Testimony of Mrs. Lynda Foster
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Field hearing in Manhattan, Kansas

On behalf of the
National Milk Producers Federation and Dairy Farmers of America
February 23, 2017

Mr. Chairman, Ranking Member Stabenow, members of the Committee, my name is Lynda Foster. Along with my husband and son, I own and operate Foster Dairy, located in Ft. Scott, Kansas.

Foster Dairy has been in operation since the late 1940's. We milk 170 cows and farm approximately 750 acres of corn, soybeans, alfalfa and grass hay.

I am a third generation dairy farmer and have been dairying all my life. I majored in dairy production at Kansas State University, met my future husband there, and we returned to the farm in 1978 to farm in partnership with my parents, Conrad and Beverly Davis. We took over the farm on our own in 1999, and our son and his wife joined us in the operation approximately ten years ago. I am proud to be able to continue the tradition of producing safe, nutritious food and working with the next generation.

I am also proud to be a spokesperson for good nutrition and about modern agriculture. Throughout my career I have served in several leadership roles in the Kansas Farm Bureau, Kansas Dairy Association, local and regional dairy promotion entities, and I am serving my last year of six on the National Dairy Research and Promotion Board.

I am pleased to be delivering testimony, not just on my behalf, but also for my cooperative, Dairy Farmers of America, and that of the National Milk Producers Federation (NMPF). Only by working together – farmer, milk marketing cooperative and national trade advocacy organization – can we move forward to make real changes in dairy policy in the next Farm Bill.

Introduction and Margin Protection Program

Over the past few years, dairy farmers across the country have faced a number of financial challenges. In 2014, Congress passed legislation establishing a new safety net under Title I for dairy farmers. During the legislative process, changes were made to the original dairy program designed by NMPF and other dairy leaders around the country. Unfortunately, the safety net, known as the Margin Protection Program for Dairy Producers (MPP), has failed to provide the level of protection envisioned in the original program.

Like many farmers, I was supportive of the MPP and thought it would finally give our farm a tool to manage the extreme volatility we had experienced in the market. In the first year, I, like many others, signed up for the program and purchased supplemental coverage at the $6.00 level.

Also like others, since that first year I have only enrolled at the minimal $4 margin level, which to be perfectly honest, Senator, is meaningless. MPP remains the right model for the future of our industry, but changes are needed if Congress wants to provide relevant tools to our sector.

