

House Committee on Agriculture
Farm Bill Audit

1. Program Name:

Dairy Export Incentive Program (DEIP)

2. Subprograms/Department Initiatives

None.

3. Brief History

Authorized by Congress under Sec. 153 of the Food Security Act of 1985, the program provides a bonus or subsidy on a bid basis to exporters of eligible dairy products (butterfat, nonfat dry milk, whole milk powder and various cheeses). The payments may be made in cash or in commodities held by the Commodity Credit Corporation (CCC). Initially, the program provided the bonuses “in-kind” from surplus stocks of dairy products held by CCC. This ‘in-kind’ payment was replaced by the issuance of “generic certificates” redeemable for any inventory held by the CCC. As inventories diminished, the program evolved into the sole use of cash payments for the subsidy. As this program provides an export subsidy, it is subject to the subsidy reduction commitments of the United States under the Uruguay Round Agreements of the World Trade Organization (WTO). The program is therefore subject to both budget and quantity limits in accordance with those reduction commitments.

4. Purpose/Goals

By providing a subsidy on exports of eligible dairy products, an amount intended to bridge the gap between world market prices and the U.S. domestic price, DEIP enables exporters to meet the lower world market prices, often influenced by the application of subsidies by other exporting countries – primarily the European Union (EU).

5. Success in Meeting Programmatic Purpose/Goals

The program has been very successful in meeting the needs of exporters and expanding markets for U.S. dairy products when world prices are depressed due to the application of subsidies by other countries. This was most evident leading up to and during the implementation period of the Uruguay Round subsidy reduction commitments. At that time, the EU was aggressively subsidizing dairy exports. Almost 250,000 metric tons of dairy products were exported under DEIP in fiscal year 1995 and \$162 million in bonus payments were committed under DEIP in fiscal year 1993.

6. Annual Budget Authority (FY2002-FY2011)

This is a mandatory program with spending capped by our commitments under the WTO Uruguay Round Agreements. These are product specific and follow:

Dairy Product	Budgetary Cap (\$Mil)	Quantity Cap (MT)
Nonfat dry milk	\$82.46	68,201
Butterfat	\$30.49	21,097
Cheese	\$3.63	3,030
Other (whole milk)	\$0.021	34

powder)		
TOTAL	\$116.601	N/A

7. Annual Outlays (FY2002-FY2011)

Fiscal Year	Subsidy Awarded(\$Mil)	Quantity (MT)
2002	\$54.62	86,473
2003	\$32.52	86,155
2004	\$2.68	48,498
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009	\$18.89	50,886
2010	\$2.37	4,811
2011	0	0

The budget authority is restricted to the budgetary limits of our subsidy reduction commitments under the Uruguay Round Agreements. DEIP is designed to meet, not set, world market prices. Years where there has been limited use of DEIP reflect the United States' competitiveness in the world market without the need for a subsidy. This condition exists today.

8. Annual Delivery Cost (FY2002-FY2011)

Delivery costs are a function of collateral duty when the program is operating. When not operating, program delivery costs are estimated at 0.10 FTE – largely a function of closing outstanding performance issues. When operational, USDA estimates that no more than 2 FTE equivalents are utilized to operate the program. In fiscal 2010, the program operated for one month and estimated delivery costs were under \$40,000. In 2011, estimated delivery costs are under \$10,000. The software costs for the program are under \$1,000 per year.

9. Eligibility Criteria

All potential exporters of U.S. dairy products can participate provided they have an agent in the United States and they are not suspended, debarred or otherwise prohibited from participation in U.S. government programs.

10. Utilization (Participation) Data

To date, 115 exporters of dairy products have participated in DEIP since inception.

The following is a list of the number of participants for the period 2002- 2011:

Fiscal Year	Participants
2002	17
2003	12
2004	4
2005	0
2006	0

2007	0
2008	0
2009	17
2010	12
2011	0

11. Duplication or Overlap with Other Programs

None.

12. Waste, Fraud and Abuse

USDA is proactive in reviewing this program and its participants. Payments are not made until the exporters provide appropriate export documentation that is reviewed for compliance with program requirements. Where there is any indication of waste, fraud and abuse, the Department is aggressive in investigating those incidents. At this time we have no confirmed evidence of waste, fraud or abuse under DEIP.

13. Effect of Administrative Pay-go

None.

