | 1985 Milk Marketings Less Than 995,000 Pounds | |
| PERCENT MORE LIKELY TO BID: | | | | | |
| Reasons for Bidding | | | | | |
| No Future in Dairy Farming | 37 | 36 | 38 | 38 | 39 |
| Retire Soon | 26 | 5 | 44 | 24 | 25 |
| Financial Distress | 25 | 41 | 15 | 26 | 25 |
| Pressure from Lender | 2 | 2 | 2 | 2 | 3 |
| Other | 10 | 16 | 1 | 10 | 8 |
| Reentry Plans | | | | | |
| Will Return to Dairy Farming (if bid is accepted) After Program Expires | 66 | 41 | 15 | 23 | 53 |
| Will Not Return to Dairy Farming (if bid is accepted) When Program Expires | 25 | 49 | 79 | 70 | 39 |
| PERCENT LESS LIKELY TO BID: | | | | | |
| Reason for Not Bidding | | | | | |
| Too Large of Investment in Dairying; Could Not Submit An Acceptable Bid | 28 | 32 | 25 | 30 | 30 |
| Have Profitable Farm Business | 25 | 30 | 21 | 23 | 33 |
| Do Not Like Government Programs | 25 | 17 | 32 | 27 | 16 |
| In Process of Expanding Production | 8 | 9 | 7 | 7 | 9 |
| Like Dairy Farming/Do Not Want to Slaughter Cows | 9 | 9 | 6 | 7 | 8 |
| In Process of Selling Farm to Another Family Member | 5 | 2 | 9 | 5 | 4 |
| Lender Discouragement | 0 | 1 | 0 | 1 | 0 |

suggests that a high proportion of the farmers who enroll in the buyout will never return to milk production. This will affect dairy cooperatives in membership activities and other milk processors in organizing future milk procurement routes.

Reentry plans were different between younger and older farmers, as well as between smaller and larger farmers. As indicated by Table 1, younger farmers were much more optimistic (41%) about returning to milk production after the five-year duration of the program than older farmers (15%). Larger farmers were also more inclined to say they would return to dairy farming when the MPTP expires. Of these larger producers, 53 percent plan to return to milk production (as opposed to 23 percent of the smaller farmers) when the program expires.

All responding farmers who indicated that they are less likely to make a bid were asked to give the major reason for this decision. The most common reason given (28%) was that they "could not submit a low enough bid to be accepted" given their current situation (Table 1). One explanation is that New York dairy farmers may see fewer nondairy farm options and don't feel they could offer a bid competitive with producers in other regions. One-quarter of the producers not likely to bid stated that the primary reason was that they have profitable operations, while another 25 percent cited their dislike for government programs as the primary reasons. Other reasons given by producers not planning to submit bids were: (a) currently expanding production (8%); (b) like dairy farming and don't want to slaughter herd (8%); and (c) in the process of selling farm to another family member (5%).

Several differences are apparent between younger and older farmers and between smaller and larger producers in their reasons not to bid. The most striking difference between older and younger producers is their attitudes concerning government programs. Of all the older farmers planning not to bid, 32 percent indicated the major reason for not bidding was that they dislike government programs, which compares to 17 percent of the younger farmers who offered this as the major reason. Another important difference in this regard was that 30 percent of the younger farmers indicated that they had a profitable farm business (as opposed to 21 percent of the older producers) as the primary reason for not planning to bid. Similarly, smaller and larger farms differed in ranking these two categories of reasons for not bidding. A higher proportion of smaller farms (27%) listed dislike of government programs as the major reason for not bidding, while 16 percent of the larger farmers gave this as the primary reason. A higher proportion of larger producers (33%) cited that they had a profitable business as the reason for not bidding while 23 percent of the smaller farms listed this as the major reason for not bidding.

Employment Plans During Buyout

What will dairy farmers do during the program if their bids are accepted? Table 2 shows that the majority (49%) of respondents planning to bid indicated that they would pursue nondairy farm operations (cash crop and/or raise nondairy livestock) during the five-year period of the program. An additional 16 percent planned to farm part-time and work off the farm. That means that 65 percent of all those likely to bid plan some involvement in other farming alternatives. This potential shift is of concern to grain and nondairy livestock producers who are already suffering from excess production and low prices. Another 14 percent of the bidding farmers said they would retire and either sell or rent their farms. Finally, 13 percent of these producers suggested they would work off the farm on a full-time basis.