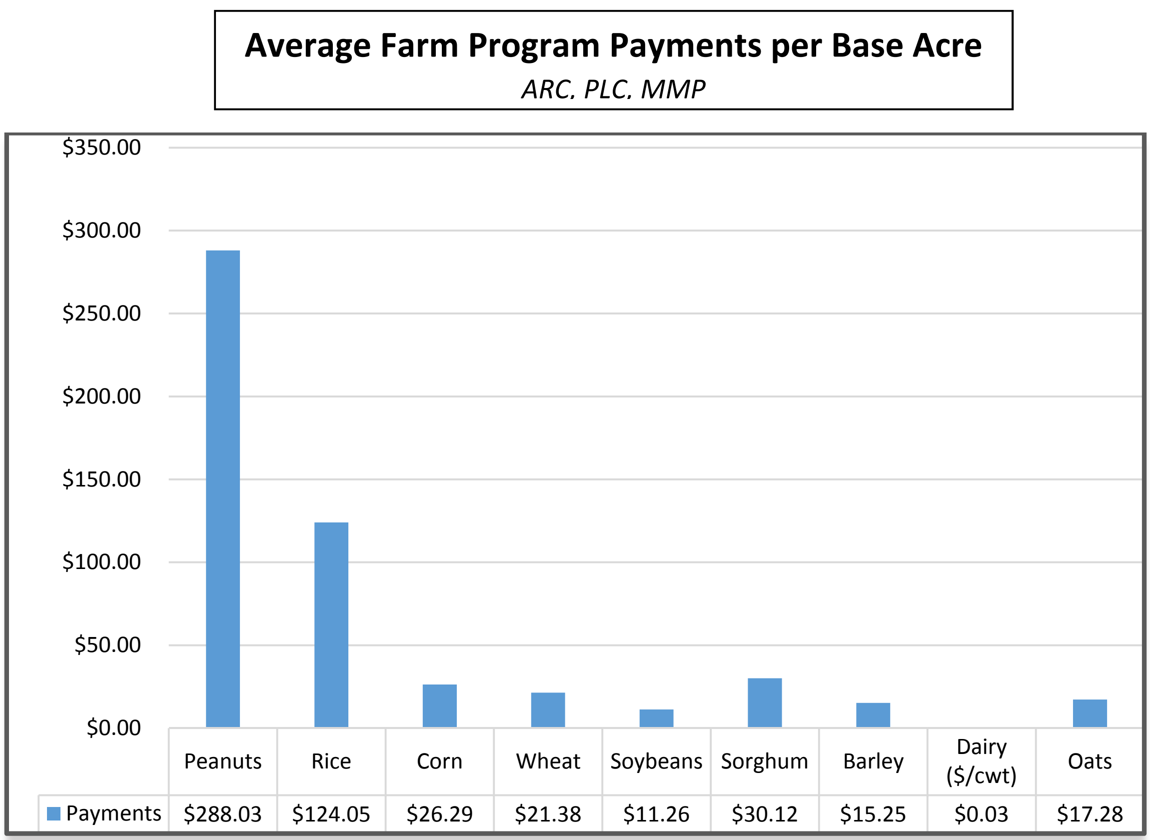
Unfortunately, many dairy farmers participating in the MPP have become disenchanted with the program. In calendar year 2015, dairy farmers paid $70 million into the MPP program and received $730 thousand. In 2016, those figures were $20 million and $13 million, this was particular hard in a year where more program support was needed.. Let me be clear, I understand that MPP has two components: a true, free safety net and then a risk management tool. We are not asking for a program that provides a profit to producers, neither do we want a program that will enhance or incentivize production. However, the changes that were made to the original MPP by Congress diluted the real costs that farmers face every day and diluted the effectiveness of the program. If MPP was more reflective of the true costs I saw on my farm, I believe active participation would rise dramatically.

In fact, since its inception, MPP has actually made the government a profit, equal to $66 million in fiscal year 2015 and $37 million in fiscal year 2016, according to the Congressional Budget Office. All we are seeking is a program that provides a safety net for dairy farmers when they need it most – something that delivers on the risk management promises dairy leaders and Congress committed to. In order to do that, we must make adjustments to the program.

Given the concerns that producers have expressed since the program's inception, the NMPF has embarked on a review of the program Congress enacted. As the voice of America's dairy farmers in Washington, DC, NMPF represents the vast majority of producers across the country. The NMPF process began in early 2016 and has included the voice of dairy farmers and the dairy cooperatives they own, as well as industry experts, academia and others to ensure proposed changes to MPP will provide the protection to farmers that is expected from a Farm Bill.

As we consider ways to improve MPP, one issue in particular continues to rise to the surface. When USDA determines the margin for dairy farmers under MPP, there are two factors - the "All Milk Price" and feed costs. The former is a definite number, reflecting a long-reported price for all milk sold by farmers in the United States for processing into different dairy products. We need to work with USDA to better understand how this reported price reflects, on average, what dairy farmers received in their check. The latter, though, is more concerning. During the lead-up to the 2014 Farm Bill, NMPF worked closely with economists, veterinarians, nutritionists and farmers to develop a model for average feed costs for dairy cows. This process took nearly a year and included industry experts who understand the real cost of feeding cows. When NMPF presented this information to Congress, the formula, while respected as being accurate, was cut by 10 percent. This cut resulted in a skewed margin program, a flawed calculation for MPP and a much less useful program. For example, in the period of May through June 2016, the MPP margin was reported to be $5.76 per cwt. Had the original, more accurate, feed cost formula been in the law, the margin would have been $4.77 per cwt, enabling a much larger group of financially-stressed producers to benefit from MPP. As a result of this change, a number of farmers who purchased higher coverage levels in 2015 did not opt to do so in 2016 because of the likelihood of no payment during times of need.

