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8. Performing Organization 0016 - 2010 Agri Economics & Agribusiness Agricultural Experiment Sta, Louisiana State Univ			9. Cooperating Departments within State Performing Institution	
10. Multistate Project No.			11. Cooperating States	
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Goals/Objectives/Expected Outputs				
<p>(1) to identify and stratify recipients of refundable tax credits (RTC) into annual milk production (AMP) groups for purposes of identifying the AMP threshold levels at which to assign RTC awards for maximizing total Louisiana milk production. An expected end output is the creation of an alternative AMP-RTC schedule featuring more AMP groups meriting higher RTC levels. To realize this end output will require intermediate outputs from a synthesis of five years of analyses of AMP and RTC historical data. (2) to elicit information from producer panels for purposes of creating representative costs of production budget coefficients and descriptive socioeconomic profiles by AMP levels. Expected outputs include more sets of costs of production values reflective of the diverse population of Louisiana dairy producers and classification of producers by turnkey, established or debt-free types. Output events associated with this objective will necessitate conferences with producers and consulting with dairy extension agents in selecting the producers to be solicited for the panels. (3) to use a mathematical programming model that simulates the structure of dairy farms in Louisiana under conditions of the current and alternative AMP-RTC schedules. Expected output is a tool capable of better modeling the economics of dairying in Louisiana. As a consequence, there is an expectation for enhancements of existing policies and for the design of more effective future policies. Creating the model will entail manipulations of AMP-RTC databases. (4) to analyze the economic impacts of the current and alternative AMP-RTC schedules upon producer revenues and taxpayer outlays under relaxations of the \$30,000 producer cap and the \$2,500,000 Louisiana Dairy Refundable Tax Credit Program (LDRTCP) cap. Expected output is the realization of enhanced milk production in Louisiana without any changes in the producer or program cost caps. Necessary follow-up output associated with accomplishment of this objective is presentation of the findings to the Louisiana Commissioner of Agriculture & Forestry, members of the LDRTCP committee and legislators who will be requested to modify the original provisions of ACT 461 so as to implement a revised AMP-RTC schedule.</p>				
Methods				
<p>The assembly and creation of databases are critical to the satisfaction of project objectives. Satisfaction of objective 1 will require copies of the AMP-RTC schedules that were approved by the Louisiana Commissioner of Agriculture & Forestry (LDA&F) and submitted to the Louisiana Department of Revenue (LDR) for calendar years 2007-2011. These schedules will be used in stratifying Louisiana dairy farmers by AMP levels and in defining alternative threshold AMP levels. Following stratification of dairy farmers by AMP levels, support from dairy extension agents will be sought in identifying specific producers for inclusion in producer panels and in coordinating meeting times and places where panel members will be asked to provide information regarding</p>				



their costs of production and socio-economic profile in satisfaction of objective 2. All interviews will be in compliance and conducted according to the guidelines for human subject research. Costs of production information will be used to create coefficients for use in the mathematical programming model. The \$30,000 producer cap and \$2,500,000 cap established in ACT 461 will be used as constraints in the model. The AMP-RTC schedule will be used in establishing baseline values. The objective function will be to identify alternative AMP-RTC schedule(s) which will enhance total milk production in Louisiana within the producer and LDRTCP caps specified in ACT 461. Model outputs based on alternative AMP-RTC schedules will be analyzed relative to the baseline values. The socioeconomic data will be used to identify turnkey, established and debt-free types of producers within AMP levels to determine the influence of type on AMP at varying RTC levels so as to create information useful to the design of policies that will best enhance Louisiana's total AMP in satisfaction of satisfaction of objectives 3 and 4. Model findings will be offered to the Commissioner of the LDA&F and elected officials for their review and use in revising ACT 461 so that it provisions work to enhance total milk production in Louisiana.

23. Non-Technical Summary

Three decades of annual declines in total milk production in Louisiana have eroded the economic well-being of many Louisiana rural communities and made its populace dependent on milk imports. In 2007, the Louisiana legislature and governor enacted ACT 461 which provided RTC to Louisiana dairy farmers based on their annual milk production. Despite the RTC subsidies, Louisiana's total milk production has continued to decline over time. Some have argued that the declines would have been greater in the absence of the RTC subsidies. It has also been argued that the 500,000 pound range between AMP threshold levels and the incremental \$5,000 RTC between threshold levels constitute a design flaw in ACT 461. The practical implications of the flaw is that it limits the number of producers at any AMP-RTC level who can qualify for an additional \$5,000 RTC as a consequence of increasing their AMP to only that subset of producers closest to the thresholds of the next higher AMP level. A \$5,000 RTC will entice additional production but it is not likely to entice 500,000 pounds of production regardless of the current level of production. The objective is to maximize Louisiana's total AMP using RTC subsidies whose total annual costs are less than \$2,500,000 and whose RTC award to an individual producer cannot exceed \$30,000 annually. Since costs of production are producer unique, an additional \$5,000 RTC will entice a producer unique increase in AMP. Producer unique attributes regarding age or length of planning horizon, level of capital investment and level of indebtedness lend themselves to a classification scheme of turnkey, established and debt free types of producers. The AMP response of each type to a \$5,000 RTC will vary. The purpose of this project is to determine whether a revised AMP-RTC schedule featuring smaller RTC increments for smaller AMP increases from individual producers would increase Louisiana's total AMP within the \$2,500,000 LDRTCP cap and whether individual AMP responses are significantly greater between types of dairy farmers. Such information can be used by policy makers in redesigning the AMP-RTC provisions and for designing future policies that are more effective in enhancing Louisiana's total AMP within LDRTCP and individual producer cost constraints. Increasing Louisiana's total AMP would have the effects of increasing economic activity and thus, prosperity in Louisiana's rural areas. It would also minimize the populace's dependence on imported milk supplies.

24. Keywords

2007 Act 461 LA. Legislature ; Types of Dairy Farms; Costs of Milk Production; Annual Milk Production; Refundable Tax Credits; Dairy Subsidies; Milk Production Response; Dairy Refundable Tax Credits; Louisiana; Dairy Policy

**** The Original signed document is on file at this institution. ****

Signature	Title	Date
Dept: Admin:	 Associate Director	3/2/12