

Hurricane recovery might erase federal dairy subsidy

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WASHINGTON - Dairy farmers soon could become indirect victims of Hurricanes Katrina and Rita.

As Congress scrambles to find money to rebuild the Gulf Coast states, the federal milk subsidy program might be one that is cut. The Milk Income Loss Contract program - which has brought more than \$2 billion to the nation's dairy farmers in the past three years - expires Saturday.

Dairy state lawmakers had hoped to renew the program for at least two years, when it could be extended as part of a new farm bill. But they now say that could be more difficult because of the disasters. Still, they said they will push to attach the program to a spending bill that Congress must pass later this fall.

"We know that it will be a tough fight given the economic pressures we are now facing, but I believe it is critical that our farmers get a fair price for their milk," said Sen. Jim Jeffords, I-Vt.

The taxpayer subsidy only kicks in when market prices for milk in Boston drop below \$16.94 per hundredweight for fluid milk. Prices have been higher than that for more than a year, but economists expect prices to fall later this year or early next.

Minnesota and Iowa are two of 10 states that receive the most money from the program, according to the Farm Service Agency.

Dale Stein, a dairy farmer in LeRoy, N.Y., fears small farms could be wiped out if the program is not renewed.

"This will make a big difference for the survival of a lot of family farms," he said.