



National Milk Producers Federation

2107 Wilson Blvd., Suite 600, Arlington, VA 22201 | (703) 243-6111 | www.nmpf.org

April 17, 2018

Agri-Mark, Inc.
Associated Milk Producers Inc.
Bongards' Creameries
Cooperative Milk Producers Association
Cortland Bulk Milk Producers Cooperative
Dairy Farmers of America, Inc.
Ellsworth Cooperative Creamery
FarmFirst Dairy Cooperative
First District Assoc.
Foremost Farms USA
Land O'Lakes, Inc.
Lone Star Milk Producers
Maryland & Virginia Milk Producers Cooperative Association
Michigan Milk Producers Association
Mid-West Dairyman's Company
Mount Joy Farmers Cooperative Association
Northwest Dairy Assoc.
Oneida-Madison Milk Producers Cooperative Association
Prairie Farms Dairy, Inc.
Premier Milk Inc.
Scioto County Cooperative Milk Producers' Association
Select Milk Producers, Inc.
Southeast Milk, Inc.
St. Albans Cooperative Creamery, Inc.
Tillamook County Creamery Association

The Honorable K. Michael Conaway
Chairman
Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Collin C. Peterson
Ranking Member
Committee on Agriculture
U.S. House of Representatives
1305 Longworth House Office Building
Washington, DC 20515

Dear Chairman Conaway and Ranking Member Peterson:

Dairy farmers and the cooperatives they own continue to endure a period of prolonged economic distress. Milk prices have remained stagnant, export market challenges abound, and several of the major dairy states face an ongoing processing capacity crunch as supply continues to outpace demand. This year, dairy farmers are expected to see a double-digit decline in cash receipts according to the U.S. Department of Agriculture (USDA). The dairy industry is pursuing multiple solutions to these complex and varied challenges, but on-time reauthorization of the Farm Bill is critically important in this context.

With all of this in mind, we are pleased that the House Agriculture Committee is moving forward to consider the 2018 Farm Bill (H.R. 2). As part of this process, we appreciated the opportunity to testify before you just over a year ago to present and discuss our priorities for revamping the dairy safety net, and we are grateful that several key elements of our proposal are reflected in the Committee's bill. Below we will detail our views on numerous provisions of interest to the dairy industry.

Title I – Dairy Safety Net and Risk Management

NMPF developed the Margin Protection Program for Dairy (MPP) through a deliberative, grassroots process in response to the dairy financial crisis of 2009. The program allows farmers to insure against low margins – the gap between milk prices and feed costs – with participants paying higher premiums for higher levels of coverage. During consideration of the last Farm Bill, Congress accepted NMPF's proposal as the template for the dairy safety net program, but the enacted version was modified such that it fell short of providing the protection required of an effective farm safety net.

We re-convened our Economic Policy Committee nearly two years ago to begin the process of formulating our priorities for this Farm Bill. At the outset of deliberations, our members agreed on a core principle: MPP is the right program for dairy's future but Congress must reform the program so that it provides the effective, meaningful coverage for producers that it was originally intended to provide. It is no secret that the program has not worked well for dairy farmers, and we have made it a top priority to solve the problems inherent in the program.

Ultimately, our Economic Policy Committee deliberated over a period of several months and developed a series of recommended improvements that were unanimously adopted by our Board of Directors in March 2017. Our proposal included four core elements:

- Providing meaningful coverage to ALL producers, either by restoring the ten percent cut made to the proposed feed cost formula or adjusting the coverage levels upward;
- Making premium rates more affordable, while taking care not to stimulate excess milk production;
- Calculating margins on a monthly basis, rather than bi-monthly, to better reflect volatility and make the program more responsive to producers; and
- Expanding dairy producer access to additional risk management tools, by removing the cap on livestock insurance products and other statutory restrictions.

Fortunately, a number of these proposed reforms were enacted into law earlier this year and, as a result, USDA has re-opened the MPP sign-up period for 2018. We are hopeful that dairy producers will look carefully at their options under the improved program, given the likelihood that margins will remain low for much of this year.

However, NMPF has stated repeatedly that more needs to be done to strengthen dairy policy. As your Committee has developed the 2018 Farm Bill, we have appreciated the opportunity to work closely with you to make further improvements to MPP and enhance dairy producer access to other risk management tools, such as the Livestock Gross Margin-Dairy (LGM) program.

To that end, we are pleased that the 2018 Farm Bill includes several reforms to MPP which we have advocated for, including:

- Adjusting the program's top coverage level up from \$8.00 to \$9.00 for every dairy farmer's first five million pounds of covered production, to provide more meaningful coverage to help account for deficiencies in the feed cost formula;
- Removing the requirement that producers enroll a minimum of 25 percent of their production history in the program, which is critically important to giving larger producers greater flexibility to use the program more equitably;

- Maintaining further reduced premium rates for every producer's first five million pounds of production, to better enable dairy farmers to afford the higher levels of coverage that will provide more effective protection against low margins;
- Preserving monthly margin calculations under the program for ALL producers; and
- Requiring the USDA's National Agricultural Statistics Service to revise monthly survey reports to include prices for high-quality alfalfa hay, to reflect that dairy cows are fed higher-quality hay than other animals.