Employment plans during the participation period of the MPTP of younger vs. older and smaller vs. larger farmers were somewhat different (Table 2). A larger proportion of farmers 45 years or older stated that they would retire (24%) compared to those farmers younger than 45 years (2%) if their bids would be accepted. A higher proportion of larger farms indicated that they would retire (25%) compared to smaller farms (9%) if their bids were accepted. An additional difference between smaller and larger farmers planning to bid was that a higher proportion of smaller producers stated that they would pursue on-farm (nondairy) work (53%) than larger producers (42%) should their bids be accepted. This is primarily due to the fact that a greater portion of larger producers plan to retire than smaller farmers if their bids are accepted.

Characteristics of "Bidders" vs. "Nonbidders"

There were several significant differences in characteristics between farmers indicating that they are more likely to bid (Group 1) and those stating that they are less likely to bid (Group 2), as shown in Table 3. Group 1 had (statistically) significantly smaller operations averaging 62 milking cows, 269 tillable acres, and 830,849 pounds of milk marketings for 1985. By comparison, Group 2 averaged 74 milking cows, 322 tillable acres, and 1,088,673 pounds of milk marketings in 1985. This suggests that larger dairy operations in New York may show a lower bidding rate than smaller farms. The average age of operator was different in a statistical sense but not very different in actual years. The average age of farmers in Group 1 was higher (48) than Group 2 (44). This indicates that age may be a factor in the participation decision and it probably relates to those who plan to retire. Operations where the farmer and/or spouse worked off the farm were much more inclined to be in Group 1 than those where the farmer and/or

Table 2. Employment Plans for Farmers More Likely to Bid (if Bid is Accepted) by Selected Farm Characteristics

| Item | Respondents | | | | |
|-------------------------------------|-----------------|-----------------------|---------------------|---|--|
| | All Respondents | Younger Than 45 Years | Older Than 44 Years | 1985 Milk Marketings Less Than 995,000 Pounds | 1985 Milk Marketings Greater Than 994,999 Pounds |
| PERCENT MORE LIKELY TO BID: | 33 | 29 | 36 | 40 | 24 |
| -----percentage----- | | | | | |
| <u>Employment Plans During MPTP</u> | | | | | |
| Work On Farm (Nondairy Operation) | 49 | 53 | 48 | 53 | 42 |
| Work On and Off Farm | 16 | 20 | 15 | 15 | 14 |
| Retire (Sell and/or Rent Farm) | 14 | 2 | 24 | 9 | 25 |
| Work Off Farm Full Time | 13 | 22 | 6 | 15 | 11 |
| Undecided | 8 | 3 | 7 | 8 | 8 |

spouse did not work off the farm. Forty-one percent of the producers with off-farm employment indicated they would likely make bids, compared to 31 percent of the producers who did not have off-farm jobs. This is not too surprising since operators who work off the farm have an alternative source of income if they stop farming and thus may be more likely to consider the program than those who do not work off the farm. Those respondents in Group 1 averaged 13 hours per week and those in Group 2 average 9 hours per week of off-farm work.

Table 3. Differences in Farm and Nonfarm Characteristics Between Producers More and Less Likely to Submit Bids

| Characteristic | More Likely | Less Likely |
|---------------------------------|----------------|----------------|
| | to Submit Bids | to Submit Bids |
| | (Group 1) | (Group 2) |
| All Farms (%) | 33 | 67 |
| Average Number of Milking | | |
| Cows as of December 1, 1985 | 62 | 74 |
| Average Tillable Acres, 1985 | 269 | 322 |
| Average Milk Marketed for 1985 | | |
| (hundredweights) | 8,309 | 10,887 |
| Average Operator Age (years) | 48 | 44 |
| Operator and/or Spouse | | |
| Employed Off Farm (%) | 41 | 59 |
| Operator and/or Spouse | | |
| Not Employed Off Farm (%) | 31 | 69 |
| Average Hours Per Week Operator | | |
| and/or Spouse Work Off Farm | 13 (37)* | 9 (35)* |
| Participated in Milk | | |
| Diversion Program (%) | 52 | 48 |
| Did Not Participate in Milk | | |
| Diversion Program (%) | 31 | 69 |
| Average Contracted Reduction in | | |
| Milk Diversion Program (%) | 3 (19)* | 2 (20)* |
| Dairy Cooperative Member (%) | 34 | 66 |
| Independent Producer (%) | 32 | 68 |

* The first number is an average with all respondents included; the number in parentheses is an average for only those producers who answered positively to off-farm work or milk diversion program participation.

