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**RESULTS OF THE DAIRY TERMINATION PROGRAM
AND IMPLICATIONS FOR NEW YORK MILK PRODUCTION**

by

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Preface

Harry M. Kaiser and Andrew M. Novakovic are assistant professor and associate professor, respectively, in the department of agricultural economics at Cornell University.

In this report, the national data for the Dairy Termination Program are the preliminary numbers issued by the U.S. Department of Agriculture. The New York county data are from more detailed reports provided by the New York office of USDA's Agricultural Stabilization and Conservation Service. The authors wish to express their thanks for the generous cooperation and assistance provided by Amos Dykeman of the New York ASCS office.

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Introduction

Between February 7 and March 10, 1986, dairy farmers were invited to submit bids to participate in the Dairy Termination Program (DTP), which was authorized by the Food Security Act of 1985.¹ If a producer's contract was accepted, the USDA agreed to pay him an amount equal to his bid (on a dollar per hundredweight basis) times his contract base. In return, the farmer agreed to sell his dairy cattle for slaughter or export and to cease milk production for a period of five years. The Congressionally targeted goal of the DTP, or buyout as it is more popularly known, was to remove 12 billion pounds of milk from the nation's supply.

The purposes of this report are twofold. The first objective is to summarize the results of the accepted contracts for the DTP in New York. A detailed report of New York contract data by region and county is presented as part of this objective. The second purpose is to analyze the implications of these results in terms of the impact on New York milk production in the near term.

What Is the Participation Across Regions and States?

According to USDA's preliminary data, 13,988 of the 39,534 contracts submitted under the DTP were accepted nationwide.² The 1985 milk marketings of the producers represented on the accepted contracts account for 12.28 billion pounds or 8.7% of the milk marketed in 1985, and about 8% of the nation's commercial dairy farmers are involved. Based on the reported number of cattle on the days the bids were entered, almost 1 million dairy cows and over 1.6 million dairy cattle in total will be slaughtered or exported over the next 18 months under this program.

The cost of the DTP will total \$1.827 billion spread out over the next five years, averaging \$365 million per year. USDA is forecasting that over the next 18 months some \$650 to \$700 million will be collected in assessments on dairy farmers, depending on the level of marketings. If one includes the 12 cent/cwt assessment required to satisfy Gramm-Rudman budget cutting requirements between April 1 and September

¹cf. Andrew M. Novakovic, Detailed Summary of the Dairy Provisions of the Food Security Act of 1985, A.E. Ext. 86-1, Dept. of Agr. Econ., Cornell University, 1986.

²Farmers had the option to submit up to three bids, one for each disposal period. Because of this the USDA reviewed 105,700 bids from the 39,534 contracts submitted. This means that most farmers submitted more than one bid with the majority bidding for all three periods.

30, 1986, the total assessment revenue could approach \$750 million. Unless additional Gramm-Rudman cuts are required after September 30, it appears that the assessment revenue will equal less than 40% of the buyout payments.

Wisconsin, New York, Pennsylvania and Nevada had the lowest participation rates in the U.S., when measured in terms of 1985 milk marketings of contract holders as a percent of 1985 milk marketings in the respective states. With a national sign-up representing 8.7% of 1985 marketings, the sign-up in the number one milk producing state, Wisconsin was 3.2%. In New York, the number three state, and Pennsylvania, the number five state, the percentage of milk involved was 4.1% and 2.7% respectively. Because total production is so large in these states, even these small percentages represent a sizeable quantity of milk -- 1.5 billion pounds or 12% of the total sign-up.

Minnesota, the number four dairy state, will contribute 9% of its 1985 milk marketings, barely above the national average. However 10.7% of the 1985 milk marketings in California, the number two dairy state, will participate in the program. In terms of total quantity of milk involved, the contracts accepted in California account for 1.8 billion pounds of milk in 1985. The second closest state in absolute amount of milk participating is Minnesota with only a little over half that amount.

Four states had over 20% of their 1985 marketings accepted into the program: Alabama (23.5%), Idaho (21.8%), Georgia (21.6%), and Arkansas (20.7%). Massachusetts is close behind at 19.1%. Because production in total is small in these states, this only represents 1.2 billion pounds of milk or 10% of the total sign-up. Although not a major factor nationally, the sign-up in these five states surely will be important in terms of the total supply picture in those states.

Selected characteristics of the sign-up across regions are given in Table 1. On a regional basis, about 5% of the milk marketed in the Northeast in 1985 will be participating in the program. The Lake States will participate at a slightly higher level, close to 6% of their 1985 marketings. In the Pacific regions, about 12% of the milk marketed in that area in 1985 will be represented in the program. Fifteen to 17% of the 1985 milk marketed in the South from Florida to Texas and the Mountain States will be taken out under the DTP.

Although the sign-up in some of the major states was small on a percentage basis; the amount of milk involved is large because of the total volume produced. Almost 20% of the 12 billion pound sign-up comes from the Pacific region, but a similar quantity comes from the Lake States. The Northeast and Corn Belt regions will both contribute over 10% of the national total. Only about 6% of the 12 billion pounds will come from the Southeast.

Within the Northeast there was a considerable difference between New England and the Middle Atlantic states. The percentage of 1985 milk marketings participating in the DTP in New England is 10.5%, whereas in

Table 1. Average Preliminary Bid Accepted, Participants' 1985 Milk Marketings, and Percent of Bids Accepted by State in the U.S.

Percent					:	Percent				
Average Participants		of Milk	Percent	:	Average Participants		of Milk	Percent	:	
Prelim	1985 Milk	Signed	of Bids	:	Prelim	1985 Milk	Signed	of Bids	:	
Bid *	Marketings	Up	Accepted	:	Bid *	Marketings	Up	Accepte	:	
Area	(\$/cwt.)	(1000 lbs)	(%)	(%)	:	Area	(\$/cwt.)	(1000 lbs)	(%)	(%)

