



# National Milk Producers Federation

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March 24, 2020

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

Dear Mr. Secretary:

First, thank you for the strong response from USDA as part of the Trump Administration's efforts to address the COVID-19 pandemic, an unprecedented public health crisis facing our country. Our organization joins with you in recognizing the serious health concerns affecting all Americans during this challenging time, and our team has been in ongoing communication with your staff as well as with crisis response teams throughout the federal government.

During the past two weeks, we have worked to assure consumers of a safe and abundant U.S. dairy supply. The production of high-quality dairy foods continues unimpeded -- thanks in no small part to the Administration's designation of farm and food industry workers as essential employees. In addition, the Food and Drug Administration has confirmed that heat treatment kills coronaviruses, further underscoring the safety of dairy to the public.

Nevertheless, we are closely monitoring market developments negatively impacting the dairy sector at various steps in the supply chain, from the farm to the consumer. We are particularly concerned about the sharp decline in both cash prices for dairy commodities and in dairy futures markets. One month ago, the USDA's Dairy Margin Coverage decision tool did not forecast a single month in 2020 when the program's margin would drop beneath the maximum coverage threshold of \$9.50/cwt. As of March 20, that forecasting tool predicted margins below that level from March through October, with five of those months below \$9/cwt. Over the last five weeks, the department's estimate of 2020 milk prices reflects a drop of about \$2.85 billion at the farm level. Obviously further drops are possible as the impact of the COVID-19 outbreak spreads. The demand shock experienced by our entire economy is turning what initially looked to dairy farmers like the first decent year in the last five into one of potentially widespread economic devastation.

Agri-Mark, Inc.  
Associated Milk Producers Inc.  
Bongards' Creameries  
California Dairies, Inc.  
Cayuga Marketing  
Cooperative Milk Producers Association  
Dairy Farmers of America, Inc.  
Ellsworth Cooperative Creamery  
FarmFirst Dairy Cooperative  
First District Association  
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 Association  
Oneida-Madison Milk Producers Cooperative Association  
Prairie Farms Dairy, Inc.  
Premier Milk Inc.  
Scioto Cooperative Milk Producers' Association  
Select Milk Producers, Inc.  
Southeast Milk, Inc.  
Tillamook County Creamery Association  
United Dairyman of Arizona  
Upstate Niagara Cooperative, Inc.

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Responding to the extraordinary impact of the COVID-19 outbreak, NMPF has identified several steps that USDA can take to help address disruptions in our sector:

**Make additional CCC dairy product purchases.** We urge the Department to make a substantial purchase of multiple forms of dairy products under Section 32, which would help stabilize prices by sending a clear demand signal to disrupted dairy markets. To provide the necessary resources, we support replenishing the Commodity Credit Corporation's borrowing authority to ensure that the Department can support distressed producers. A significant dairy product purchase, particularly with a focus on cheese, will also provide tremendous help by offsetting the precipitous drop in dairy foodservice sales resulting from restaurant closures and school and food-service cancellations across the country. An expected large spike in unemployment will also create huge food needs -- and expected unprecedented demands on food banks for donations. Dairy is a very popular staple in food banks, thus providing an immediate outlet for a variety of nutritious products the government could purchase.

**Provide compensation for potential milk disposal.** Some dairy farmers or processing plants may be forced to dispose of milk due to transportation or logistical disruptions, or if demand from domestic or international markets diminishes. Given the potential for supply chain interruptions as seasonal milk production peaks this spring and many schools remain closed, elements of existing USDA programs could provide the basis for a means to compensate farmers or processors, potentially with an incentive to donate milk when possible. In the past, the WHIP-ML program has assisted producers who have had to dump milk because of contamination from natural disasters; perhaps this program could be re-fashioned to assist in this situation.

**Reopen enrollment in the Dairy Margin Coverage program.** Congress, with the support of your department, enacted the 2018 Farm Bill providing several new risk management tools for dairy farmers. So that all farmers may benefit from Dairy Margin Coverage (DMC) this year, we request that USDA reopen the 2020 sign-up for the DMC program on a retroactive basis, allowing additional dairy producers to enroll and secure coverage. Using an existing risk management tool that delivers recognized benefits to producers is a clear, immediate and appropriate action you could take to provide a lifeline to many producers. We look forward to working with you and with Congress to ensure that all producers can fully access DMC assistance during this difficult time.

In addition to these key priorities for dairy producers, we are very pleased that the Families First Coronavirus Response Act, which Congress passed and the President signed, included an additional \$400 million for The Emergency Food Assistance Program. We are eager to work with your department to ensure that dairy products make up a substantial amount of the assistance provided under this provision. Finally, we also would like to work with your team on several trade facilitation issues as we face the possibility of export disruptions.

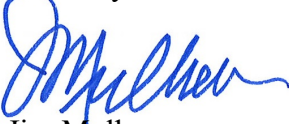
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We commend you and your colleagues for the important and timely measures you have already taken, including ensuring that school meals, including milk, will be provided to children even though schools are closed. We also thank you for the department's inclusion of shelf-stable milk in the program. In addition, we have also appreciated working with the Department of Transportation on the National Emergency Declaration to give haulers flexibility from hours of service rules, which is critically important at a time when milk may need to be diverted to different plants and fewer drivers may be available.

U.S. dairy farmers and their cooperatives will continue to be careful stewards of the naturally nutritious and wholesome product we harvest around the clock, 365 days a year. Like you, we understand the importance of steady production and steady consumption. We hope to work with you on the priorities outlined above, as well as other issues that may arise as we collectively grapple with the consequences of this unique challenge.

We thank you again for your ongoing efforts and stand ready to assist you.

Sincerely



Jim Mulhern  
President & CEO