



National Milk Producers Federation

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Agri-Mark, Inc.
Associated Milk
Producers Inc.
Bongards' Creameries
Cooperative Milk
Producers Association
Dairy Farmers of
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FarmFirst Dairy
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Producers
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Michigan Milk
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Creamery Association
United Dairymen
of Arizona
Upstate Niagara
Cooperative, Inc.

January 25, 2019

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Secretary Perdue:

Thank you for your commitment to expeditious implementation of the dairy provisions of the recently-enacted Agriculture Improvement Act of 2018. As we have communicated in several different contexts, dairy farmers have just completed a fourth consecutive year of depressed milk prices and are facing an uncertain outlook for 2019. We believe that the significant dairy policy reforms we worked successfully with Congress to enact in the new farm bill will be critically important to helping farmers better manage difficult periods of low margins.

With that in mind, we urge you to make sign-up for the new Dairy Margin Coverage (DMC) program a top priority for the agency. The new program gives dairy farmers access to higher coverage levels at affordable premium rates, building upon key reforms to the program made in last year's Bipartisan Budget Act, and provides producers with important new flexibility to adopt multiple approaches to risk management. Because the dairy provisions of the law simply modify the pre-existing margin program it is clear from Congress' direction that USDA can move forward to enact the new provisions without conducting a formal rulemaking process. We encourage you to utilize this flexibility to help add momentum to the process, especially in light of the fact that the government shutdown has delayed the Department's ability to proceed.

Given the range and magnitude of improvements, we urge that the 2019 sign-up period provide producers with the time necessary to understand the new program, talk with their local Farm Service Agency (FSA) offices, and make the critical decisions needed to secure the coverage that best suits their operation. We are pleased that under the law, farmers can obtain coverage effective January 1, 2019 and look forward to working with you and your team to finalize the program.

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In addition to the sign-up itself, we are eager to work with you on the issues below related to DMC implementation.

Decision Tool & Producer Education Efforts. Since the law sets aside funding for implementation of the updated commodity programs, we request that some of these funds be used for producer education efforts and necessary updates to the existing decision tool to ensure that producers have early access to this very effective information source. As part of the process of updating the Department's resources for dairy producers, we suggest setting up a one-stop portal page that links to the full range of available programs, given the new flexibility afforded to dairy farmers under the farm bill.

Refund of Net Premiums Paid. As you know, the law enables all producers to receive a 75 percent credit on their net premiums paid in 2014-2017 under the Margin Protection Program (MPP) for use toward future premium payments in the DMC, or a refund of 50 percent of their net premiums paid. Given the ongoing financial pain that producers have endured, we request that you promptly inform all producers of the amounts they would be entitled to under both the credit option and the refund option, to best enable them to make decisions in a timely manner. Should producers select the refund option, we urge you to direct FSA offices to ensure prompt delivery of these payments.

Further, for those who producers who select the credit, should the amount of the credit exceed the producer's required premium payment for 2019, we urge you to make clear that, assuming the farm operation continues in the program past 2019, the rest of the credit will be applied toward future years' premiums. Additionally, if a dairy operation closes at any point but still has some of the credit outstanding, we urge that the owner be able to receive a direct refund at that point.

Hay Price Calculation. The law also requires USDA to begin including the price for high-quality alfalfa hay in the NASS monthly price surveys as measured by the volume of milk produced in the top five dairy-producing states. Based on existing statutory language, we urge you to begin including this price point in the DMC calculation.

Intergenerational Transfers. We would like to discuss with you the need for further clarification of the treatment of farms that go out of business and may subsequently be reconstituted as new business entities, as well as several clarifications needed in cases where more than one child becomes involved in ownership of an existing family dairy farm.

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DMC-LGM Flexibility. The law fully removes the restriction on participation in both the DMC and the Livestock Gross Margin-Dairy (LGM-Dairy) program. Therefore, we request that you ensure that both FSA, which will administer DMC, and the Risk Management Agency, which administers LGM-Dairy, are fully coordinated and informed on this point, so that producers do not face any hurdles in signing up for both programs should they so choose. On a similar note, since the new law accommodates producers who were locked out of MPP for 2018 if they had an existing LGM-Dairy policy, we urge you to quickly give this group of producers the ability to obtain this revised coverage.

Finally, we urge you to do everything possible to ensure a farmer-friendly sign-up process providing outreach to not just those producers who signed up for MPP at any point, but also to those producers who did not previously sign up. We hope your Department can streamline this process by quickly updating online tools and using prefilled applications to assist farmers, in addition to using multiple means to contact them. In this context, providing clear and uniform direction to FSA field offices will be absolutely essential so that producers across the country receive accurate, timely information about their options under the law.

In closing, we thank you for your efforts on behalf of American agriculture and look forward to working with you to bring this newly-improved dairy program to producers across the country.

Sincerely,



Jim Mulhern
President & CEO