:										
UNITED STATES	\$15.80	12,280	8.70	35.4	:	APPALCHIAN	\$15.97	849	10.05	32.3
:										
					:	Virginia	\$15.43	197	9.42	47.2
NEW ENGLAND	\$14.03	480	10.44	52.4	:	West Virginia	\$15.61	45	12.10	35.6
Maine	\$14.63	73	11.08	48.3	:	North Carolina	\$15.29	218	12.88	55.3
New Hampshire	\$14.47	53	14.89	81.7	:	Kentucky	\$16.73	199	9.31	26.4
Vermont	\$15.15	169	7.18	47.1	:	Tennessee	\$16.63	190	8.83	26.8
Massachusetts	\$13.01	110	19.13	50.5	:					
Rhode Island	\$12.59	2	4.76	37.5	:	SOUTHEAST	\$15.20	763	17.23	57.8
Connecticut	\$12.16	73	11.97	68.8	:	South Carolina	\$15.80	74	12.94	59.8
:										
					:	Georgia	\$15.35	278	21.60	57.9
MIDDLE ATLANTIC	\$16.62	904	3.83	24.2	:	Florida	\$15.86	283	13.98	44.0
New York	\$16.95	470	4.09	20.7	:	Alabama	\$13.13	128	23.53	66.9
New Jersey	\$15.92	32	6.68	43.0	:					
Pennsylvania	\$16.65	271	2.75	25.5	:	DELTA STATES	\$13.97	402	15.61	63.7
Delaware	\$11.29	7	4.83	45.0	:	Mississippi	\$14.94	148	17.19	64.8
Maryland	\$16.10	124	7.43	44.2	:	Arkansas	\$13.37	171	20.70	69.9
:										
					:	Louisiana	\$13.48	83	9.34	50.8
LAKE STATES	\$16.46	2,391	5.86	28.0	:					
Michigan	\$16.07	638	11.67	43.5	:	SOUTHERN PLAINS	\$15.39	799	15.75	55.4
Wisconsin	\$17.06	785	3.20	17.4	:	Oklahoma	\$14.49	162	14.05	51.3
Minnesota	\$16.22	968	8.99	41.7	:	Texas	\$15.61	637	16.25	57.8
:										
CORN BELT	\$16.00	1,358	8.11	40.8	:	MOUNTAIN	\$14.59	1,179	15.40	55.2
Ohio	\$15.76	264	5.48	41.5	:	Montana	\$14.36	41	12.35	35.6
Indiana	\$15.57	175	7.35	32.6	:	Idaho	\$14.74	516	21.79	52.2
Illinois	\$15.47	166	5.96	42.5	:	Wyoming	\$14.98	22	17.32	57.1
Iowa	\$16.61	348	8.82	41.2	:	Colorado	\$16.45	115	10.95	45.1
Missouri	\$16.03	405	14.34	43.7	:	New Mexico	\$12.33	159	14.94	86.2
:										
					:	Arizona	\$14.39	138	10.29	57.7
NORTHERN PLAINS	\$15.46	659	12.15	45.8	:	Utah	\$15.23	184	16.53	71.7
North Dakota	\$15.47	135	12.50	42.4	:	Nevada	\$14.70	4	1.53	40.0
South Dakota	\$15.12	208	11.72	45.5	:					
Nebraska	\$15.35	158	12.06	48.0	:	PACIFIC	\$16.32	2,495	11.45	58.1
Kansas	\$15.99	158	12.54	48.0	:	Washington	\$15.80	540	14.50	60.6
:										
					:	Oregon	\$16.09	176	12.61	59.2
:										
					:	California	\$16.50	1,779	10.67	55.9

* Total contract payments divided by preliminary base.

the Middle Atlantic it is 3.8%. Pennsylvania and New York had among the lowest sign-ups nationally, as measured by the relative amount of milk involved; but Massachusetts was in the top five and New Hampshire was also considerably above the national average.

Average Bids

The national cutoff point in the bidding was \$22.50 per cwt. of base marketings and the national average bid is estimated by the authors to be between \$15.90 and \$16.00 per cwt. The widely reported average bid of \$14.88 is based on total payments owed by USDA to DTP participants divided by 1985 milk marketings. This is not the same as the actual average contract bid; because it uses 1985 marketings rather than contract bases, which are less than 1985 marketings.

USDA has not reported total contract bases for the U.S. or by states; however it did report the preliminary base totals by state. The preliminary contract base for each farmer equals the lower of July, 1984 to June, 1985 marketings or calendar year 1985 marketings. Obviously the preliminary base for any individual farmer may equal 1985 marketings, but it couldn't be greater. As it turned out the total preliminary base on all accepted contracts is 6% below 1985 marketings.

The contract base was determined from the preliminary base in the following way. If a producer had sold dairy cattle for other than export or slaughter in 1986, then his base was decreased by 20,000 pounds per animal sold in this period. Also, if a farmer's cow numbers on the date of the bid minus his 1986 cow transfers was less than 90 percent of the higher of cow numbers on January 1, 1985 or 1986, then his base was further adjusted downward. Again, U.S. data is lacking at this time but in New York the actual bases on accepted contracts totaled 0.7% less than the preliminary bases of those contracts.

An "average preliminary bid" calculated from reported total payments divided by the reported preliminary base will give a closer estimate of the actual average bid. The fact that the preliminary base can only be higher than the contract base, even if it is close, means that the average preliminary bids shown in this paper are somewhat (maybe 15 cents) lower than the actual average of contract bids.

The average preliminary bid in the top five dairy states ranges from \$16.50 to \$17.06, compared to the national average of \$15.80. The average preliminary bid in the five states having the highest percentage sign-up based on 1985 milk marketings ranges from \$13.01 to \$15.35.

Participants from the New England states had among the lowest bids in general. Among all the states the lowest average preliminary bid was \$11.29 in Delaware, which has only 4.8% of its 1985 marketings represented in the DTP. Connecticut had the second lowest average preliminary bid (\$12.15); Rhode Island was fourth (\$12.59); Massachusetts was fifth (\$13.01); New Hampshire and Maine were 11th and 13th. The Middle Atlantic states averaged on the other end of the spectrum with Pennsylvania ranking 45th (\$16.65) and New York at 47th (\$16.95), according to

the authors' preliminary average bid. When actual contract bases and average bids are known, the ranking will probably change somewhat, although no major differences are expected. The authors estimate that the highest average bid using actual contract bases was \$17.22 in Wisconsin, with New York close behind at \$17.02.

Participation in New York

Number of Producers

Tables 2 and 3 summarize the sign-up and acceptances of contracts submitted in New York. Almost 20 percent of the state's dairy farmers³ submitted bids to participate in the DTP. Of the 2,629 contracts submitted, 542 were accepted by the USDA; this represents a little over 4 percent of New York producers.

The sign-up was fairly uniform among the regions, as is illustrated in Table 2 and Figure 1. The relative number of farmers signed up ranged regionally from a low of 17 percent in the Central region to a high of 23 percent in the Northern Hudson region. Yates county had the lowest (11 percent) and Ulster county had the highest (35 percent) proportion of farmers sign up for the program.

Although the percentage of farmers who submitted bids did not vary much among regions, the percentage of accepted contracts varied substantially. The regional acceptance rates ranged from a low of 2.4 percent of all farms in the Oneida/Mohawk region to a high of 10.7 percent in the Southern Hudson region (Table 3). On a county-wide basis, the range was from under 1 percent in Madison county to 20 percent in Rensselaer county. In other words, this demonstrates that the level of bids and the number of bids below \$22.50 varied considerably across counties.