We also support provisions in the bill to give producers greater flexibility to access additional risk management tools. H.R. 2 expands on the removal of the annual \$20 million cap for all livestock insurance products, including LGM, which was enacted earlier this year. Specifically, the bill allows producers to participate in both MPP and LGM, provided that the programs do not cover the same milk production. This change, combined with the above-mentioned removal of the requirement that producers enroll 25 percent of production history in MPP, will help farmers to obtain more affordable, flexible coverage under both programs.

Lastly, we commend the Committee for incorporating the provisions of an unprecedented agreement reached last year between NMPF and the International Dairy Foods Association to improve the price risk management of fluid milk while preserving the farm-level revenue that the Class I formula generates for producers under the Federal Milk Marketing Order system.

We are pleased that this suite of provisions enjoys strong bipartisan support. The language of the bill was embodied in the Dairy Risk Management Act (H.R. 5462) as recently introduced by Ranking Member Collin Peterson (D-MN), and numerous Committee members on both sides of the aisle have prioritized dairy policy reform and many of the provisions herein, including Vice Chairman Glenn 'GT' Thompson (R-PA) and Representatives John Faso (R-NY), Ann Kuster (D-NH), Bob Gibbs (R-OH), Tim Walz (D-MN), Roger Marshall (R-KS), Tom O'Halleran (D-AZ), Vicky Hartzler (R-MO), Dwight Evans (D-PA), Neal Dunn (R-FL), Rick Nolan (D-MN), Rodney Davis (R-IL), Sean Patrick Maloney (D-NY), and Ted Yoho (R-FL).

As the process moves ahead, we look forward to continuing to work with you on a bipartisan basis to further strengthen the dairy safety net for producers of all sizes. To that end, we thank Representatives Jeff Denham (R-CA) and Jim Costa (D-CA), both supporters of dairy reform, for highlighting potential additional improvements.

Title II – Conservation

The Conservation title of the Farm Bill helps producers access technical and financial assistance to carry out multiple conservation practices on their land and water. Dairy producers utilize multiple programs under this title, so we are heartened by the continued support they receive as well as several adjustments.

Importantly, H.R. 2 reauthorizes the Environmental Quality Incentives Program (EQIP), a working lands program that provides farmers with voluntary, incentive-based assistance to implement numerous land management practices. NMPF is pleased that the Farm Bill increases funding for EQIP to \$3 billion per year over the life of the bill, and we look forward to working with Congress and USDA to ensure that dairy producers can maintain and expand their access to this critical conservation program.

Within EQIP, Conservation Innovation Grants (CIG) are a subset intended to stimulate development and adoption of innovative technologies and approaches. We support provisions in H.R. 2 to enable USDA to enter into agreements with producers under CIG for on-farm conservation trials to test new and innovative technologies for three or more years. To further strengthen this language, we support an amendment authored by Representative Mike Bost (R-IL) to include nutrient recovery systems in this new setup. The dairy industry has invested significantly in tackling water quality challenges, and nutrient recovery systems help to solve these problems by transforming manure into stable fertilizer for crops, bedding for cows, and fuel and electricity for farms and nearby homes. The systems embody various approaches, using physical and chemical processes and centrifugal technologies to recover small nutrient particles from manure.

H.R. 2 also reauthorizes the Regional Conservation Partnership Program (RCPP), a competitive, merit-based program that funds targeted conservation projects developed at the local level. The program targets projects towards regions that are facing significant regulatory pressures, such as the Chesapeake Bay Watershed and the Great Lakes Region. We are pleased that the bill provides \$250 million per year for RCPP over the life of the bill, and we look forward to working with Congress to further reform the program as the Farm Bill moves forward.

The Farm Bill also makes important reforms to program delivery in the Conservation title. Specifically, NMPF supports language to help producers better access conservation programs by giving farmer cooperatives and other agricultural stakeholders a clear role in delivering conservation programs as Technical Service Providers. The language in H.R. 2 is based on the bipartisan Nutrient Management Technical Service Provider

Certification Act (H.R. 5048) introduced by Reps. Bost and Darren Soto (D-FL) and will help to address the high demand for USDA technical assistance amid limited resources.

Finally, NMPF is pleased that H.R. 2 restores waiver authority for conservation programs from adjusted gross income requirements. Putting this much-needed provision back in place will better enable larger dairy producers to access EQIP and other important conservation programs. NMPF looks forward to continued collaboration with Congress on the Conservation title as the Farm Bill process continues, with the goal of continuing our emphasis on producer access and nutrient recovery solutions.

