



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #144

Agricultural Producer Security Program (Agriculture, Trade and Consumer Protection)

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) administers the agricultural producer security (APS) program, which collects assessments from milk contractors, grain dealers, grain warehouse keepers and vegetable contractors on commodities accepted from farmers. The assessments are used: (a) to make payments to farmers in case the contractor defaults on payments; and (b) support administration of the program. DATCP may also use funds to purchase insurance, known as contingent financial backing, in case APS fund balances are insufficient to cover a default. Appropriations for both default payments and contingent financial backing are sum-sufficient, meaning the amounts appearing in the appropriations schedule are the best estimates of payments to be made in the biennium.

GOVERNOR

Maintain base estimates of \$2,000,000 SEG for security payments and \$350,000 SEG for premiums on contingent financial backing.

MODIFICATION

Delete \$2,150,000 APS SEG annually.

Explanation: The modification would reduce the default estimate to \$200,000 annually and contingent financial backing to \$0. The APS fund has been liable for default payments once since its inception in 2002, and total payments were \$130,400 in 2005-06. Although recent defaults have been rare, DATCP reports historical defaults since 1980 may suggest fund liabilities of up to \$416,000 per year. Further, DATCP does not expect to pursue contingent financial backing in the near future.

	Change to Bill
	Funding
SEG	- \$4,300,000

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