Average Bids

The average bid submitted in New York for all three disposal periods was \$38.59 per hundredweight, ranging from a low of \$5.00 to a high of \$225.00.⁴ Table 4 lists the average, low, and high bids accepted by the USDA by region and county in the state. The average accepted bid in the state was \$17.02. Accepted bids ranged from \$5.00 to \$22.50.

³Although different in exact meaning, the terms "farmer", "producer", and "dairy farm" are used synonymously with "contract" and "contract holder(s)". It should be recognized that more than one farm or farmer may be represented on each contract.

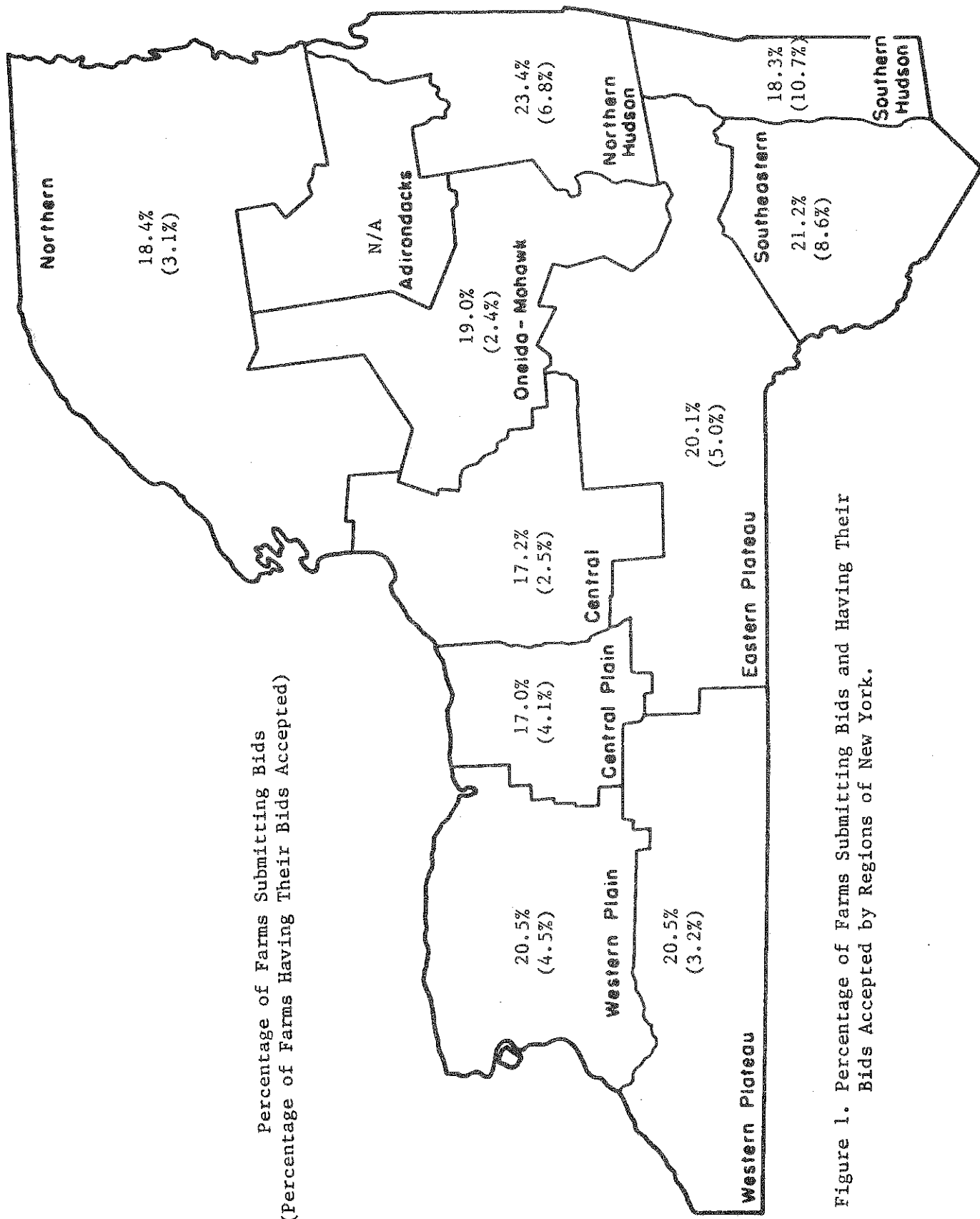
⁴Averages reported here and below are actual contract average bids.

Table 2. Number and Percent of New York Farms Submitting Bids for the Dairy Termination Program.

Area	Number of Farms	Number of Bids	Percent of All Farms	:	Area	Number of Farms	Number of Bids	Percent of All Farms
NEW YORK	13,523	2,629	19.44	:	CENTRAL	1,552	267	17.20
				:	Cayuga	316	54	17.09
WESTERN PLATEAU	1,706	349	20.46	:	Cortland	323	63	19.50
Allegany	292	73	25.00	:	Madison	485	77	15.88
Cattaraugus	453	95	20.97	:	Onondaga	240	47	19.58
Chautauqua	475	113	23.79	:	Oswego	188	26	13.83
Steuben	486	68	13.99	:	ONEIDA/MOHAWK	1,764	335	18.99
				:	Fulton	81	22	27.16
WESTERN PLAIN	1,418	292	20.59	:	Herkimer	462	104	22.51
Erie	286	64	22.38	:	Montgomery	365	64	17.53
Genesee	201	32	15.92	:	Oneida	613	95	15.50
Livingston	193	46	23.83	:	Schoharie	243	50	20.58
Monroe	70	20	28.57	:				
Niagara	125	35	28.00	:	NORTHERN HUDSON	796	186	23.37
Orleans	76	16	21.05	:	Albany	50	17	34.00
Wyoming	467	79	16.92	:	Rensselaer	183	35	19.13
				:	Saratoga	125	25	20.00
EASTERN PLATEAU	2,351	473	20.12	:	Washington	438	109	24.89
Broome	179	28	15.64	:				
Chemung	83	23	27.71	:	NORTHERN	2,787	512	18.37
Chenango	481	84	17.46	:	Clinton	307	66	21.50
Delaware	506	84	16.60	:	Essex	59	14	23.73
Greene	66	16	24.24	:	Franklin	368	64	17.39
Otsego	589	129	21.90	:	Jefferson	643	137	21.31
Schuyler	82	24	29.27	:	Lewis	543	85	15.65
Tioga	209	47	22.49	:	St. Lawrence	867	146	16.84
Tompkins	156	38	24.36	:				
				:	SOUTHEASTERN	372	79	21.24
CENTRAL PLAIN	487	83	17.04	:	Orange	221	43	19.46
Ontario	147	29	19.73	:	Sullivan	111	22	19.82
Seneca	80	10	12.50	:	Ulster	40	14	35.00
Yates	107	12	11.21	:				
Wayne	153	32	20.92	:	SOUTHERN HUDSON	290	53	18.28
				:	Columbia	172	36	20.93
				:	Dutchess	118	17	14.41

Table 3. Number and Percent of New York Farms Having Bids Accepted for the Dairy Termination Program.

