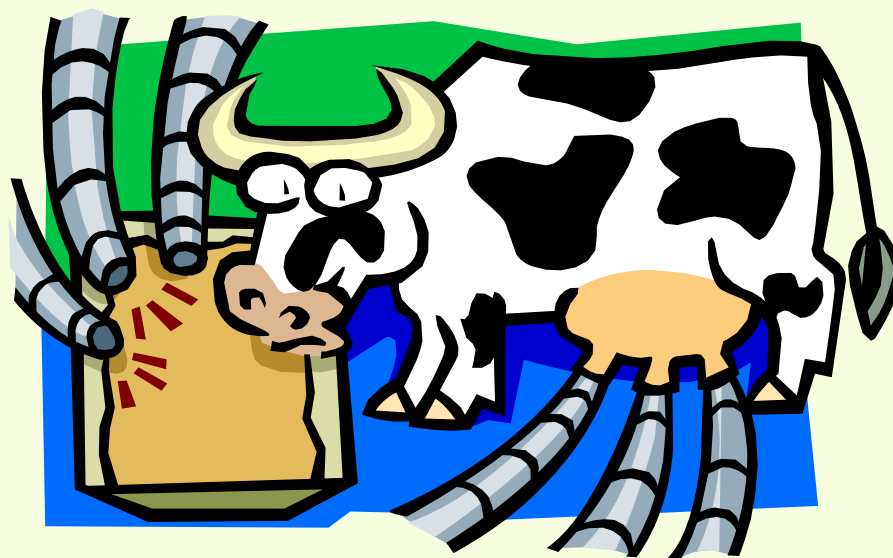


Southern Dairy Conference

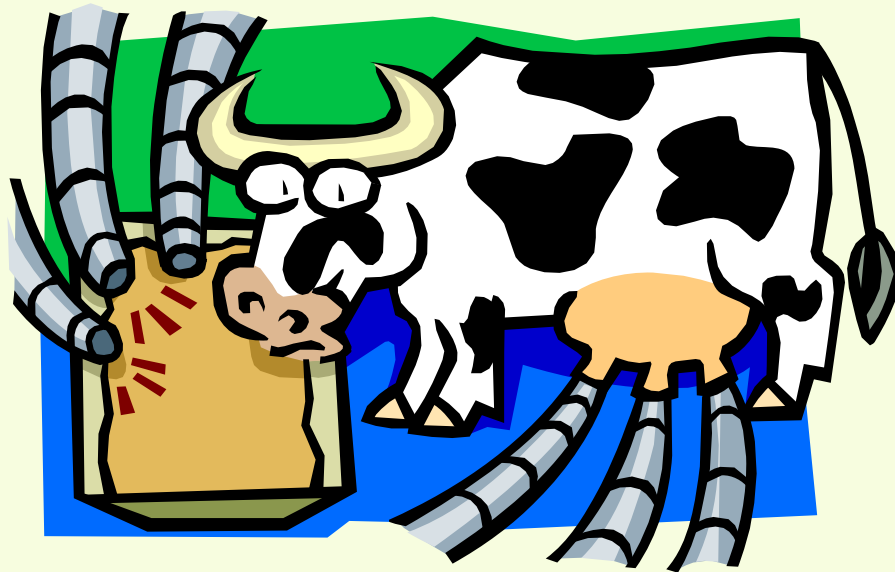
Atlanta, GA, January 31, 2007



State Dairy Incentives/
Legislation and Program Overview

The South Carolina Example

Income Tax Credit for Milk Producers



Hal Harris, Clemson University
Beth Crocker, S.C. Dept. of Agriculture

Background

- **Dairy Stabilization Bill Introduced Three Years Ago**
- **Passed House**
- **Problems in Senate, Ag. Dept.**
- **Constitutionality Questions**
- **Opposition by Processors**

Tax Credit Proposal Introduced

- Passed House, Senate, not Vetoed by Governor
- Regulations Written Effective with End of Session (2005)
- To Be Evaluated Next Year

Guts of the Plan

System of Refundable
Tax Credits

*Credits Triggered When
SC Uniform Price
(Appalachian Order Blend)
Falls Below
"Production Price"*

*Credits Earned On
Quarterly Basis.*

"Production Price" Based On:

- 1) Price of Milk in Top 5 States Importing to S.C.**
- 2) Transportation Costs from These States to S.C.**
- 3) Cost of Production in South Carolina**

Production Price

2003	\$16.19
------	---------

2004	\$15.30
------	---------

2005	\$16.02
------	---------

2006	\$16.06
------	---------

Allowable Credits

First 500,000 lb. . . . \$10,000.00

Each additional 500,000 . . . \$5,000.00

If No Taxes Due, Money is Refundable to Eligible Producers

An Example:

200 Cow Herd @ 20,000 lb./cow

Total Production 4 mil. lb.