Finally, farms that participated in the Milk Diversion Program (MDP) were much more likely to enter a bid than those that did not enroll in the MDP. Fifty-two percent of the MDP

participants stated that they were more likely to bid as opposed to 31 percent of those that chose not to sign up for the MDP. However, this result should change (perhaps in an opposite direction) if the base marketings for MDP participants are significantly lower than the base marketings for nonparticipants, which seems likely given the USDA's decision on base periods. (See the previous MPTP section for how the base periods will be calculated.) The average contracted reduction in the MDP for farmers in Group 1 was 3 percent, which compares to 2% for those in Group 2. There was not much difference in intention between dairy cooperative members (34 percent likely to bid) and independent producers (32 percent likely to bid).

Summary

What do the survey results mean to dairy farmers and processors? It is clear that a significant number of farmers are seriously pondering the buyout as a viable alternative to their current farm enterprise. Whether the proportion is 33 percent, as suggested by the survey, or less, it appears that many of the dairy farmers in the state will be submitting bids. Furthermore, many of the farmers whose bids are accepted will go out of dairy farming for good. Although the survey results suggest that 67 percent of those producers who have their bids accepted will quit dairy farming permanently, we expect an even higher share due to the high costs of reentry. The results of the survey also indicate that smaller farms, older producers, and farmers with options other than dairying (e.g., off-farm work) will be more likely to submit bids than larger, younger, and more specialized dairy farmers. Of the three characteristics (size, age, and nondairy income), the availability of alternative income sources seems to be the most important in terms of the average difference between the two groups.

The question still remains: what bids will the USDA accept? Right now, it is anyone's guess. For the short haul, actual acceptance rates will determine just how many farmers leave the dairy industry. At this time, not enough is known about how the USDA will select bids to determine how many New York farmers' bids will be accepted. The longer-run effects of the buyout are even harder to predict. Two major unknowns are: 1) how much milk production will be "bought out" by the program, and 2) how nonparticipating farmers will adjust their production in response to the program. Such shifts in production by nonparticipants will depend on a variety of factors including milk price, profitability of competing enterprises, input costs, and general economic conditions. The next evaluation opportunity will come at the end of the sign-up and USDA review/acceptance time. At that time, another bulletin will likely be published on the impact of the MPTP on milk production in New York.

APPENDIX

OVERVIEW OF A POTENTIAL WHOLE HERD BUYOUT PROGRAM

The House of Representatives and the Senate have both approved farm bills that include changes in dairy policy. A conference committee representing both the House and the Senate will soon be sitting down to iron out differences between the two bills. What the final outcome will be is uncertain until a bill is signed by the President; however one likely component of a new farm bill is a dairy buyout program.

Since a bill has not yet been passed, there are no official details to a buyout program at this time. The program that is outlined below should not be construed as official in any way. This outline is an educated guess as to what a buyout program might look like; nonetheless it should be used only for the purposes of this survey.

Overview

New dairy legislation may have two key characteristics. It may permit further decreases in the support price when net government purchases are expected to be large, and it may include a dairy buyout program. Price cuts will likely be limited to no more than 50 cents per year, and no reductions will be allowed until January 1, 1987. The buyout program will invite farmers to enter bids to receive payments from the government, in return for which they will agree to cease producing milk and retire their barns and equipment from milk producing activities. The agreement will be binding for at least 3 years. The Secretary of Agriculture will have authority to ask for commitments of 3, 4 or 5 years.

Prices

The support price for manufacturing grade milk will be held at \$11.60 through December 1986. On January 1, 1987 the Secretary of Agriculture will be permitted to lower the support price by 50 cents if he estimates that net government purchases would otherwise be greater than 5 billion pounds. It is impossible to predict whether a price cut will occur in 1987, but it is certainly possible.

Buyout Bids

Later this winter, farmers may be invited to submit bids under a buyout program. Farmers will have as little as 30 days in which to place a bid. The Secretary of Agriculture can accept or reject bids as he so chooses. At this time, it appears that there will be no constraints on a farmer's bid.

There is no maximum nor minimum bid in the current buyout proposal. Farmers can formulate and submit a bid as they please; however once a bid is accepted, the farmer has no opportunity to change or rescind it.

