## The Impact of Alternative Pooling Arrangements Under the Dairy Provisions of the Senate Agriculture Committee Farm Bill

FAPRI-UMC Report #17-01 November 21, 2001

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The Food and Agricultural Policy Research Institute (FAPRI) received a request from the Senate Agriculture Committee to analyze the impact of the Senate's version of a dairy bill first introduced in the House of Representatives by Representative Sanders of Vermont. That analysis was completed in October and can be found on the FAPRI web site at: www.fapri.missouri.edu. Under the analysis conducted in October all states were required to participate in the program. This paper looks at how funds would transfer to the various districts if such districts were able to choose different levels of participation in the program.

Specifically, the paper addresses which districts would choose to forego any of the available countercyclical funds in exchange for not having to participate in the national pooling of the additional Class I generated monies. It should be made very clear that this is only a change in how the funds would be distributed. It does not generate more or less money overall; it simply changes the way those funds are distributed. Consequently, while the regional results might change noticeably, the aggregate differences from the earlier FAPRI analysis should be small. The only way the aggregate results could change appreciably would be if supply response varied greatly across the U.S.

To decide which districts would opt out of the countercyclical money in exchange for not pooling their Class I monies from the program requires a comparison of the Class I collections under the program in the district to the monies that the district would receive by participating fully in the program. Table one provides information needed to decide which districts would opt out of the program if it were voluntary. Districts that would immediately opt out of the program are Florida, Appalachian, Southwest and Southern. In the case of these four districts, the money collected from the Class I provisions of the program (2<sup>nd</sup> column) is greater than the disbursements they would receive by participating fully (3<sup>rd</sup> column). The table shows the progression of the disbursements as each of these four districts opts out of the program. This shows the reductions in disbursements to others as these four districts no longer share their class I collections under the program nationally. The Northeast district shows larger disbursements if

all districts participated fully in the program but after some of the other districts opt out the Northeast district would likely also opt out as their disbursements erode to the point that their class I collections exceed their disbursement under full participation.

The bottom line of whether a district would choose not to pool their class I monies collected under the program rests in their class I utilization relative to other districts. It is clear that any district with class I utilization greater than 45 percent would opt out of the program while any district with class I utilization less than 35 percent would always fully participate. It is less clear what districts that have class I utilization between 35 and 45 percent would do as the dollars they would get by exercising either option are virtually the same.

Table 1. Regional Disbursement of Trust Funds Under Alternative Pooling (Nonbinding Payment Limit Results, 2002 - 2010 Avg.)

	NA:II.	Pool Disbursement Under Alternative Regional Pooling Arrangements						
	Milk	Class I	AllAll Regions In But					
	Production	Collections	Regions In	FL	FL,AP	FL,AP,SW	FL,AP,SW, SO	FL,AP,SW, SO, NE
	(Million Pounds)	(Million Dollars)						
Appalachian (AP)	5,035	110.5	69.6	68.6	110.5	110.5	110.5	110.5
Central (CN)	8,548	92.4	118.2	116.4	114.3	109.7	105.6	104.1
Florida (FL)	2,403	71.4	33.2	71.4	71.4	71.4	71.4	71.4
Intermountain (IM)	4,103	46.2	56.7	55.9	54.9	52.7	50.7	50.0
Mideast (ME)	15,745	185.3	217.7	214.4	210.6	202.1	194.5	191.7
Northeast (NE)	30,946	403.5	427.9	421.4	413.9	397.1	382.2	403.5
Pacific Northwest (PN)	7,478	77.0	103.4	101.8	100.0	96.0	92.4	91.1
Southern (SO)	6,824	160.6	94.4	92.9	91.3	87.6	160.6	160.6
Southwest (SW)	16,026	300.7	221.6	218.2	214.4	300.7	300.7	300.7
Upper Midwest (UM)	36,258	369.0	501.4	493.7	485.0	465.3	447.9	441.5
Western (WE)	48,869	590.5	675.8	665.4	653.7	627.1	603.6	595.1
TOTAL	182,236	2,407.0	2,520.0	2,520.0	2,520.0	2,520.0	2,520.0	2,520.0