Area	Number of Farms	Number of Bids Accepted	Percent of All Farms	:	Area	Number of Farms	Number of Bids Accepted	Percent of All Farms
NEW YORK	13,523	542	4.01	:	CENTRAL	1,552	39	2.51
WESTERN PLATEAU	1,706	54	3.17	:	Cayuga	316	11	3.48
Allegany	292	7	2.40	:	Cortland	323	14	4.33
Cattaraugus	453	17	3.75	:	Madison	485	4	0.82
Chautauqua	475	15	3.16	:	Onondaga	240	5	2.08
Steuben	486	15	3.09	:	Oswego	188	5	2.66
WESTERN PLAIN	1,418	64	4.51	:	ONEIDA/MOHAWK	1,764	43	2.44
Erie	286	10	3.50	:	Fulton	81	1	1.23
Genesee	201	12	5.97	:	Herkimer	462	9	1.95
Livingston	193	10	5.18	:	Montgomery	365	11	3.01
Monroe	70	2	2.86	:	Oneida	613	16	2.61
Niagara	125	6	4.80	:	Schoharie	243	6	2.47
Orleans	76	5	6.58	:	NORTHERN HUDSON	796	54	6.78
Wyoming	467	19	4.07	:	Albany	50	10	20.00
EASTERN PLATEAU	2,351	118	5.02	:	Rensselaer	183	11	6.01
Broome	179	10	5.59	:	Saratoga	125	8	6.40
Chemung	83	4	4.82	:	Washington	438	25	5.71
Chenango	481	10	2.08	:	NORTHERN	2,787	87	3.12
Delaware	506	39	7.71	:	Clinton	307	18	5.86
Greene	66	5	7.58	:	Essex	59	2	3.39
Otsego	589	24	4.07	:	Franklin	368	4	1.09
Schuyler	82	7	8.54	:	Jefferson	643	20	3.11
Tioga	209	10	4.78	:	Lewis	543	20	3.68
Tompkins	156	9	5.77	:	St. Lawrence	867	23	2.65
CENTRAL PLAIN	487	20	4.11	:	SOUTHEASTERN	372	32	8.60
Ontario	147	7	4.76	:	Orange	221	21	9.50
Seneca	80	2	2.50	:	Sullivan	111	6	5.41
Yates	107	4	3.74	:	Ulster	40	5	12.50
Wayne	153	7	4.58	:	SOUTHERN HUDSON	290	31	10.69
				:	Columbia	172	19	11.05
				:	Dutchess	118	12	10.17



Percentage of Farms Submitting Bids
(Percentage of Farms Having Their Bids Accepted)

Figure 1. Percentage of Farms Submitting Bids and Having Their Bids Accepted by Regions of New York.

Table 4. Average, Low, and High Accepted Bids by Region and County in New York.

----- Bid/cwt. -----					:	----- Bid/cwt. -----				
Area	# of	Average	Low	High	:	Area	# of	Average	Low	High
	Bids	(\$)	(\$)	(\$)	:		Bids	(\$)	(\$)	(\$)
NEW YORK					:	CENTRAL				
	542	17.02	5.00	22.50	:		39	17.37	7.50	22.50
WESTERN PLATEAU					:	Cayuga				
	54	17.37	7.93	22.50	:		11	18.16	12.00	22.00
Allegany	7	18.91	16.20	22.50	:	Cortland				
Cattaraugus	17	19.31	7.93	22.24	:		14	17.76	12.90	22.40
Chautauqua	15	17.60	10.00	22.00	:	Madison				
Steuben	15	14.22	8.00	22.50	:		4	19.05	17.05	20.75
WESTERN PLAIN					:	Onondaga				
	64	16.70	6.00	22.50	:		5	16.88	14.00	22.50
Erie	10	17.27	11.84	22.50	:	Oswego				
Genesee	12	17.84	13.99	21.00	:		5	13.66	7.50	20.00
Livingston	10	15.75	8.00	21.97	:	ONEIDA/MOHAWK				
Monroe	2	17.45	12.90	22.00	:		43	17.74	6.48	22.50
Niagara	6	12.89	6.00	22.50	:	Fulton				
Orleans	5	16.06	12.95	19.85	:		1	19.45	19.45	19.45
Wyoming	19	17.49	9.98	21.99	:	Herkimer				
EASTERN PLATEAU					:		9	20.15	13.95	22.50
	118	16.51	5.00	22.50	:	Montgomery				
Broome	10	15.46	8.00	19.99	:		11	18.48	6.50	22.50
Chemung	4	18.81	14.99	22.20	:	Oneida				
Chenango	10	18.18	8.95	22.13	:		16	16.14	7.00	22.50
Delaware	39	15.37	6.43	22.50	:	Schoharie				
Greene	5	15.85	11.88	19.75	:		6	16.75	6.48	22.50
Otsego	24	16.49	7.99	22.50	:	NORTHERN HUDSON				
Schuyler	7	17.11	5.00	22.50	:		54	17.05	8.90	22.50
Tioga	10	18.73	14.93	21.59	:	Albany				
Tompkins	9	17.24	14.00	20.00	:		10	16.79	13.00	20.00
CENTRAL PLAIN					:	Rensselaer				
	20	17.00	7.45	22.50	:		11	16.69	11.90	20.00
Ontario	7	16.18	7.45	22.50	:	Saratoga				
Seneca	2	19.81	19.75	19.86	:		8	16.69	9.51	22.49
Yates	4	17.92	14.95	22.00	:	Washington				
Wayne	7	16.50	12.30	21.50	:		25	17.42	8.90	22.50
					:	NORTHERN				
					:		87	16.89	5.95	22.50
					:	Clinton				
					:		18	16.38	8.00	21.88
					:	Essex				
					:		2	18.60	17.50	19.71
					:	Franklin				
					:		4	18.83	17.90	19.85
					:	Jefferson				
					:		20	17.26	5.95	22.00
					:	Lewis				
					:		20	16.68	8.00	22.50
					:	St. Lawrence				
					:		23	16.67	9.00	22.00
					:	SOUTHEASTERN				
					:		32	15.54	7.04	22.00
					:	Orange				
					:		21	15.98	7.50	20.90
					:	Sullivan				
					:		6	14.45	7.04	19.98
					:	Ulster				
					:		5	14.96	11.90	22.00
					:	SOUTHERN HUDSON				
					:		31	14.67	5.90	21.43
					:	Columbia				
					:		19	13.38	5.90	20.00
					:	Dutchess				
					:		12	16.71	10.00	21.43

Average bid levels varied among the ten regions in the state. As Table 4 shows, the average accepted bids among regions ranged from a low of \$14.67 in the Southern Hudson region to a high of \$17.74 in the Oneida/Mohawk region. The high bids in the Oneida/Mohawk region explain why this area had the lowest acceptance rate in the state. The average bids, on a county-wide basis, ranged from a low of \$12.89 in Niagara county to a high of \$20.15 in Herkimer county.

