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USDA

ADPI/ABI Annual Conference
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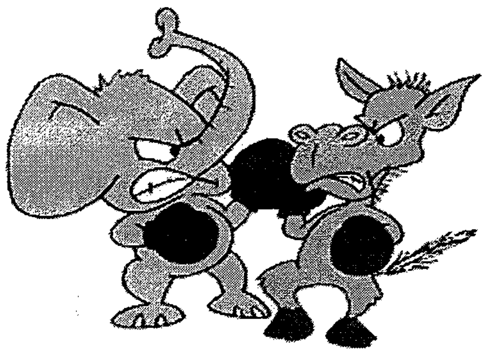


USDA 2004 Goals and Objectives

- **Goals and Objectives in an election year**

  --Maximize votes from major dairy States

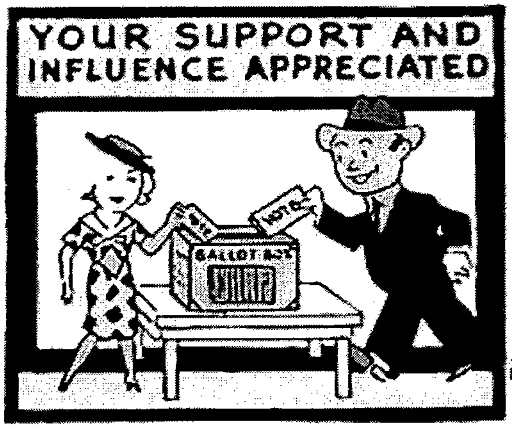
  --California

  --Wisconsin

  --Minnesota

  --New York

  --Michigan



How to Maximize Votes

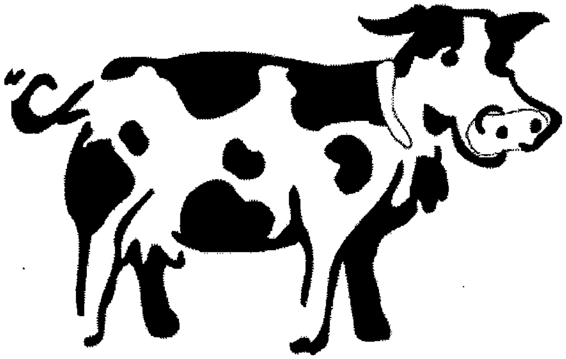
(1) Strong milk prices through

--Market fundamentals

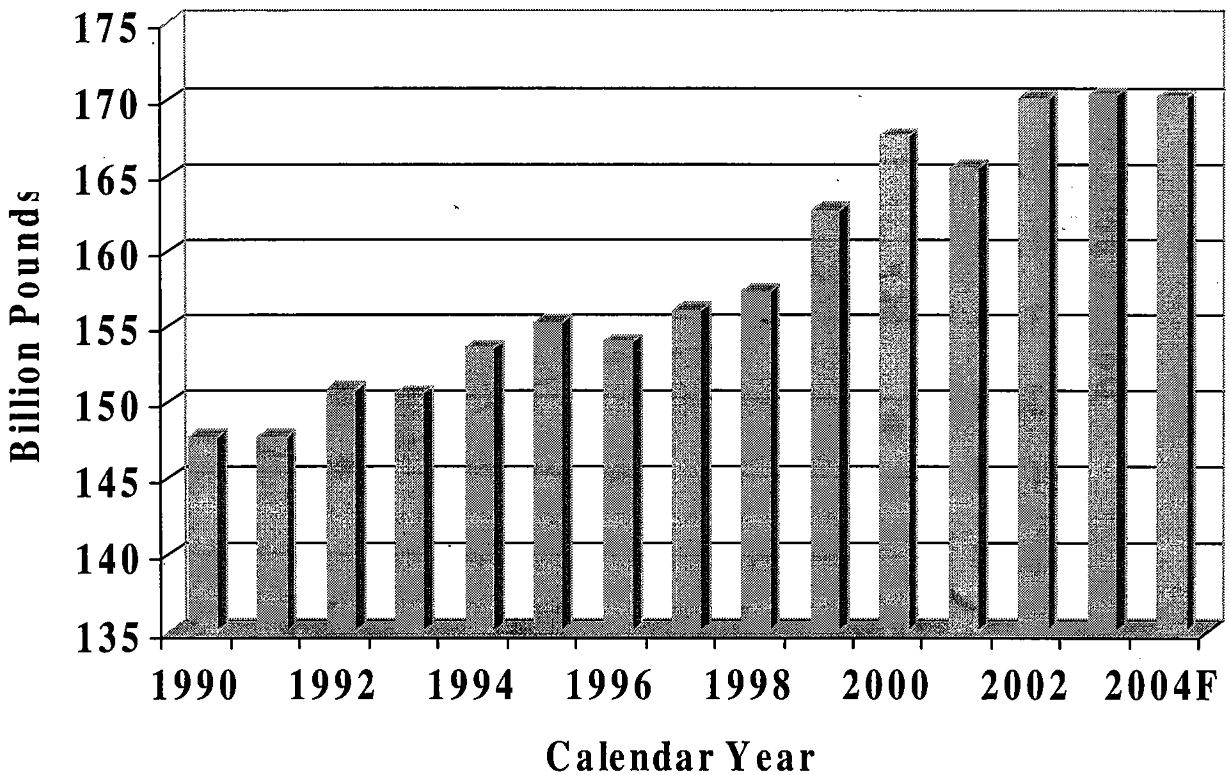
--Supportive policy actions

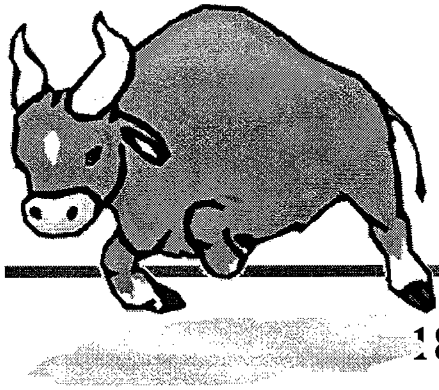
Market Fundamentals Look Strong in 2004

- Milk production stable since 2002
  --Declining cow numbers
  --Limited increase in productivity per cow
- Demand increasing
- Commercial stocks down
- Milk and product prices on the rise but very volatile