House Committee on Agriculture
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1. Program Name

Milk Income Loss Contract (MILC) Program

2. Subprograms/Department Initiatives

Subprogram – The 2010 Agricultural Appropriations Bill authorized \$290 million for loss assistance payments under the Dairy Economic Loss Assistance Payment (DELAP) Program for eligible producers to receive a one-time payment based on the amount of milk both produced and commercially marketed by their operation during the months of February through July 2009.

3. Brief History

The National Dairy Market Loss Program, later named the Milk Income Loss Contract Program, was initially authorized by Section 1502 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). The MILC program supports the dairy industry by providing direct counter-cyclical style payments to milk producers on a monthly basis when the Boston Federal Milk Marketing Order Class I price for fluid milk falls below the benchmark of \$16.94 per hundredweight (cwt.). For production marketed during the authorized period, milk producers in eligible dairy operations received a payment equal to 45 percent of the difference between the benchmark and the Class I price, if this difference was positive. This rate was decreased by the Deficit Reduction Act of 2005 to 34 percent of the difference between \$16.94 and the Boston Class I Federal milk marketing order price for October 1, 2005 through August 31, 2007. The MILC program was amended further by the Agriculture Reconciliation Act of 2005 to extend the program through September 30, 2007, consistent with other Farm Bill programs ending September 30, 2007. The MILC program was last authorized by the 2008 Farm Bill through September 30, 2012, and also introduced a feed cost adjustment to the monthly payment rate calculation. Under the MILC program, a dairy operation's monthly payment is based on the quantity of milk sold in a month in which a payment rate is in effect, up to a maximum of 2.985 million pounds per dairy operation, per fiscal year for the period beginning October 1, 2008 and ending August 31, 2012. Before October 1, 2008 the maximum eligible production had been 2.4 million pounds.

The MILC program replaces previous Dairy Market Loss Assistance programs that provided payments to dairy producers from 1997 through 2000. MILC was implemented soon after authority for the Northeast Dairy Compact expired.

4. Purpose/Goals

The purpose and goal of the MILC program is to stabilize milk producer revenue by compensating dairy producers when domestic milk prices fall below a specified level.

5. Success in Meeting Programmatic Purpose/Goals

The MILC program has paid out approximately \$2.5 billion to dairy operations over the first five initial years of program administration. Annual expenditures when the program was re-authorized for 2006 and 2007 totaled over \$510 million. Expenditures during the period authorized by the 2008 Farm Bill, to date, total \$938 million. Due to the counter-cyclical

nature of the program, the direct payments provide a safety net to dairy producers at times when they may struggle most as a result of low milk prices. The payments have reduced the financial stress on U.S. dairy operations during periods of low milk prices helping to sustain the domestic milk supply resulting in consumers being able to buy dairy products at lower prices than if the program was not operating.

6. Annual Budget Authority (FY2002-FY2011)

FY 2002 Through FY 2011 Budget Authority										
(Dollars in thousands)										
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Milk Income										
Loss Contracts	\$0	\$1,795,452	\$221,126	\$9,124	\$351,586	\$156,598	\$2,153	\$756,889	\$181,527	\$173,000

7. Annual Outlays (FY2002-FY2011)

FY 2002 Through FY 2011 Budget Outlays										
(Dollars in thousands)										
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Milk Income										
Loss Contracts	\$0	\$1,796,452	\$221,126	\$9,124	\$351,586	\$156,598	\$2,153	\$756,889	\$181,527	\$173,000

8. Annual Delivery Cost (FY2002-FY2011)

PROGRAM	<u>PROGRAM ITEMS</u>	FY 2007 Amount (\$000)	FY 2008 Amount (\$000)	FY 2009 Amount (\$000)	FY 2010 Amount (\$000)	FY 2011 Amount (\$000)
Income Support and Disaster Assistance						
	Price Support and Marketing Assistance					
	Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
	Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
	Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
	Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
	ACRE Payments	0	0	0	0	446,633
	Milk Income Loss					
	Contract Payments	157,850	2,153	769,900	181,527	173,000
	Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
	Other Direct Payments	25,695	29,768	84,375	103,432	80,504
	NAP Payments	126,951	73,989	40,700	98,745	116,873
	Crop Disaster Assistance	58,591	1,281	114,828	-109	0
	Livestock Indemnity Program	198	2	1,716	91,825	77,000
	Emergency Livestock Assistance	664	25	1,926	-403	0