Contract Bases

The combined preliminary bases in New York totalled 445 million pounds. As shown in Table 5, the combined contract bases of all participants in the state totaled slightly over 442 million pounds. The average contract base in New York was 816 thousand pounds.

The area with the largest average contract base was the Central region, with a little over 1.2 million pounds per contract. The Western Plateau region had the lowest contract bases, averaging 492,000 pounds per contract. On a county basis, Cayuga county had the largest average base at almost 1.7 million pounds. Monroe county farmers accepted into the program had the lowest bases, averaging 326,000 pounds.

Contract Payments

The contract payments by region and county in the state are shown in Table 6. New York participants in the DTP will receive an average contract payment of \$138,920 over the next 5 years. The lowest payment in the state is \$9,620 while the highest payment is over \$1.6 million.

Like the bids and the bases, the contract payments also varied among the ten regions in the state. The Central region, which had the highest average base, also had the highest average contract payment. Farmers in this region will receive an average of \$215,460 over the next 5 years. The Western Plateau region, which had the lowest average contract base, also had the lowest average contract payments. Producer payments in this region will average \$87,819 over the next five years.

The county with the highest average payment was Cayuga, which also had the highest contract base of any county in the state. Producers in this county will receive an average payment of \$331,300 for the 5 year period. Niagara county farmers, who had the lowest average accepted bids of any county, also had the lowest contract payments under the program. The average contract in this county was \$57,030 over the five year period.

Implications for New York Milk Production

Reductions in Terms of 1985 Milk Marketings

About 471 million pounds of milk will be removed from New York over the next 18 months under the DTP; at least this is the participants'

Table 5. Participants' Contract Bases and 1985 Milk Marketings by Region and County in New York.

Area	----Participants'----		:	Area	----Participants'----	
	Total	Average			Total	Average
	Contract	Contract			Contract	Contract
	Base	Base			Base	Base
	(cwt.)	(cwt.)			(cwt.)	(cwt.)
NEW YORK	4,423,015	8,161	:	CENTRAL	470,754	12,071
			:	Cayuga	185,907	16,901
WESTERN PLATEAU	265,749	4,921	:	Cortland	149,465	10,676
Allegany	36,553	5,222	:	Madison	23,660	5,915
Cattaraugus	70,671	4,157	:	Onondaga	68,836	13,767
Chautauqua	90,071	6,005	:	Oswego	42,886	8,577
Steuben	68,454	4,564	:	ONEIDA/MOHAWK	315,677	7,341
			:	Fulton	10,251	10,251
WESTERN PLAIN	527,906	8,249	:	Herkimer	88,704	9,856
Erie	71,065	7,107	:	Montgomery	59,995	5,454
Genesee	148,152	12,346	:	Oneida	128,480	8,030
Livingston	48,257	4,826	:	Schoharie	28,247	4,708
Monroe	6,528	3,264	:	NORTHERN HUDSON	482,966	8,944
Niagara	22,655	3,776	:	Albany	74,525	7,453
Orleans	30,962	6,192	:	Rensselaer	89,802	8,164
Wyoming	200,287	10,541	:	Saratoga	70,975	8,872
			:	Washington	247,664	9,907
EASTERN PLATEAU	915,150	7,756	:	NORTHERN	629,365	7,234
Broome	107,620	10,762	:	Clinton	125,979	6,999
Chemung	22,597	5,649	:	Essex	12,019	6,010
Chenango	68,982	6,898	:	Franklin	60,143	15,036
Delaware	261,149	6,696	:	Jefferson	158,234	7,912
Greene	36,123	7,225	:	Lewis	169,786	8,489
Otsego	182,659	7,611	:	St. Lawrence	103,204	4,487
Schuyler	46,211	6,602	:			
Tioga	112,472	11,247	:			
Tompkins	77,337	8,593	:			
			:			
CENTRAL PLAIN	151,495	7,575	:	SOUTHEASTERN	301,610	9,425
Ontario	41,692	5,956	:	Orange	214,383	10,209
Seneca	12,084	6,042	:	Sullivan	56,477	9,413
Yates	62,772	15,693	:	Ulster	30,750	6,150
Wayne	34,947	4,992	:			
			:	SOUTHERN HUDSON	362,343	11,688
			:	Columbia	227,650	11,982
			:	Dutchess	134,693	11,224

Table 6. Average, Low, and High Contract Payments by Region and County in New York.