First Increment - \$10,000

Seven Additional Increments . . . \$35,000

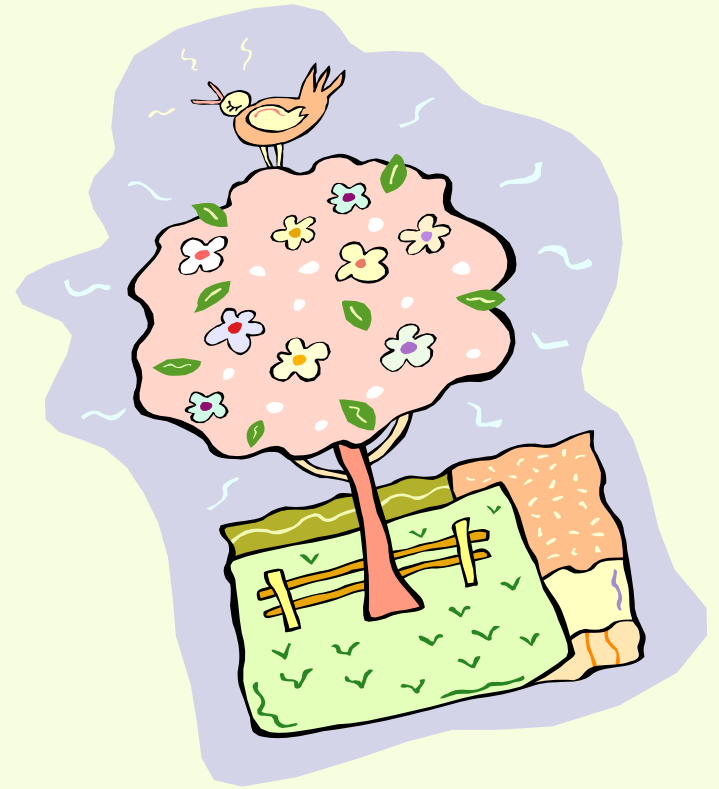
Total Credit for Entire Year \$45,000

Three of 4 Quarters . . .
\$33,750

The Future

- **Payments in 2/3 – 3/4 of Quarters**
- **“Production Price” Will Change**
- **Does Not Show Up On Budget, Appropriations Bill**
- **Modest Incentive To Expand**
- **Expansion Would Help Mailbox Price**

The Singing Bird



Payments Triggered

2003	3 Quarters
2004	2 Quarters
2005	3 Quarters
2006	4 Quarters

Payments to a 1,000 Cow Dairy @ 20,000 lb./Cow

1 @ \$10,000	\$ 10,000
39 @ 5,000	<u>190,000</u>
TOTAL	\$200,000

2005

79 Dairies Certified by SCDA
76 Qualified

Refunds 2005

Total - \$2,167,500

Per Farm - \$28,520

2006

- Certification Forms Being Filed
- Projected Credits
 - Total - \$2,800,000
 - Per Farm - \$40,000

Programs In Other States

Ongoing: Pennsylvania

Virginia

Maine

North Dakota

Nevada

California

Programs In Other States

Recent Activity:

Vermont

- 1) Task Force
- 2) Target Price Payment

Vermont Target Price

- Funded 5-6 Months Effective
July, 2006
- Target Price \$14.00
- Volume Cap \$4.8 Mil. Lb.

Vermont Target Price (Cont.)

- No Percentage - 100% of Price Difference
- Spent \$6.5 Mil. Of \$8.6 Mil. In 2006
- Governor Opposed Spending Rest, Adding Funds

Other States

Recent Activity

North Carolina

- "MILC Lite" – Not Funded
- Strategic Planning Grant

Other States

Minnesota

- Low Interest Financing,
Technical Assistance to Entry
Level Producers

Other States

Maine

- Direct Payments (\$3.9 Mil.)
- \$1.10 - \$1.50/Cwt. in 2003

Other States

Wisconsin

- \$2.4 Mil. Federal Grant
- Modernization
- Value Added

Other States

- Arkansas???
- Mississippi???