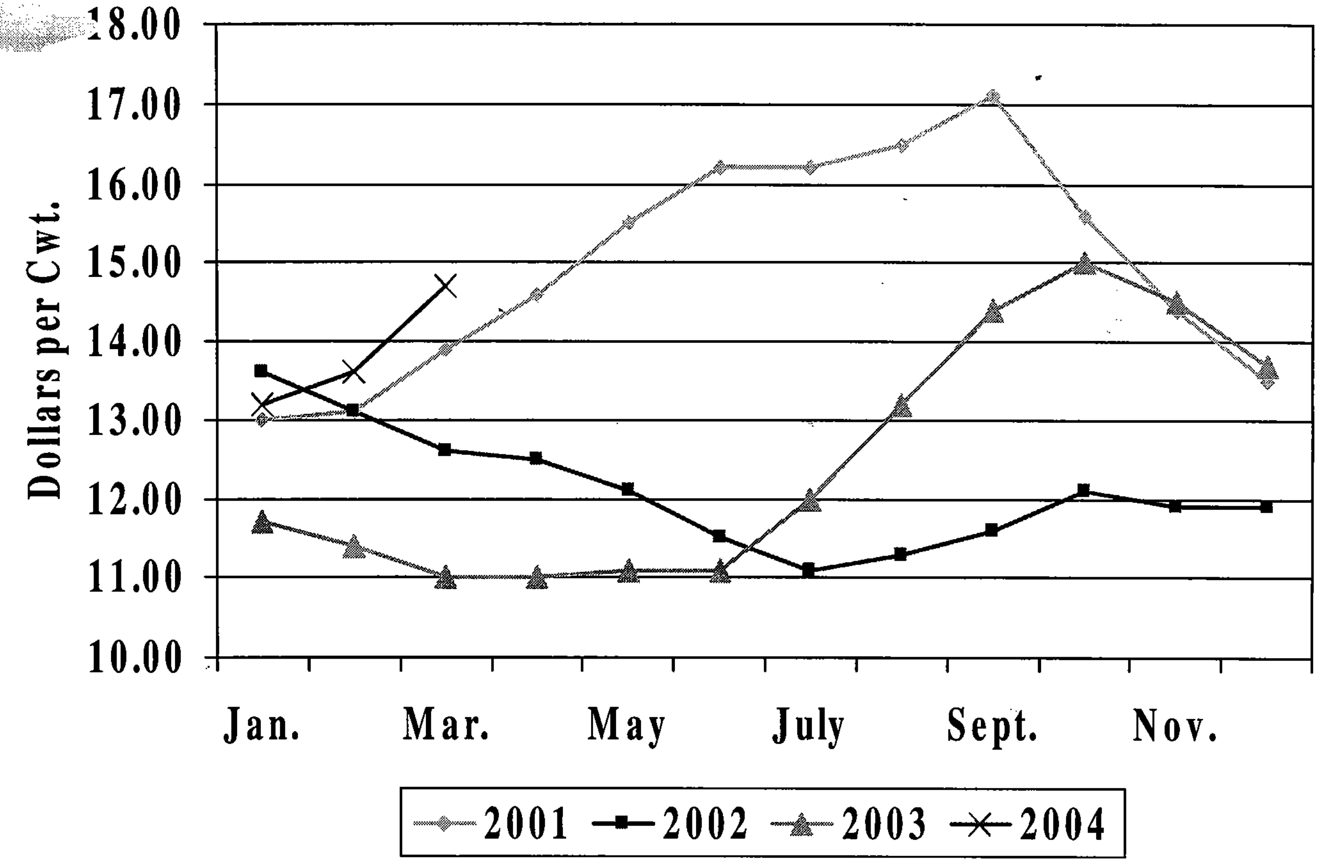


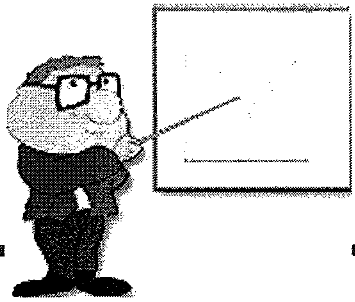
Milk Production Stabilizing



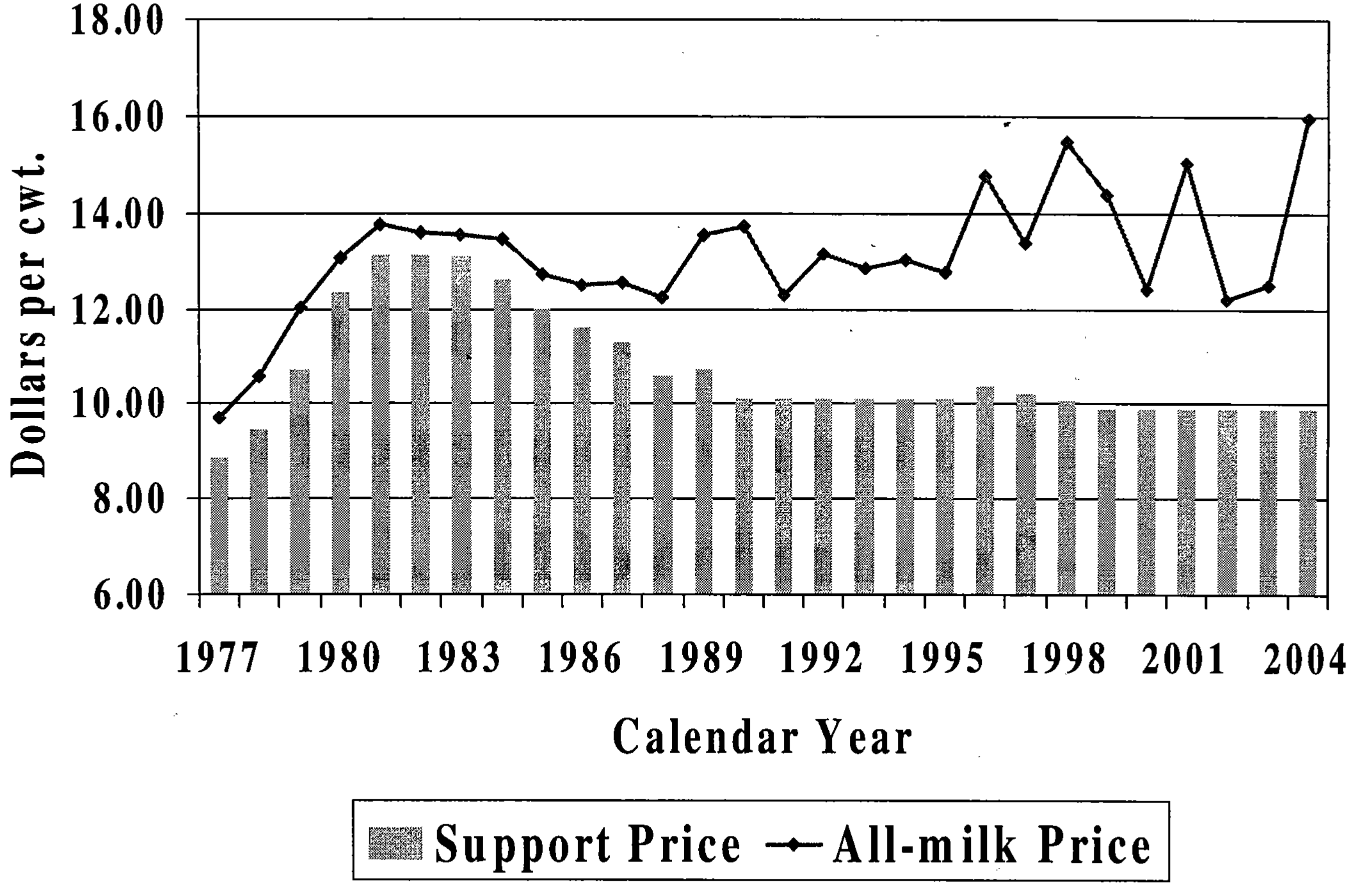


Producer Milk Prices on the Rise