PROGRAM	<u>PROGRAM ITEMS</u>	FY 2007 Amount (\$000)	FY 2008 Amount (\$000)	FY 2009 Amount (\$000)	FY 2010 Amount (\$000)	FY 2011 Amount (\$000)
Income Support and Disaster Assistance						
	Emergency Conservation Program	149,727	128,456	0	92,459	39,719
	Biomass Crop Assistance		0	0	248,202	199,000
	Emergency Forest Restoration Program		0	0	0	18,000
	Tree Assistance Program	1,973	1,010	68	90	0
	CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
	Dairy Indemnity Program	181	144	651	162	200
	Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9291
	USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
	FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
	Reforestation Pilot Program	0	794	794	800	800
	Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
	Aquaculture Grants (123317)	0	0	48,500	39,942	0
	Farm Storage Facility Loans	548	0	12,500	0	0
	Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
	Indirect costs	<u>47,548</u>	<u>234,633</u>	<u>226,905</u>	<u>242,967</u>	<u>246,299</u>
	Total Costs	21,532,395	19,501,606	17,058,019	16,991,214	16,574,049
	<i>FTEs</i>	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

To be eligible for payments, dairy producers must have produced cow milk in the U.S., and commercially marketed the milk produced anytime during the authorized period. Dairy producers must also be in compliance with Highly Erodible Land and Wetland conservation provisions and Adjusted Gross Income limitations. Signup for the program under the 2008 Farm Bill began December 22, 2008, and extends through the conclusion of the program on September 30, 2012. Payments are issued based on a start month selection by the producers in the dairy operation and are subject to a maximum eligible production limit of 2.985 million pounds per dairy operation per fiscal year. Payment start month selections must be made on form CCC-580 and submitted to an FSA Service Center on or before the 14th of the month before the month the dairy operation wants to begin payments. Production evidence for each applicable payment month must be provided to FSA before a MILC payment can be issued.

10. Utilization (Participation) Data

51,975 dairy producers have participated in the MILC program from 2008 to present, as authorized under the 2008 Act.

11. Duplication or Overlap with Other Programs

No duplication or overlap with other programs.

12. Waste, Fraud and Abuse

There has been minimal to no waste, fraud, or abuse in the MILC program because verifiable production evidence must be provided by the producers in an eligible dairy operation to qualify for program benefits. During the FY 2010 CORP review for improper payments for MILC program, it was determined that MILC improper payment error rates increased because of the lack of proper supporting documentation, such as eligibility forms, before disbursing a MILC payment. FSA continues to make eliminating improper payments a top priority and has incorporated the priority into strategic planning and performance measures.

13. Effect of Administrative Pay-go

None.

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1. Program Name

Dairy Indemnity Payment Program (DIPP)

2. Subprograms/Department Initiatives

Subprogram – none

Department Initiatives – none

3. Brief History

The Dairy Indemnity Payment Program was originally authorized by Public Law 90-484, the Act of August 13, 1968 (7 U.S.C. 4501), and has been extended numerous times. The Food, Conservation, and Energy Act of 2008, Public Law 110-246, extended the program through 2012. Most recently, funds were appropriated for DIPP by the Department of Defense and Full-Year Continuing Appropriations Act of 2011, Public Law 112-10.

DIPP is available to dairy farmers for milk, or cows producing milk, and manufacturers of dairy products who, through no fault of their own, have been directed to remove their milk or dairy products from commercial markets because of the presence of certain chemical or toxic residue in the products. Under DIPP, payments are made to dairy producers when a regulatory agency directs them to remove their raw milk from the commercial market because it has been contaminated by pesticides, nuclear radiation, or fallout, or toxic substances and chemical residues other than pesticides. Payments are made to manufacturers of dairy products only for products removed from the market because of pesticide contamination. Dairy producers and manufacturers are eligible for indemnification from the date the milk was officially removed from the market by a public regulatory Agency through the date the milk is officially reinstated to the market by a public regulatory Agency, based on the fair market value determined for the milk. To apply for DIPP benefits, affected producers and manufacturers must meet all eligibility requirements and submit a completed FSA-373 to their USDA Service Center or FSA Office no later than December 31 following the fiscal year in which the loss occurred.