-----Contract Payment-----					:	-----Contract Payment-----				
Area	# of Bids	Average (\$1000)	Low (\$1000)	High (\$1000)	:	Area	# of Bids	Average (\$1000)	Low (\$1000)	High (\$1000)
NEW YORK	542	138.92	9.62	1602.96	:	CENTRAL	39	215.46	27.29	999.7
WESTERN PLATEAU	54	87.81	9.62	374.10	:	Cayuga	11	331.30	60.05	999.7
Allegany	7	97.55	61.15	210.48	:	Cortland	14	193.24	37.19	504.8
Cattaraugus	17	80.60	21.24	248.81	:	Madison	4	112.92	53.72	213.3
Chautauqua	15	109.55	48.13	374.10	:	Onondaga	5	206.26	27.29	659.1
Steuben	15	69.69	9.62	260.81	:	Oswego	5	114.08	55.43	191.5
WESTERN PLAIN	64	143.90	11.00	915.60	:	ONEIDA/MOHAWK	43	136.63	13.43	410.6
Erie	10	122.67	48.65	230.81	:	Fulton	1	199.38	199.38	199.3
Genesee	12	223.93	36.24	915.60	:	Herkimer	9	203.21	69.81	410.6
Livingston	10	72.65	46.57	136.13	:	Montgomery	11	117.60	14.47	240.8
Monroe	2	67.54	12.10	122.98	:	Oneida	16	130.28	13.43	296.6
Niagara	6	57.03	11.00	196.47	:	Schoharie	6	78.11	25.80	154.9
Orleans	5	97.03	65.13	136.56	:	NORTHERN HUDSON	54	156.61	29.12	1602.4
Wyoming	19	189.76	47.05	880.08	:	Albany	10	124.20	44.60	310.8
EASTERN PLATEAU	118	129.24	15.76	1058.49	:	Rensselaer	11	136.28	62.12	395.8
Broome	10	179.17	15.76	1058.49	:	Saratoga	8	152.27	60.93	287.3
Chemung	4	104.63	65.04	134.98	:	Washington	25	179.91	29.12	1602.4
Chenango	10	130.42	42.49	326.62	:	NORTHERN	87	125.18	13.65	696.2
Delaware	39	101.59	23.20	288.70	:	Clinton	18	122.79	20.10	391.0
Greene	5	110.65	53.44	233.46	:	Essex	2	115.24	50.86	179.6
Otsego	24	126.05	33.28	330.25	:	Franklin	4	287.75	133.28	522.7
Schuyler	7	107.74	21.87	232.63	:	Jefferson	20	139.93	37.60	696.2
Tioga	10	213.24	62.81	585.35	:	Lewis	20	138.64	13.65	319.0
Tompkins	9	145.39	107.07	246.30	:	St. Lawrence	23	75.09	18.40	170.1
CENTRAL PLAIN	20	130.53	18.60	578.16	:	SOUTHEASTERN	32	147.08	36.37	533.9
Ontario	7	86.90	18.60	235.82	:	Orange	21	171.22	43.10	533.9
Seneca	2	119.61	99.94	139.28	:	Sullivan	6	109.91	36.37	195.5
Yates	4	299.55	71.48	578.16	:	Ulster	5	90.25	45.63	131.9
Wayne	7	80.70	53.29	156.75	:	SOUTHERN HUDSON	31	171.54	22.32	473.7
					:	Columbia	19	158.90	22.32	415.7
					:	Dutchess	12	191.55	62.52	473.7

combined 1985 milk marketings. This represents about 4 percent of all milk sold in the state in 1985. Table 7 reports the 1985 milk marketings of all accepted contracts and participant's marketings as a percent of estimated 1985 marketings for regions and counties in the state. County marketings in 1985 are estimated from production in 1984 because data on total 1985 marketings by county are not available.

On a regional basis, the area with the largest relative share of milk being bought out is the Southern Hudson region. Almost 11 percent of its (1984) milk is signed-up. The area with the lowest relative percent of milk enrolled is the Western Plateau region. Slightly over 2 percent of this region's milk is enrolled.

The county with the largest share of milk participating in the program is Albany. Slightly over 19 percent of its milk is participating in the program. Madison county has the lowest proportion of milk enrolled in the DTP with only 0.6 percent signed-up. Delaware county, with 6.5 percent of its milk participating, has the largest absolute amount of milk in the program. The total amount of participants' 1985 milk marketings in this county is over 27 million pounds, or almost 6 percent of the state's total enrollment.

Removal of Dairy Cattle

Over the next 18 months, 34,858 cows and 20,325 heifers and calves will be slaughtered or exported in New York under the DTP. The number of cows being removed by the program is 3.7 percent of the state's total in 1985. Table 8 presents the herd composition of the accepted contracts for regions and counties in New York.

Not surprisingly, the Southern Hudson area also has the largest relative percent of cows being taken out by the DTP. Almost 10 percent of all cows in this region will be exported or slaughtered within the next 18 months. The Western Plateau area is the least effected region in this regard. Only 2 percent of its cows will be removed by the program.

On a county-wide basis, Albany has the largest percent of its cows enrolled in the program. Over 17 percent of the county's cows will be sold for export or slaughter. Madison county will feel the least impact in terms of cow removals. About 0.5 percent of its cows will be slaughtered or exported under the DTP. Delaware county has the greatest number of cows in the program. Over 2,000 cows in this county will be taken out by the program, which represents almost 6 percent of the state total.

The average number of cows on farms participating in the DTP is a little lower than all farms in the state. The state average cow numbers in 1985 was 70 cows, which compares to a 64 cow average for all participants in the program (Table 9). Only two regions in the state -- Central and Northern Hudson -- have average cow numbers for participants higher than their respective regional average of all farms.

Table 7. 1985 Milk Marketings of Participants and All Farmers by Region and County in New York.

Area	(1) Contract 1985 Milk Marketings (cwt.)	(2) Total 1985 Milk Marketings (cwt.) *	(3) (1) as a % of (2) (%)	:	Area	(1) Contract 1985 Milk Marketings (cwt.)	(2) Total 1985 Milk Marketings (cwt.) *	(3) (1) as a % of (2) (%)
NEW YORK	4,706,624	114,850,000	4.14	:	CENTRAL	499,006	15,228,757	3.31
WESTERN PLATEAU	281,096	12,328,571	2.30	:	Cayuga	197,597	3,566,350	5.60
Allegany	37,435	2,017,697	1.88	:	Cortland	154,425	3,056,871	5.11
Cattaraugus	73,041	3,113,480	2.37	:	Madison	27,701	4,686,394	0.60
Chautauqua	97,556	3,687,654	2.67	:	Onondaga	70,015	2,581,762	2.74
Steuben	73,064	3,509,741	2.10	:	Oswego	49,268	1,337,381	3.72
WESTERN PLAIN	569,906	15,204,496	3.79	:	ONEIDA/MOHAWK	334,817	13,495,115	2.51
Erie	75,667	2,466,523	3.10	:	Fulton	10,251	608,544	1.70
Genesee	171,368	2,735,414	6.33	:	Herkimer	92,619	3,566,350	2.63
Livingston	52,939	2,346,229	2.28	:	Montgomery	70,348	2,820,327	2.52
Monroe	6,834	785,446	0.88	:	Oneida	131,040	4,575,198	2.90
Niagara	22,938	990,653	2.34	:	Schoharie	30,559	1,924,697	1.60
Orleans	31,666	704,576	4.54	:	NORTHERN HUDSON	511,469	6,861,786	7.53
Wyoming	208,494	5,175,655	4.07	:	Albany	76,654	407,381	19.02
EASTERN PLATEAU	983,239	19,054,900	5.22	:	Rensselaer	97,555	1,456,664	6.77
Broome	114,891	1,563,816	7.43	:	Saratoga	75,584	1,018,957	7.50
Chemung	24,239	622,696	3.93	:	Washington	261,676	3,978,784	6.65
Chenango	72,964	3,608,806	2.04	:	NORTHERN	665,640	21,436,510	3.14
Delaware	273,608	4,254,752	6.50	:	Clinton	131,206	2,521,110	5.26
Greene	42,073	436,696	9.74	:	Essex	13,907	444,783	3.16
Otsego	196,777	4,476,133	4.44	:	Franklin	62,603	2,713,175	2.33
Schuyler	55,658	618,652	9.09	:	Jefferson	168,274	5,519,350	3.08
Tioga	120,980	1,973,218	6.20	:	Lewis	181,337	4,502,415	4.07
Tompkins	82,049	1,500,131	5.53	:	St. Lawrence	108,313	5,735,677	1.91
CENTRAL PLAIN	164,129	4,208,252	3.94	:	SOUTHEASTERN	315,715	3,383,382	9.43
Ontario	49,205	1,557,751	3.19	:	Orange	222,982	2,147,088	10.50
Seneca	13,015	730,859	1.80	:	Sullivan	60,258	799,598	7.62
Yates	65,269	828,913	7.96	:	Ulster	32,475	436,696	7.52
Wayne	36,640	1,090,729	3.40	:	SOUTHERN HUDSON	381,607	3,648,230	10.57
				:	Columbia	242,193	2,005,566	12.21
				:	Dutchess	139,414	1,642,664	8.58