Producer Milk Prices Quite Volatile



How to Maximize Votes

(2) Address concerns of constituents

--Federal budget deficit/program spending

--No "tilt" despite nonfat dry milk surplus

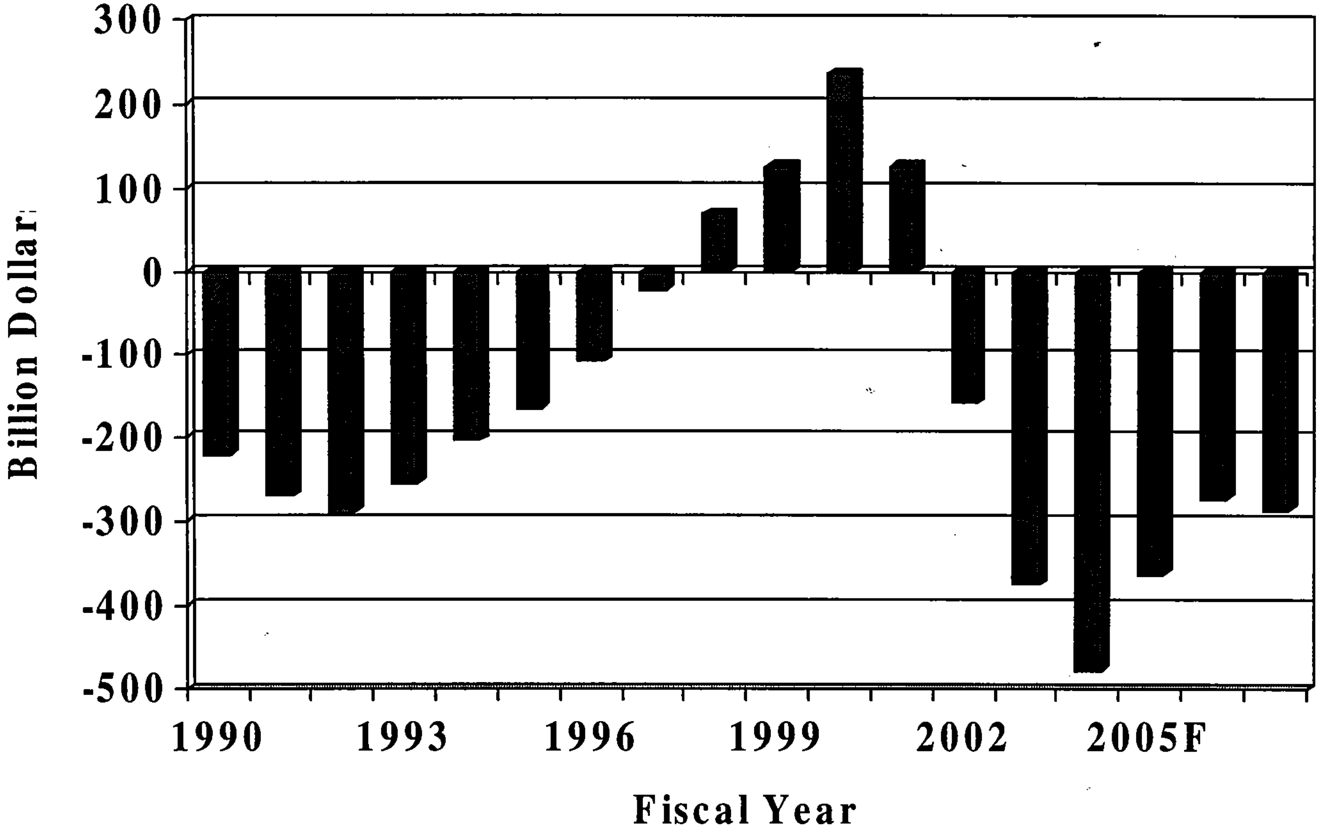