Title III – Trade

The dairy industry has made great strides on trade since the turn of the century. 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. We are the largest global exporter of skim milk powder, whey products, and, depending on the month, the number one exporter of cheese in the world. This is a tremendous increase not simply on a value basis, but also in the percentage of U.S. milk production that finds a home overseas. Put simply, today, the equivalent of one day's domestic milk production each week ultimately ends up in export markets.

Therefore, the trade promotion programs authorized and funded in the Farm Bill are of critical importance to dairy farmers and their cooperatives. H.R. 2 combines existing programs into the International Market Development Program and ensures that within this umbrella, the Market Access Program will continue to receive at least \$200 million per year and the Foreign Market Development Program will continue to receive at least \$34.5 million per year. NMPF applauds this continued support for trade promotion and commends Representatives Dan Newhouse (R-WA) and Chellie Pingree (D-ME) for leading bipartisan efforts to advocate for these programs.

Title IV – Nutrition

NMPF understands that the Nutrition title will be the subject of much debate and discussion as the Farm Bill process continues down the road to sending a bipartisan, bicameral bill to the President's desk to be signed into law. However, we are grateful for the efforts in H.R. 2 to promote additional fluid milk purchases through retailer-funded incentive pilot projects. Milk is the primary source of nine essential nutrients in a child's diet. Nutrition Subcommittee Chairman Thompson has been a vocal advocate for increasing milk consumption throughout our population. We appreciate his

leadership and look forward to continued work with him and others in Congress to increase demand for nutritious dairy products as this process continues.

Title VI – Rural Development

The Rural Development title includes a variety of important provisions to help farmers and their neighbors that are facing difficult times in the agricultural economy.

NMPF is pleased that H.R. 2 includes the bipartisan STRESS Act (H.R. 5259) authored by Representatives Tom Emmer (R-MN) and O’Halloran to reauthorize the Farm and Ranch Stress Assistance Network (FRSAN), first created in the 2008 Farm Bill. FRSAN can provide grants to extension services and nonprofit organizations to assist producers who are facing greater stress now more than ever due to the continued downturn in the farm economy. Eligible programs can include farm helplines and websites, community outreach and education, support groups, and home delivery of assistance.

Additionally, access to health care continues to be a significant challenge in rural America. Accordingly, we appreciate that the Committee has recognized this challenge by including provisions in H.R. 2 to create a loan and grant program to assist in the establishment of agricultural association health plans.

Finally, NMPF has long supported the Rural Energy for America Program (REAP), which provides financial assistance to farmers to purchase and install renewable energy systems, including methane digesters which use manure and other organic wastes to produce baseload electricity and give dairy farmers a unique environmental stewardship opportunity. NMPF commends the reauthorization of REAP in H.R. 2 in tandem with the bipartisan advocacy led by Reps. Bost and Walz, and looks forward to working with Congress to secure funding for the program during the Farm Bill process.

Title X – Crop Insurance

As NMPF works to expand the availability of risk management options for dairy farmers, we recognize that many of these options, including LGM, will be administered and operated under the umbrella of the federal crop insurance program as run by the Risk Management Agency. Therefore, we support the continued commitment to crop insurance in H.R. 2 as a tool of growing importance to dairy farmers.

Title XI – Miscellaneous

NMPF applauds the Committee's work to establish the National Animal Health Vaccine Bank within H.R. 2 to focus specifically on combating Foot-and-Mouth Disease (FMD). The Bank receives \$150 million in mandatory funding in Fiscal Year 2019. FMD is a severe and highly contagious viral disease that can spread quickly and cause significant economic losses. Millions of livestock, including dairy cows, move around the country every day, so it is unlikely that an FMD outbreak would be small and localized. In addition, our competitors overseas have well-funded and stocked FMD vaccine banks, so the establishment and funding of this Bank is critical from multiple perspectives.

We also support the continued funding for the National Animal Health Laboratory Network, which receives \$30 million in mandatory funding for Fiscal Year 2019.

In conclusion, we recognize that the process of completing each Farm Bill is long and complex, with many twists and turns in the road. However, given the ongoing challenges facing our dairy producers and others in agriculture, we believe it is critical that a new bill be enacted into law on time by September 30.

Therefore, we are pleased that you are moving forward to debate, amend, and ultimately report the 2018 Farm Bill to the full House. Committee action is an important first step, and as the process continues, we look forward to continuing to work with you and your Senate counterparts to complete work on a bipartisan, bicameral bill that can be signed into law by the President before the current law expires.

Thank you for your steadfast commitment to rural America and for your ongoing, diligent work.

Sincerely,



Jim Mulhern
President & CEO