There are other adjustments that should be considered regarding MPP. These include, but are not limited to, the feed formula calculations as it relates to corn and alfalfa hay prices. We dairy farmers also want to have access to as many tools as possible. Unlike other sectors in agriculture, Congress arbitrarily limited the ability of dairy producers to use Risk Management Agency (RMA) products as well as Title I programs. Although all other commodities can use both RMA and Title I programs without any restrictions, dairy farmers cannot used the Livestock Gross Margin for Dairy Cattle (LGM) program, which remains a popular tool for producers. Due to restrictions in MPP, a producer must decide at the beginning of the Farm Bill cycle whether to cover their milk under LGM or the MPP. This restriction leaves dairy farmers without the tools that other farmers have at their disposal regarding federal support for their operations. As stated above, I have more tools available to manage risk on my corn acres. I can participate in both Title I programs as well as crop insurance programs to protect my business. I do not have the same opportunity for my dairy. In fact, a look at an analysis of 2014 Farm Bill programs for major commodities demonstrates that dairy program costs are miniscule.



The above graphic is startling and demonstrates why improvements to dairy support programs are necessary to ensure that dairies of all sizes and in all regions have tools to weather challenging financial times.

Dairy Market Situation

For the past decade, times have been generally tough for America's dairy farms. In 2009, following several years of expanding U.S. dairy exports, world dairy markets collapsed in the worldwide recession, taking domestic milk prices with them. Farm income over feed costs, as measured by the MPP margin formula, fell to $2.25 per hundredweight of milk in June of that year, well below the $4.00 minimum margin coverage level, which is commonly referred to as "catastrophic" under the current program. The MPP margin formula averaged $3.87 per hundredweight during the first ten months of the year. Three years later, widespread drought drove feed prices to historic highs in 2012 and sent the MPP margin back into catastrophic territory.

The margin bottomed out at $2.67 per hundredweight that year and averaged $3.63 during the six months of March through August. Many dairy farms did not survive this one-two knockout punch, and the many that did are still struggling to recover. Although 2014 was a record year for milk prices and margins, world markets again collapsed in 2015 and most of 2016, which had a large effect on U.S. milk prices and gross dairy farm income. Revenue from milk sales dropped from $49.4 billion dollars in 2014 to $35.7 billion in 2015. U.S. Department of Agriculture (USDA) data indicates that it was down again in 2016 to $34.4 billion dollars.

The value of the fresh milk America's dairy farmers produced in 2016 was worth 19 percent less than it averaged over the five previous years. The difficult economic conditions and tighter operating margins over the last 10 years have resulted in the loss of more than 18,500 dairy farms in the United States. The present environment of depressed market prices could result in even more farm closures. While USDA is projecting that milk prices and margins will be better in 2017 than last year, milk production is showing signs of expansion following an extended period of almost static production. U.S. milk production grew by 1.3 percent from 2014 to 2015. This annual growth rate expanded to 1.6 percent from 2015 to 2016, but averaged 2.4 percent during the fourth quarter. USDA is currently projecting that milk production will grow again this year at an annual rate of 2.3 percent. During 2015 and 2016, total commercial use of milk, in both the domestic and export markets, increased at an annual rate of 1.8 percent. The recent and projected expansion of milk production has a real possibility of outpacing demand, which will weigh heavily on milk prices again.