4. Purpose/Goals

The purpose and goal of DIPP is to indemnify dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses with respect to milk or milk products removed from commercial markets because such milk or milk products contain certain harmful residues.

5. Success in Meeting Programmatic Purpose/Goals

DIPP has successfully allowed dairy producers and manufacturers, to recover financial losses suffered from being directed by a public regulatory agency to remove their production from the commercial market, when removal has been through no fault of their own. This financial compensation allows producers to maintain business operations and slows the exit of U.S. dairy operations from the dairy business. This program also ensures a healthy milk supply for U.S. consumers.

6. Annual Budget Authority (FY2002-FY2011)

FY 2002 Through FY 2011 Budget Authority										
(Dollars in thousands)										
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Dairy Indemnity Payments	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$876	\$876	\$100

7. Annual Outlays (FY2002-FY2011)

FY 2002 Through FY 2011 Budget Outlays										
(Dollars in thousands)										
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Dairy Indemnity Payments	\$124	\$393	\$601	\$349	\$132	\$181	\$144	\$651	\$162	\$200

8. Annual Delivery Cost (FY2007-FY2011)

PROGRAM	PROGRAM ITEMS	FY 2007 Amount (\$000)	FY 2008 Amount (\$000)	FY 2009 Amount (\$000)	FY 2010 Amount (\$000)	FY 2011 Amount (\$000)
Income Support and Disaster Assistance						
	Price Support and Marketing Assistance					
	Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
	Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
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	Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
	ACRE Payments	0	0	0	0	446,633
	Milk Income Loss					
	Contract Payments	157,850	2,153	769,900	181,527	173,000
	Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
	Other Direct Payments	25,695	29,768	84,375	103,432	80,504
	NAP Payments	126,951	73,989	40,700	98,745	116,873
	Crop Disaster Assistance	58,591	1,281	114,828	-109	0
	Livestock Indemnity Program	198	2	1,716	91,825	77,000
	Emergency Livestock Assistance	664	25	1,926	-403	0
	Emergency Conservation	149,727	128,456	0	92,459	39,719

PROGRAM	<u>PROGRAM ITEMS</u>	FY 2007 Amount (\$000)	FY 2008 Amount (\$000)	FY 2009 Amount (\$000)	FY 2010 Amount (\$000)	FY 2011 Amount (\$000)
Income Support and Disaster Assistance						
	Program					
	Biomass Crop Assistance		0	0	248,202	199,000
	Emergency Forest Restoration Program		0	0	0	18,000
	Tree Assistance Program	1,973	1,010	68	90	0
	CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
	Dairy Indemnity Program	181	144	651	162	200
	Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9291
	USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
	FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
	Reforestation Pilot Program	0	794	794	800	800
	Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
	Aquaculture Grants (123317)	0	0	48,500	39,942	0
	Farm Storage Facility Loans	548	0	12,500	0	0
	Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
	Indirect costs	<u>47,548</u>	<u>234,633</u>	<u>226,905</u>	<u>242,967</u>	<u>246,299</u>
	Total Costs	21,532,395	19,501,606	17,058,019	16,991,214	16,574,049
	<i>FTEs</i>	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

To be eligible to receive DIPP payments, the producer must have produced whole milk that was removed from the commercial market pursuant to the direction of a public regulatory agency, not have been responsible for the milk contamination, or not have been indemnified for the same loss from another source.

In addition, the producer must certify to the compliance with Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) provisions and submit a complete application to the county Farm Service Agency office no later than December 31 following the end of the fiscal year in which the loss occurred.

10. Utilization (Participation) Data

Participation in DIPP varies from one fiscal year to another. Since 2008, weather conditions in various regions within the United States prompted regulatory agencies to remove dairy

producers from marketing milk because of aflatoxin found in their milk. Below are the number of applications and total dollars paid for DIPP from FY 2008 through FY 2011.

- FY 2008 – 14 applicants - \$144,388
- FY 2009 – 22 applicants - \$650,788
- FY 2010 – 18 applicants - \$158,951
- FY 2011 – 22 applicants - \$261,256

11. Duplication or Overlap with Other Programs

No duplication or overlap with other programs.

12. Waste, Fraud and Abuse

Minimal to no waste, fraud, or abuse in the DIPP program because of the many eligibility factors that require verifiable evidence from official sources that must be provided by the producers in an eligible dairy operation to qualify for program benefits. Applications for benefits are verified by the County Committee, State Committee, and National Office before payment is authorized to a producer.