* Region and county 1985 milk marketings were estimated by multiplying their respective 1984 milk production by the ratio of 1985 milk marketings and 1984 milk production for the state.

Table 8. Herd Composition of Accepted Contracts at the time of Bid by County and Region in New York.

Contract						:	Contract					
-----Participant's-----			Total Cows as			:	Heifers			Total Cows as		
Heifers			1985 a % of			:	Heifers			1985 a % of		
Area	Cows	& Calves	Total	Cows	Total	:	Area	Cows	& Calves	Total	Cows	Total
						:						
NEW YORK	34,858	20,325	55,183	942,000	3.70%	:	CENTRAL	3,473	2,156	5,629	121,500	2.86%
						:	Cayuga	1,366	909	2,275	28,000	4.88%
WESTERN PLATEAU	2,232	1,379	3,611	105,000	2.13%	:	Cortland	980	753	1,733	25,000	3.92%
Allegany	301	191	492	17,000	1.77%	:	Madison	215	84	299	38,000	0.57%
Cattaraugus	616	293	909	27,500	2.24%	:	Onondaga	535	229	764	20,000	2.68%
Chautauqua	750	482	1,232	33,000	2.27%	:	Oswego	377	181	558	10,500	3.59%
Steuben	565	413	978	27,500	2.05%	:						
						:	ONEIDA/MOHAWK	2,558	1,202	3,760	109,100	2.34%
WESTERN PLAIN	4,021	2,874	6,895	123,000	3.27%	:	Fulton	69	54	123	5,100	1.35%
Erie	530	318	848	21,000	2.52%	:	Herkimer	691	264	955	28,000	2.47%
Genesee	1,164	872	2,036	21,000	5.54%	:	Montgomery	490	327	817	22,000	2.23%
Livingston	444	274	718	19,500	2.28%	:	Oneida	1,051	456	1,507	37,000	2.84%
Monroe	66	52	118	7,400	0.89%	:	Schoharie	257	101	358	17,000	1.51%
Niagara	172	167	339	8,200	2.10%	:						
Orleans	226	130	356	5,900	3.83%	:	NORTHERN HUDSON	3,767	1,957	5,724	55,000	6.85%
Wyoming	1,419	1,061	2,480	40,000	3.55%	:	Albany	614	268	882	3,500	17.54%
						:	Rensselaer	691	346	1,037	11,000	6.28%
EASTERN PLATEAU	7,424	4,212	11,636	157,900	4.70%	:	Saratoga	544	357	901	8,500	6.40%
Broome	808	485	1,293	13,500	5.99%	:	Washington	1,918	986	2,904	32,000	5.99%
Chemung	202	128	330	5,800	3.48%	:						
Chenango	559	242	801	31,000	1.80%	:	NORTHERN	5,152	2,948	8,100	176,300	2.92%
Delaware	2,031	1,129	3,160	35,000	5.80%	:	Clinton	906	534	1,440	22,000	4.12%
Greene	340	119	459	3,300	10.30%	:	Essex	103	109	212	3,800	2.71%
Otsego	1,493	861	2,354	36,000	4.15%	:	Franklin	483	321	804	23,000	2.10%
Schuyler	511	175	686	5,300	9.64%	:	Jefferson	1,383	709	2,092	45,500	3.04%
Tioga	856	654	1,510	16,500	5.19%	:	Lewis	1,381	690	2,071	33,500	4.12%
Tompkins	624	419	1,043	11,500	5.43%	:	St. Lawrence	896	585	1,481	48,500	1.85%
						:						
CENTRAL PLAIN	1,182	857	2,039	30,900	3.83%	:	SOUTHEASTERN	2,245	1,041	3,286	30,100	7.46%
Ontario	358	301	659	11,500	3.11%	:	Orange	1,532	632	2,164	19,000	8.06%
Seneca	85	90	175	4,900	1.73%	:	Sullivan	459	289	748	7,000	6.56%
Yates	430	217	647	6,000	7.17%	:	Ulster	254	120	374	4,100	6.20%
Wayne	309	249	558	8,500	3.64%	:						
						:	SOUTHERN HUDSON	2,804	1,699	4,503	29,000	9.67%
						:	Columbia	1,833	997	2,830	16,000	11.46%
						:	Dutchess	971	702	1,673	13,000	7.47%

Table 9. Average Cow Numbers of Participants and All Farms by Region and County in New York, 1985.

Area	Participants' Area's		:	Area	Participants' Area's	
	Average	Average			Average	Average
	Cow #	Cow #			Cow #	Cow #
NEW YORK	64	70	:	CENTRAL	89	78
			:	Cayuga	124	89
WESTERN PLATEAU	41	62	:	Cortland	70	77
Allegany	43	58	:	Madison	54	78
Cattaraugus	36	61	:	Onondaga	107	83
Chautauqua	50	69	:	Oswego	75	56
Steuben	38	57	:			
			:	ONEIDA/MOHAWK	59	62
WESTERN PLAIN	63	87	:	Fulton	69	63
Erie	53	73	:	Herkimer	77	61
Genesee	97	104	:	Montgomery	45	60
Livingston	44	101	:	Oneida	66	60
Monroe	33	106	:	Schoharie	43	70
Niagara	29	66	:			
Orleans	45	78	:	NORTHERN HUDSON	70	69
Wyoming	75	86	:	Albany	61	70
			:	Rensselaer	63	60
EASTERN PLATEAU	63	67	:	Saratoga	68	68
Broome	81	75	:	Washington	77	73
Chemung	51	70	:			
Chenango	56	64	:	NORTHERN	59	63
Delaware	52	69	:	Clinton	50	72
Greene	68	50	:	Essex	52	64
Otsego	62	61	:	Franklin	121	63
Schuyler	73	65	:	Jefferson	69	71
Tioga	86	79	:	Lewis	69	62
Tompkins	69	74	:	St. Lawrence	39	56
			:			
CENTRAL PLAIN	59	63	:	SOUTHEASTERN	70	81
Ontario	51	78	:	Orange	73	86
Seneca	43	61	:	Sullivan	77	63
Yates	108	56	:	Ulster	51	103
Wayne	44	56	:			
			:	SOUTHERN HUDSON	90	100
			:	Columbia	96	93
			:	Dutchess	81	110

The Southern Hudson region has the highest average cow numbers per participating farm. Enrolled farms in this region averaged 90 cows in 1985. The Western Plateau region has the lowest average cow numbers on farms signed up for the program. The average participating farm in this region had 41 cows in 1985, almost half the state average.