Finally, dairy farmers deserve better. We need Congress to act swiftly this year and make the necessary changes in order for our industry to be able to protect ourselves from the bad year that could arrive at any time, even in years where experts are predicting higher margins. We dairy farmers are doing our job. We are producing safe, nutritious milk for the market. If that market goes sour or our costs soar because of drought, we must have the ability to protect our equity and our investment. Please do not leave us behind. Act now.

Farm Labor

I am lucky that the majority of my farm's labor needs are met with family laborers. Until very recently, we had only one full time hired hand. She made up 25 percent of my labor force. We have recently hired a part-time employee to help us through a family health-related issue. The issue of farm labor is important whether you are a dairy of my size or one like my colleagues in southwest Kansas, where farms are milking thousands of cows. No one here in Manhattan, in any corner of town, is hoping to one day secure a job milking cows. In all my years in agriculture, I have witnessed a decreasing interest, not increasing interest, in careers on the farm. These agricultural jobs pay well and come with benefits. Additionally, they are located in a great part of the country! We try in vain to find interest by American workers, but dairy farmers, like others in agriculture, have had to look to qualified foreign-born workers to meet our labor needs.

According to a University of Texas A&M report, released in August 2015 (and conducted in coordination with NMPF), 51 percent of all dairy farm workers are foreign born, and the farms that employ them account for 79 percent of the milk produced in the United States. How are dairies like mine, or any others, supposed to operate if we do not have access to a reliable workforce? In dairy, we cannot turn the cows off when there are not enough employees to do the job, we have to milk them. This is the reason that NMPF and my cooperative, Dairy Farmers of America, have urged Congress to act immediately to reform our immigration system in a manner that addresses agriculture's needs for a legal and stable workforce. I fear that if we don't, we as a country will have to face the reality that the term, "Made in America," will not apply to the milk you drink or the cheese you eat. I believe that in the future, the milk U.S. consumers enjoy will be milked by foreign-born workers. The question is, are they milking cows here in Kansas or are they doing it in their home country?

The new plant DFA is building in Garden City, Kansas will benefit all of us here – and farmers all over the country, as most of the product will be exported. To keep the plant filled, southwest Kansas dairy farmers will have to maintain milk production. How can they do that with their current labor strain?

My family decided to address part of our labor needs by purchasing robotic milkers. These milkers allow me to spend time on other parts of my operation. This was the only solution we could come up with – but it is expensive and complex. I hope the investment is worth it in future net savings. Additionally, my answer is not the answer for all dairy farmers. The larger farmers in southwest Kansas likely do not have the right infrastructure on their operation to use this technology. For once, this is a technology where smaller farmers are the target for adoption.

Trade

The dairy industry has come a long way on trade in the past several years. Our nation has gone from exporting dairy products valued at less than $1 billion in 2000 to exporting a record $7.1 billion in 2014, an increase of 625 percent. Although low prices brought that number closer to 5 billion last year, we remain the largest exporter of skim milk powder, whey products and, depending of the month, the number one exporter of cheese in the world. That reflects not just a tremendous jump on a value basis, but also a dramatic increase in the proportion of U.S. milk production that's finding a home overseas.

Fifteen years ago we were exporting roughly five percent of our milk production, now we are at three times that level, even as overall U.S. milk production has continued to grow. That means the equivalent of one day's milk production each week from the entire U.S. dairy industry ultimately ends up overseas, making exports integral to the health of my farm and our dairy industry at large. It is critical that Congress protects the progress we have made as the Administration updates trade agreements like the North American Free Trade Agreement (NAFTA).

I also urge a strong rejection by Congress of the European Union's (EU) aggressive stance on confiscating common food names. Names like Parmesan and Feta belong to everyone, not just a handful of producers in Italy and Greece. Our industry has built markets here and overseas. We need to protect those markets. We can be competitive and increase sales in markets as diverse as Latin America, the Middle East and Asia. What we need are well-negotiated agreements and the necessary tools to achieve and implement them.