All bids must be expressed in terms of dollars per cwt of base marketings. For example, suppose a farmer had an annual base of 500,000 pounds (5000 cwt) and suppose he calculated that he would be willing to cease producing milk if he could receive \$20,000 a year for the duration of his commitment; this would imply that the farmer is willing to make a bid of \$4 per year. If the buyout commitment is for 3 years, then this farmer's bid would be \$12 per cwt for 3 years.

Base Marketings

The House bill proposes that the base period for new buyout program would normally be the amount of milk a farmer sold between July 1, 1984 and June 30, 1985. This legislation was written assuming that a bill would be passed by October 1, 1985. If a new buyout program actually starts on, say, March 1, 1985, it is possible that the base period might be revised to something like January 1, 1985 to December 31, 1985. If a farmer participated in the old Milk Diversion Program, he will be allowed to use his old base plus 2.2%.

The Buyout Commitment

If a farmer places a bid and it is accepted, he agrees to slaughter all of his dairy cattle, including all cows and heifers. Furthermore, he agrees not to produce milk for the length of the contract; this includes full or part ownership in milk production on his current farm or any new facility. The farmer also agrees to retire his milk production facility, i.e. barns and equipment, from milk production. If he sells his farm or barn, the new owner must agree to honor this commitment. If the farmer keeps his farm, he may use it for any other farming or non-farming activity other than milk production. Raising heifers will probably not be permitted, but raising meat animals or hay or other crops will be allowed.

SURVEY OF FARMERS' CURRENT PLANS REGARDING THE
POTENTIAL WHOLE HERD BUYOUT PROGRAM

After you have read the enclosed information describing a potential whole herd buyout program, please take a few minutes to answer the following questions. Your responses are strictly confidential and results will only be published as averages. Kindly return this survey in the enclosed envelope no later than 2 days after receiving it. Thank you for your cooperation.

1. Based on the enclosed information and your understanding of the proposed whole herd buyout program, which of the following best describes your current plans regarding this program?

_____ Likely to submit a bid to participate in program.
_____ Not likely to submit a bid to participate in program.

If you are not likely to submit a bid, go to question 5 and answer the remaining questions. Otherwise, continue....

2. If you are likely to submit a bid, what is the major reason for your decision. (Check one of the following, or, if you have more than one reason, number 1, 2, 3, etc. in order of importance.)

_____ Plan to retire soon.
_____ Financial difficulty.
_____ My situation is satisfactory now, but there is no future in dairying.
_____ Lender encouraging me to participate.
_____ Other, please list _____

3. If you participate in the program, do you plan on re-entering dairy farming after the program expires?

_____ Yes, quite likely to re-enter.
_____ No, not likely to re-enter.

4. If you participate in the program, what do you plan on doing during the years that the program is in effect? (Check one of the following.)

| | |
|-------------------------------------|--|
| _____ Retire, sell farm | _____ Work on farm, produce other livestock |
| _____ Retire, rent farm | _____ Work on farm, produce other livestock and grow cash crop |
| _____ Work off the farm | _____ Other, please list _____ |
| _____ Work on farm, grow cash crops | |

Now, go to question 6 and answer the remaining questions.

5. If you indicated in question 1 that you are not likely to submit a bid, what is the major reason for this decision. (Check one of the following, or, if you have more than one reason, number 1, 2, 3, etc. in order of importance.)

_____ Have a profitable farm business.
_____ Do not like government programs.
_____ Too large an investment in dairying; could not submit an acceptable bid.
_____ In process of expanding production.
_____ In process of selling farm to another family member.
_____ Lender discouraging me to participate.
_____ Other, please list _____

6. What is the current size of your operation in terms of the following items?

_____ Number of milking cows as of December 1, 1985.
_____ (acres) Total (owned and rented) tillable acres during 1985.
_____ (100 lbs) Estimated milk sold (100 lbs) for calendar 1985.

7. Are you or your spouse employed off your farm?

_____ Yes. If yes, what is the combined number of hours per week you and your spouse work off the farm? _____ hours.
_____ No.

8. Did you participate in the 1983 milk diversion program?

_____ Yes. If yes, what was your contracted reduction relative to your base? _____ %
_____ No.

9. Please provide information for the following questions. (If there are multiple operators, provide information on all operators where appropriate.)

_____ What is the age of the operator?

_____ Are you a member of a milk marketing cooperative (YES or NO)?

_____ County where your milk house is located.