13. Effect of Administrative Pay-go

None.

House Committee on Agriculture
Farm Bill Audit

1. Program Name

Dairy Product Price Support Program (DPPSP)

2. Subprograms/Department Initiatives

Dairy Economic Loss Assistance Program (DELAP). The 2010 Agriculture Appropriations bill authorized the purchase of cheese worth \$60 million for donation to feeding programs.

2009 expansion of feeding programs—On March 26, 2009 Secretary Vilsack announced a disposition plan for inventories of nonfat dry milk (NDM) that totaled 232.9 million pounds, which had been purchased by the CCC at the NDM support price. The plan was intended to help support both low-income families, domestically and internationally, as well as dairy farmers challenged by high feed and low dairy prices. Through this initiative, CCC donated 30 million lbs of NDM to States for further processing to acquire fortified fat-free fluid milk and macaroni and cheese for use in the National School Lunch Program (NSLP); 40 million lbs was fortified and instantized, placed into consumer-sized packages and made available in domestic feeding programs; 60 million lbs was bartered for 1% ultra high temperature (UTH) milk for use in the Emergency Food Assistance Program (TEFAP); 50 million lbs were bartered for reduced fat and lite cheese for use in the NSLP and TEFAP; and 20 million were bartered for ready-to-eat, milk-based soups for use in TEFAP. In addition, 1 million lbs was offered for sale on a competitive basis for the production of casein and 1.5 million lbs were used to meet food assistance needs overseas.

3. Brief History

DPPSP, established by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), is the latest iteration of the milk price support program (MPSP) established by the Agricultural Act of 1949 (1949 Act). The DPPSP requires the CCC to offer to purchase unlimited quantities, at fixed announced prices, of cheddar cheese, butter, and nonfat dry milk. Since most wholesale milk is priced based on the price of these three dairy products, providing a floor on these products provides a floor for the farm milk price. Many versions of the support to dairy have been tried since 1949 as the federal government has tried to balance the need for a stable milk supply with the cost of the support program. Some programs have tried to tie milk itself to a particular price through the use of secondary purchases. Sometimes the prices have been tied to parity or purchase levels. Other programs have included voluntary supply control schemes – milk diversion programs or herd buyouts. Still other programs to address dairy matters have included milk assessments; and many surplus dairy product disposal schemes.

For a long time, dairy support was controlled by the basic provisions of the Agricultural Act of 1949, as amended, which required that the price of milk paid to producers be supported at a level between 75 and 90 percent parity to assure an adequate supply of milk, reflect changes in the cost of production, and assure a level of farm income to maintain productive capacity sufficient to meet future needs. However, after October 21, 1981, the support price was established by Congress either at specific price levels or by a formula related to expected surplus, rather than parity levels. The 2008 legislation takes a different approach and does not set a support price for milk, but rather sets purchases prices for products.

The 1996 Federal Agriculture Improvement and Reform Act authorized the Milk Price Support Program (MPSP) through December 31, 1999. Due to low prices and concerns from the dairy industry, Congress extended the MPSP into 2000, 2001, and until May 31, 2002 through the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Acts of 2000 and 2001. After June 1, 2002, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) was passed authorizing the MPSP program through December 31, 2007 at a rate of \$9.90 per hundredweight (cwt) for manufacturing milk. Under the old program, milk prices were supported through purchases by the government of dairy products. The Secretary could adjust the price of NDM or butter twice within the calendar year. The DPPSP minimum purchase prices in the 2008 Farm Bill were the dairy product prices USDA had established under the 2002 Farm Bill. Under the DPPSP, the minimum purchase prices can be lowered if CCC removals exceed certain levels.

4. Purpose/Goals

The goal of the DPPSP is to support dairy products by providing a support price for those products. That support has beneficial effects for milk producers.

5. Success in Meeting Programmatic Purpose/Goals

The DPPSP has been successful in providing economic support to dairy producers when economic conditions have been challenging. This program has kept some producers operating through times that would otherwise force them out of business thus making industry transition less dramatic. However, the industry does continue to adjust, with many small operations going out of business and their milk production being replaced by fewer and larger operations. Recently, significantly increasing feed costs have become a challenge for dairy producers. Dairy farm viability is determined by the margin between milk prices and feed costs, the dairy farms most significant variable cost. Since the DPPSP supports the price of products, and not the milk margin, producers have increased their participation in the dairy gross margin insurance program as a complement to the DPPSP.