--Continue to donate nonfat dry milk

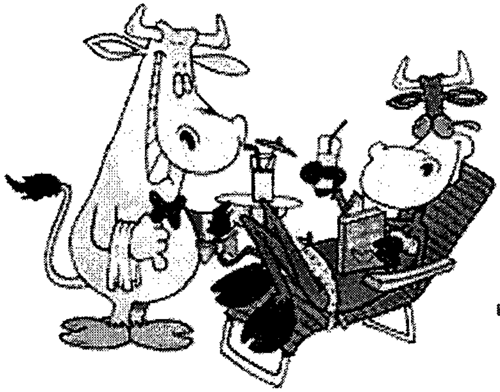
--Termination of MILC

--Dairy Compacts

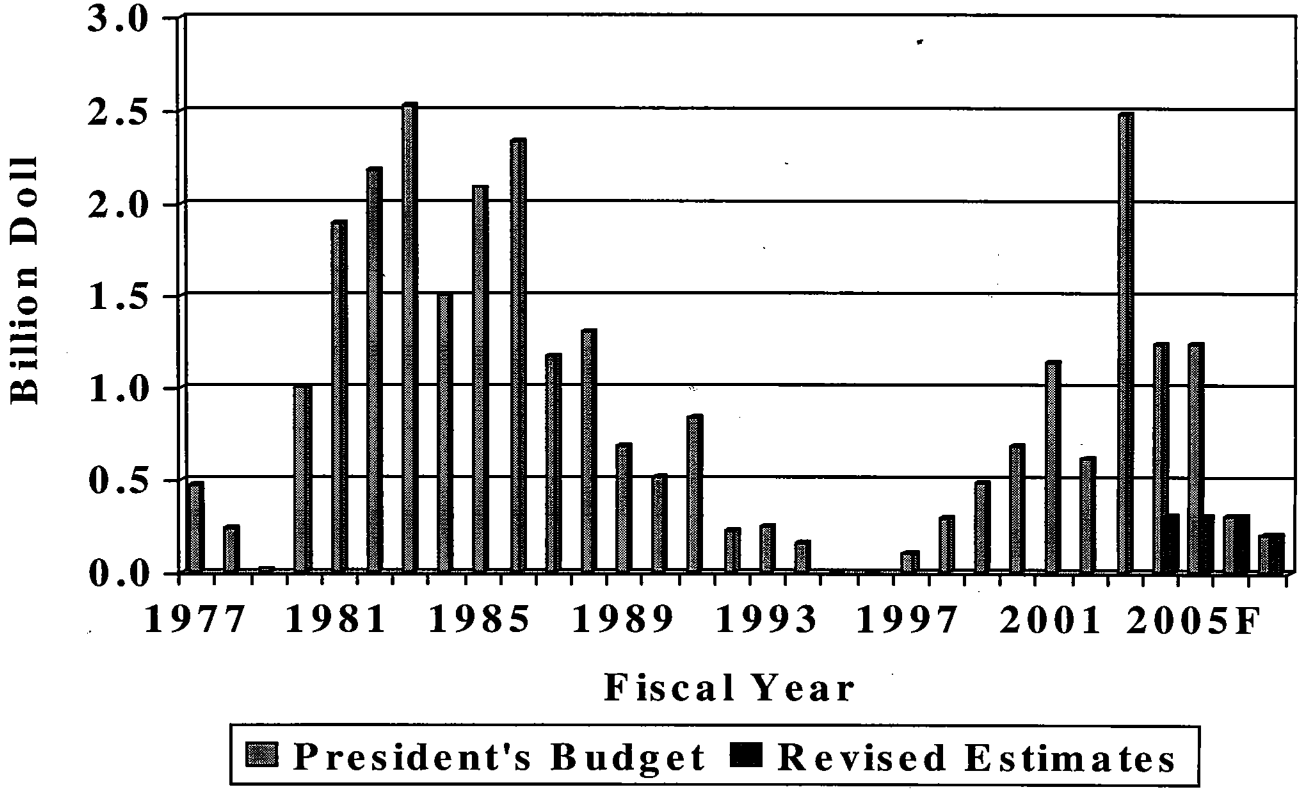
--Imports of MPC

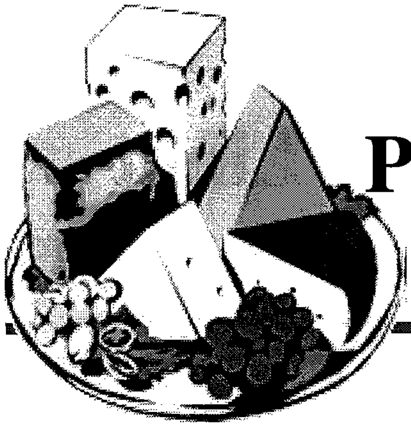