The county with the highest average number of cows per participating farms is Cayuga. Participants from this county had an average of 124 cows in 1985, which compares to a county average of 89 cows. Niagara county has the lowest cow numbers per enrolled farm. Producers from this county accepted into the program averaged 29 cows, less than one-half the county average of 66 cows.

Cumulative Impact of DTP by Disposal Period

Table 10 shows the number of bids, participants 1985 milk marketings, cow numbers, and average bids by the three disposal periods as indicated by preliminary data on accepted contracts.⁵ Over 75 percent of the bids accepted in New York were for the first period and 88 percent of the New York participants will be bought out by the end of March 1987. On the basis of 1985 milk marketings signed-up, 71 percent of the state total will be removed by the end of September and 86 percent will be removed by the end of the second period. The number of cows being slaughtered or exported due to the program follows the same pattern with 71 percent in the first period and 86 percent of the total in the second period. Although average accepted bids in New York were quite similar between the first two disposal periods (a 16 cent difference), farmers enrolled in the third period, on average, will receive 55 cents more than those in the second period.

Impact on Production in Near Term

Although a large percentage of the contracts will be phased in during 1986, it will take a few months before the program's effects are felt. Moreover, the DTP won't be fully implemented until at least spring, 1987. Quite a few industry analysts expect that many farmers who are not in the DTP will increase their production, perhaps by 3% or more on average nationally. It is widely expected that 1986 milk production will be no less than 1985 levels. On the other hand, most

⁵ The National Cattlemen's Association sued the U.S. Department of Agriculture, charging the USDA failed to properly phase in dairy cattle slaughter, thereby causing beef prices to fall unnecessarily far. In an out-of-court settlement USDA agreed to invite first period participants to voluntarily switch to the second or third disposal period, with no change in payment. This will undoubtedly result in some reduction in first period participation; however the authors expect the change to be relatively small.

Table 10. Number of Bids, Participants' 1985 Milk Marketings, Cow Numbers, and Average Bid by Disposal Period.

Item	Disposal Period	Disposal Period	Disposal Period
	1 Apr 30-Sept 1986	2 Oct 31, 86-Mar 87	3 Apr 31-Aug 1987
# of Bids	409	70	63
Cumulative Total	409	479	542
Cumulative Percent	75%	88%	100%
1985 Marketings	3,405,833	700,334	673,613
Cumulative Total	3,405,833	4,106,167	4,779,780
Cumulative Percent	71%	86%	100%
# of Cows	24,400	5,226	4,782
Cumulative Total	24,400	29,626	34,408
Cumulative Percent	71%	86%	100%
Average Bid	\$16.98	\$16.82	\$17.37

forecasters are predicting continued significant increases in commercial sales of dairy products. Hence government purchases of dairy products are projected to fall in 1986, perhaps to a level of about 10 billion pounds on a milk equivalent basis or three-fourths of net removals in 1985.

Given the small New York participation in the DTP, the state will not likely see much of a decrease. On the other hand, if historical trends are a reliable indication, increases by nonparticipants are not likely to be a large factor affecting total milk production either. A forecast for slightly higher to stable milk production in New York during 1986 seems reasonable.

Two factors could affect this forecast in the short run. First, there is considerable discussion about an increase in farm milk prices this fall, such as occurred under the Milk Diversion Program (MDP) during fall, 1984. If supplies are shorter than is normal during the fall, there could be a larger than normal seasonal increase in milk price. While there may be some effect of this nature, the trend in milk prices for the next two years clearly points downward. An upsurge this fall should be fairly small and in any case will not last long. Nonetheless expectations of higher prices in the short run certainly will do nothing to discourage milk production.

Another factor that seems to be affecting milk production to some extent is an expectation by farmers that milk marketing quotas are highly likely to become the next dairy policy tried by Congress. There is an element of building production in anticipation of a quota, of "racing for base", in the minds of farmers in the Midwest and other parts of the country.

The relative importance of these factors nationally or in New York is difficult to gauge, but they do seem to be factors that can't be ignored.

Forecasts for 1987 are tenuous at best. It is quite possible that milk production in 1987 will fall below 1986 levels as the DTP takes full effect. Nonetheless, the actions of farmers who do not participate in the program will be the key to the long run success of the food Security Act of 1985, and they will ultimately determine whether or not further cuts in the support price will be required in 1988. If many DTP participants are farmers who ran profitable dairy farms in the past, this may suggest that a relatively larger rebound from the DTP in 1991 is more likely than was predicted earlier in the year. If financially struggling dairy farmers are not participating, this could mean that the ongoing problem of over supply and financial stress on many farms will persist longer and keep pressure on policy makers for additional or new approaches, such as dairy quotas.

As was true with the Milk Diversion Program, the Dairy Termination Program will surely improve the supply/demand balance while it is in effect. Likewise the assessment revenue will help with program costs at least for the next 18 months. Unlike the MDP with its \$10 per cwt.

payments and a high percentage of so-called air, the average annual payment of about \$3.20 per cwt. under the DTP will be considerably less than the cost of purchasing dairy products.⁶ When assessments are factored into this, then the cost per hundredweight are even less than \$3.20. Hence net government expenditures will also be much lower than they would otherwise have been, assuming no lower support price.

Whatever short run similarities might exist between the MDP and the DTP, the long run prospects for the DTP are clearly superior. However the future success of existing dairy policy now rests primarily with the price components of the Food Security Act, as well as other economic factors which may or may not be influenced by agricultural policy. Prospects for lower feed prices as well as other dairy farm costs will combine with ample production (albeit not as bad as it has been) to keep downward pressure on milk price. How much deeper price cuts will be in 1988 and beyond remains to be seen. Whether USDA will resort to another buyout program then or whether Congress can be convinced to try something else is another matter.

⁶ cf. Andrew Novakovic and Craig Alexander, "Average Costs of the Dairy Price Support Program," Dairy Marketing Notes, Dept. of Agr. Econ., Cornell University, Spring, 1986.