6. Annual Budget Authority (FY2002-FY2011)

Budget outlays are made the same year that budget authority is granted.

FY 2002 Through FY 2011 Budget authority										
(Dollars in thousands)										
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Price Support Related	597,405	650,102	308,662	29,315	60,307	2,389	-2,211	236,188	153,011	124,915

7. Annual Outlays (FY2002-FY2011)

Annual outlays averaged \$216 million over the FY2002-FY2011 period, and included average outlays exceeding \$600 million during FY2002-03. Outlays for the DPPSP totaled \$236.2 million in FY2009 and \$153 million in FY2010. No purchases have been made in FY2011.

FY 2002 Through FY 2011 Budget Outlays										
(Dollars in thousands)										
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
Price Support Related	597,405	650,102	308,662	29,315	60,307	2,389	-2,211	236,188	153,011	124,915

8. Annual Delivery Cost (FY2002-FY2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving.

	FY 2007 Amount (\$ 000)	FY 2008 Amount (\$ 000)	FY 2009 Amount (\$ 000)	FY 2010 Amount (\$ 000)	FY 2011 Amount (\$ 000)
<u>PROGRAM ITEMS</u>					
Commodity Operations					
Cotton User Marketing Payments	9,518	0	0	0	0
ELS Cotton Competitiveness Payments	1,103	29,839	9,630	27,866	0
Upland Cotton Economic Adjustment Assistance	0	0	74,661	75,635	65,504
Commodity Purchases and Sales	726,938	1,116,157	1,027,768	853,110	1,626,852
Storage, Handling, Transportation, Processing, and Packaging	133,213	36,329	67,740	73,100	77,475
CCC Interest Expenditures	70,070	15,660	3,173	791	2,226
Dairy Price Support	101	319	226,894	40,597	17,250
Administrative costs (direct)	33,724	21,340	39,728	24,087	24,364
Indirect costs	2,153	49,458	33,697	18,728	18,943
Total Costs	976,820	1,269,102	1,483,291	1,113,914	1,832,614
<i>FTEs</i>	458	254	263	256	256

9. Eligibility Criteria

All cheddar cheese, butter, and nonfat dry milk made of cow's milk produced in the United States and which is located in the United States when offered and not previously owned by the CCC is eligible if it meets the standards for product quality and packaging as listed in the Dairy Product Price Support Program Purchase Announcement Dairy 7¹ (Dairy 7). Further, the dairy product must be manufactured in dairy plants in which USDA inspection and grading services are performed under 7CFR Part 58-Grading and Inspection, General Specifications for Approved Plants and Standards for Grades of Dairy Products.

10. Utilization (Participation) Data

During FY200004, the CCC purchased a total of 2.911 billion pounds of NDM, at costs totaling \$2.7 billion or an annual average \$536 million. Stocks exceeded 1 billion pounds for most of

¹ The Dairy 7, issued November 17, 2010, provides specific contracting information for CCC price support purchases. This announcement along with the Dairy Invitations provides the information needed to offer and comply with the regulations. This includes eligibility, submissions, provisions, product specifications, instructions and compliance data.

2002 and 2003. In 2008 and 2009, net removals totaled 359 million pounds of NDM, 3 million pounds of cheese, and 30 million pounds of butter.

11. Duplication or Overlap with Other Programs

DPPSP supports prices received by dairy farmers through the purchase of unlimited quantities, at fixed announced prices, of cheddar cheese, butter, and nonfat dry milk. No other program supports the price of milk in this manner. The MILC program provides counter-cyclical support to dairy producers when the margin (difference between price and feed costs) falls below specified levels.

12. Waste, Fraud and Abuse

There has been no waste, fraud, or abuse in the DPPSP that USDA is aware of. The Farm Service Agency reviews applicant eligibility when offers are made, and the Agriculture Marketing Service inspects all products offered under DPPSP to ensure that grade and other requirements of Dairy 7 are met before products are purchased.

13. Effect of Administrative Pay-go

There has been no impact from Administrative Pay-go on the operation of DPPSP.