Federal Budget Deficit Record Large



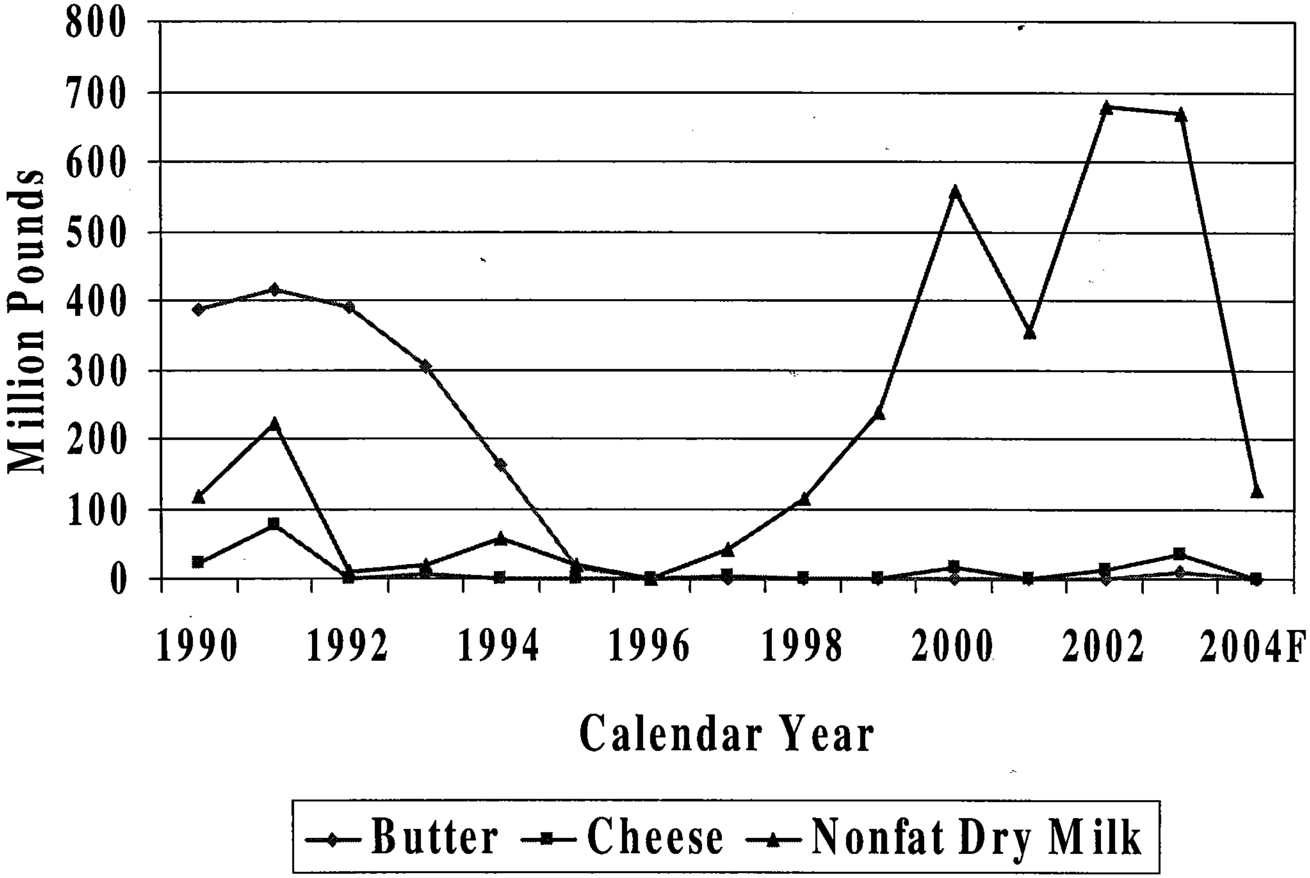


Dairy Program Cost Small in Relation to Deficit





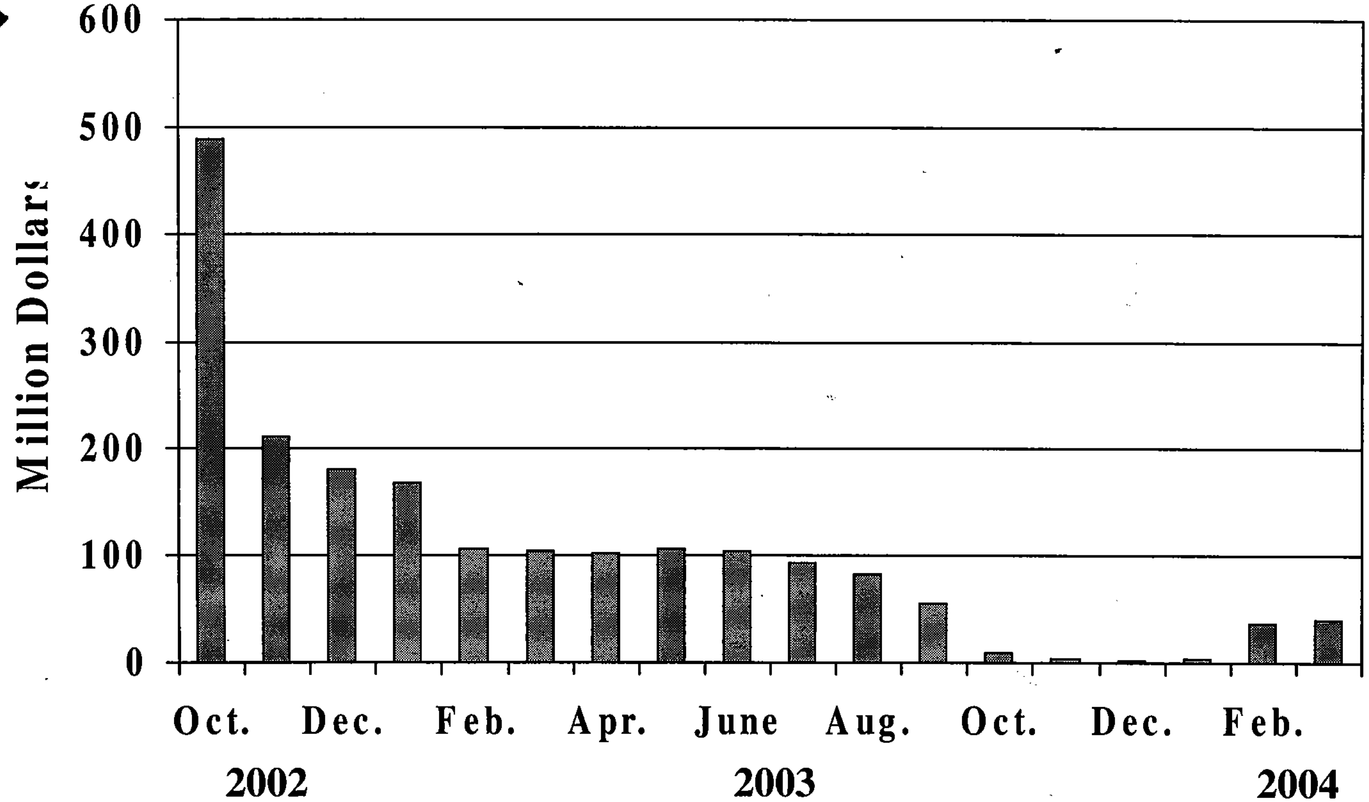
Purchases of Nonfat Dry Milk Declining
Other Markets in Balance



USDA Expands Disposal in FY 2003 to Limit Inventory of Nonfat Dry Milk

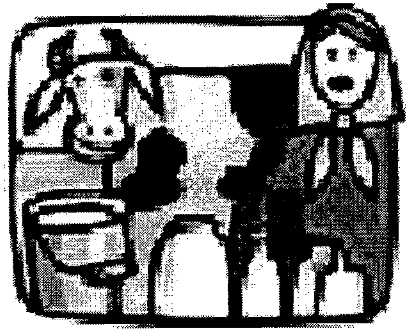
	Million Pounds
Commodity Supplemental Food Program	5.8
Exports	185.6
Livestock and Cattle Feed	346.2
Needy, Prisons, Schools, Institutions	56.5
Pudding Exchange	26.2
Cheese Exchange	10.4
Conversion into casein	4.9
Unrestricted sales	23.7
Total	659.8