The Market Access Program (MAP) and Foreign Market Development (FMD) program are some of those tools. I urge the Committee to maintain those programs, but allow for USDA to review the distribution of monies so those like dairy, that have expanded exports significantly in the last 10 years and are matching with funds and efforts, are awarded by providing enough funds to continue the work.

Environmental Sustainability

Farmers are the original environmentalists. As a dairy farmer, I care deeply about the land, air and water that I raise my herd and my family on. In recent years, however, federal and state regulators have applied significant pressure on the dairy sector to reduce nutrient output to improve water quality in dairy-producing regions across the country. We, as an industry, have invested significant resources to proactively respond to this challenge, and we continue to work to embrace the best possible environmental practices. In 2008, the dairy industry voluntarily set a goal of reducing greenhouse gas (GHG) emissions from fluid milk by 25 percent by 2020, and has since undertaken several projects intended to help meet that goal.

In a demonstration of continued leadership, the dairy industry is seeking proactive policy solutions that will help turn an environmental liability, such as manure, into a valuable asset. To that end, we are grateful to you, Chairman Roberts, for partnering with Senator Brown in the last Congress to put forward the bipartisan Agriculture Environmental Stewardship Act. This legislation creates an Investment Tax Credit to cover the upfront capital costs of nutrient recovery and biogas systems, which can play an important role in reducing the environmental impacts of dairy farming and, in turn, improve water quality in every region. We look forward to working with you again this year to introduce, gain support for and pass this legislation.

Like other sectors of the economy, dairy farmers are impacted by political, legal and regulatory uncertainty. Producers are committed stewards of a healthy ecosystem, but we need certainty regarding the application of environmental policies and regulations to their operations. In this context, we support the bipartisan Farm Regulatory Certainty Act, which is pending in the House and soon forthcoming in the Senate. This act is intended to reaffirm the intent of Congress that dairy farmers and other agricultural producers were not to be subject to solid waste laws passed more than four decades ago. As dairy farmers, we strive to comply diligently with any law we are subject to, but legal and regulatory certainty is critical to our efforts in this regard.

Child Nutrition

I want to thank you for your work in the last Congress with Senator Stabenow and others to reauthorize child nutrition programs. As you know, Child Nutrition programs in schools serve as part of the backbone of America's education policy. As a mother and grandmother, I know when my kids are well fed they are more productive, more responsive and more active. As an advocate for balanced diets and good nutrition for the nation's youth, I know that milk has been a key piece of meals served in schools, even predating the current school breakfast, lunch and dinner programs. However, recent changes made by the Obama Administration precluded schools from having access to a variety of dairy beverages based on outdated science regarding milk fat.

Mr. Chairman, when you and millions of other Americans go to the grocery store, surveys show that you are likely to purchase 2 percent or whole milk. You have a choice to make between the various products. When children go to school they do not have that same choice, despite the widely recognized benefits of all milk. They are limited to three options: skim white milk, skim flavored milk or 1 percent white milk. This is not the milk they drink at home, and they are unlikely to do so when they go to school. When you have a product like milk that provides nine essential nutrients and vitamins, and that even the folks at USDA say is under-consumed, an important question must be asked. If the point of school meal programs are to provide the nutrients and sustenance children need, why eliminate the option of nutrient rich, healthy foods like 1 percent flavored milk or 2 percent milk if children simply throw away what they are currently served? The science tells us that expanding options for schools to offer milk that will help children meet their nutrient requirements is a good nutrition policy and good public policy and it should be addressed by this Committee. In fact, even former Secretary of Agriculture Tom Vilsack testified before the House Education and Workforce Committee (June 16, 2015) on the issue of expanding milk options for schools, stating "if adding that option [1 percent flavored milk] would encourage kids to drink more milk, we should do that."

Mr. Chairman and members of the Committee, I appreciate the opportunity to share the thoughts and concerns of those in the dairy industry with you, and I look forward to your questions.