National Milk Producers Federation

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NMPF

October 23, 2018

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
Whitten Building
14th St. and Independence Ave., SW
Washington, D.C., 20250

Dear Mr. Secretary,

Thank you for your continued efforts on behalf of U.S. agriculture. We appreciated your efforts to quickly reopen the 2018 signup for the Margin Protection Program for Dairy, and we are ever-grateful for your advocacy on agricultural trade, which is crucial to the economic health of our industry.

We also applaud your desire to aid farmers through USDA's tariff mitigation program. However, our members are greatly concerned about the level of aid that was provided in the initial effort, and we would like to share those concerns with you.

As you know, U.S. dairy farmers have endured low prices for several years. The average price we received from 2015 to 2017 was 18 percent below the average price received from 2011 to 2014. During the first half of 2018, prices were even lower than their average during the same period over the previous three years. But we were pleased when futures markets this past spring indicated that prices would improve later this year, rising well above second-half prices of the previous three years.

This optimism was dashed when relations with several major trading partners were first disrupted in late May. Futures made an abrupt about-face after Mexico, China, and other nations announced retaliatory tariffs on U.S. dairy imports. Because of those actions, second-half prices this year will end up well below those of the previous three years.

NMPF has thoroughly analyzed the deteriorating milk-price outlook and the corresponding income loss. We compared the CME dairy futures-based outlook for milk prices through the end of 2018, based on the settlement prices in late May, just before retaliatory tariffs were announced, with those about a month later, when tariffs against U.S. dairy exports had been thoroughly incorporated into market expectations. The expected impact of the retaliation, by our initial analysis, resulted in roughly $1.8 billion in lost revenue for producers during the second half of 2018. This initial estimate has improved slightly to about a $1.5 billion loss to dairy farmers based on the most recent futures market settlements, as further information has been processed by market participants.

NMPF is not alone in this assessment. USDA's own monthly World Agricultural Supply and Demand Estimates (WASDE) showed a drop in its forecast milk prices for the full 2018 calendar year of $0.70/cwt., a loss in dairy farm income of $1.5 billion for the year, between its June and July monthly updates.

Two further studies using economic modeling to estimate the impact of the retaliatory tariffs found similar results. The first, by Informa Agribusiness Consulting, estimated that the tariffs would lower U.S. dairy farm income by $1.5 billion for the full year 2018. The second, by the Center for North American Studies at Texas A&M University, estimated an annual loss of $1.17 billion.

These estimates show that farmer losses from the tariffs will notably exceed $1 billion in 2018. Significant income losses will continue if they stay in place.

As farmers, we appreciate the President's sincere desire to help. Still, the USDA's approach has resulted in only $127 million in market facilitation payments, or $0.12/cwt., on one-half of our annual production. Based on the analyses outlined above, this falls far short of the losses dairy producers have faced.

The Department has indicated that a second payment may be made this year. We are eager to work with you on a plan that better reflects the struggles dairy producers across the country have faced due to the tariffs. We are grateful for the ongoing dialogue we have with you and your team.

Thank you for considering the critical implications of these trade challenges for us as dairy farmers and cooperative owners.

Sincerely,

Randy Mooney

Randy Mooney
Chairman