MILC Program Payments on the Decline and Terminate Next Year

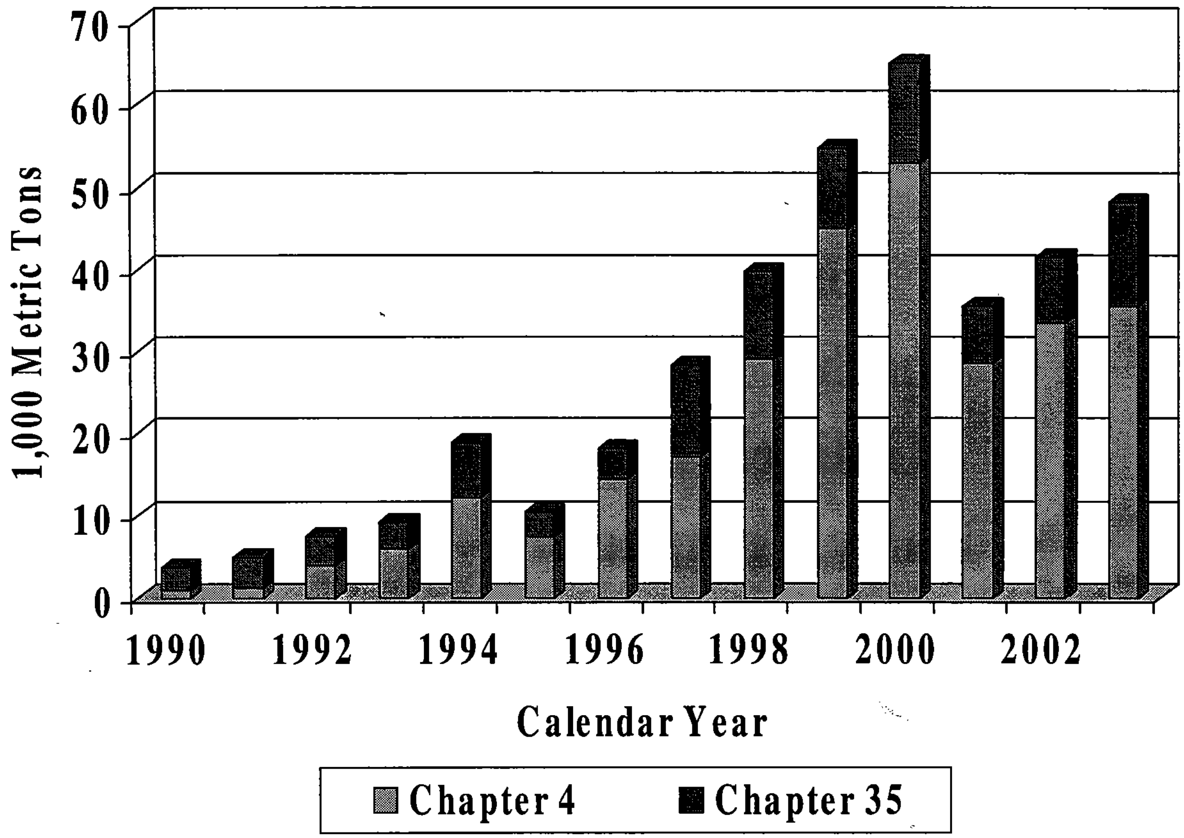


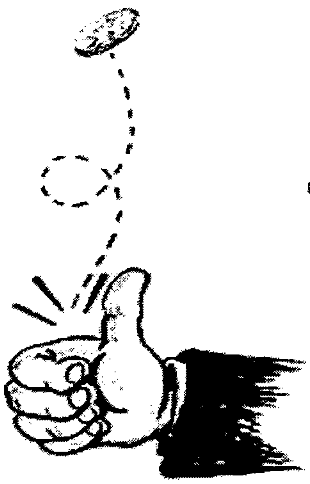
Most MILC Program Payments go to Upper Midwest Producers

	Share of Production	Share of MILC Payments
Arizona	2.0%	0.4%
California	20.7%	6.8%
Idaho	5.0%	1.8%
New Mexico	3.8%	0.6%
Minnesota	4.9%	8.2%
New York	7.1%	9.4%
Pennsylvania	6.2%	9.1%
Wisconsin	13.0%	20.7%



Imports of MPCs Down from Peak but an Ongoing Issue





Election Year Fallout

- **Federal budget deficit**
  - **--Will be addressed after the election**
    - **--Increases likelihood of MILC termination**
    - **--Maybe small producer assessment/support price decline**
- **Another "tilt"**
  - **--Unlikely before election despite price surge**
- **Dairy Compacts**
  - **--Debate will resurface if MILC not extended**
- **Import legislation**
  - **--Unlikely under current price environment**