Written Testimony of Blake Gendebien
Senate Agriculture Subcommittee on Commodities, Risk Management, and Trade
On behalf of the National Milk Producers Federation and Agri-Mark, Inc.
May 2, 2023

Chair Smith, Ranking Member Hyde-Smith, members of the committee, thank you for the opportunity to testify before you today as the committee reviews current farm policy in advance of the upcoming farm bill.

My name is Blake Gendebien. My family and I own and operate Twin Mill Farms in Northern New York. We are a second-generation dairy started in 1972, in Lisbon, NY in the St. Lawrence Valley. My wife and I milk 500 cows and farm 1200 acres with my mother and father. We employ 11 people.

I am proud to be a member-owner and the Vice Chairman of Agri-Mark, a dairy cooperative owned by more than 500 dairy farm families in New York and New England. Our cooperative has been marketing milk for dairy farmers since 1917 and actively represents their legislative interests in the Northeast and in Washington, D.C.

Agri-Mark is governed by our farmers. Our board of directors includes 14 farmers elected by their peers, and the board sets the policies and strategic direction for the cooperative. Our mission is to guide our cooperative to ensure a more prosperous future for all members, employees, and their communities. We have approximately 550 members across Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, and Vermont. Agri-Mark has a strong presence in New York, where more than half of our membership and half of our milk volume comes from.

Each year Agri-Mark markets around 370 million gallons, or 3.3 billion pounds, of fresh milk for our farm families. That milk is manufactured into nutritious high-quality dairy products at our four manufacturing facilities, or it is marketed to other regional dairy processors. Agri-Mark operates three cheese production facilities and one butter/powder facility. Our award-winning cheeses and quality dairy products are marketed under the Cabot and McCadam brands which are sold across the U.S. Much of our New York milk is processed in our Chateaugay, New York cheese plant.

I am testifying before you today on behalf of the National Milk Producers Federation (NMPF), of which Agri-Mark is a member cooperative. NMPF develops and carries out policies that advance the well-being of dairy producers like me and the cooperatives we own. NMPF's member cooperatives market the majority of the U.S. milk supply, making NMPF the voice of tens of thousands of dairy producers on national issues.

I am pleased to offer comments on dairy policy as you prepare to craft the next farm bill. When this committee began preparing for the 2018 Farm Bill, dairy policy was much different, and much less effective, than it is today. The previous Margin Protection Program (MPP), while well-intended, fell short of providing the protection required of a valuable farm safety net. MPP allowed farmers to insure against low margins – the gap between milk prices and feed costs – but did not offer affordable or meaningful coverage that accounted for the challenges producers endured. As a result, dairy farmers largely opted out of the program. Further, unlike our counterparts who grow crops, dairy farmers lacked access to the risk management options that can help meet their customized needs.

Dairy farmers are grateful for the work this committee did to reform the dairy safety net in both the 2018 Farm Bill and the Bipartisan Budget Act of 2018. As a New York producer, I am particularly grateful to you, Senator Gillibrand, for advocating on behalf of dairy farmers in New York and beyond and for securing the MPP refund provision to help dairy farmers in the last farm bill. The Dairy Margin Coverage (DMC) program is a major improvement over MPP and has performed as a strong safety net for dairy farmers during difficult times. It offers producers affordable coverage for margin levels that reflect the milk price and feed cost challenges they face. DMC worked as intended in 2021, paying out well over $1.1 billion to participating farmers nationwide, including more than $111 million in New York, as they continued to weather the COVID-19 pandemic. While margins improved in 2022, the program still paid out nearly $84 million nationwide, including more than $7 million to farmers in New York.

DMC has provided important security to my family's farm, given the volatility that persists in dairy markets. Since the program was implemented in 2019, my farm has consistently purchased the maximum available DMC coverage at a margin of $9.50 per hundredweight, knowing that it may not pay out every year, but is intended to serve as a safety net when needed. I am glad that more than 72 percent of those dairy farmers who have DMC production history are enrolled in the program for 2023.

However, as valuable as the program has been, many farmers have not been able to fully benefit because DMC's underlying production history calculation is outdated. Dairy farmers need the opportunity to update their production history to reflect more current on-farm production levels. 2013 is far too long ago, and other farm safety net programs do not use such an outdated production reference. Many farms have grown to meet market demands or to allow their children to join the farm. We are grateful to this committee for enacting Supplemental Dairy Margin Coverage payments to compensate farmers for incremental production increases as of 2019. It is critical that this adjustment be continued and potentially enhanced so that DMC remains a viable safety net.

In addition, NMPF's Economic Policy Committee is currently reviewing other potential improvements to DMC for this next farm bill. For example, DMC currently allows all participating producers to pay lower premiums per hundredweight for their first five million pounds of production history, known as Tier 1 milk volume. Recognizing the budgetary constraints around the farm bill, I believe a modest increase to this threshold would benefit many family dairy farmers in the Northeast and nationwide.

Beyond DMC, we are grateful that, on par with producers of other commodities, dairy farmers of all sizes now have access to both a Farm Service Agency-run safety net as well as Risk Management Agency tools, such as Dairy Revenue Protection (Dairy-RP) and Livestock Gross Margin-Dairy (LGM-Dairy), which give all farmers the ability to adapt their risk management to their needs. I have participated in Dairy-RP for many years since it was created. We are pleased that USDA last year approved several improvements to LGM-Dairy, including simplifying the purchase process to align it more closely with Dairy-RP and making the program available in all counties in every state. We look forward to working with this committee on further potential adjustments to strengthen these risk management options. In particular, we support improvements to make these programs more affordable for producers of all sizes.

Beyond the dairy safety net and risk management tools, the Federal Milk Marketing Order (FMMO) system provides significant value and safeguards to dairy farmers, cooperatives, and processors. Federal Orders are designed to assure consumers an adequate supply of fluid milk and to promote orderly marketing conditions for farmers. However, the industry has changed significantly since the last major order updates in 2000, and the COVID-19 pandemic drew acute attention to key shortfalls within the system. Dairy producers want the FMMO system to evolve with our industry and economy and be supportive of the needs of today's dairy participants.

To meet this challenge, NMPF has worked extensively over the past year-plus to conduct a comprehensive examination of the FMMO program aimed at updating and modernizing this important dairy producer-focused program that has remained largely unchanged in the last two decades. After more than 150 meetings of NMPF dairy farmer members and co-op technical experts, including from Agri-Mark, NMPF's Board of Directors gave unanimous approval in March to a comprehensive proposal to modernize the FMMO program. We are heartened by the strong support among dairy farmers from coast to coast for this broad proposal and we look forward to imminently submitting our petition to USDA for a comprehensive national federal order hearing to modernize FMMOs.

We are hopeful that this comprehensive, thoughtful, measured approach to modernizing the program will be considered as the foundation for a national federal order hearing. NMPF's proposal includes carefully vetted solutions to numerous issues. As one example, our proposal includes a restoration of the previous "higher of" Class I mover formula. The current "average of plus $0.74/cwt" mover was enacted in the last farm bill to accommodate a request for improved price risk management for processors while maintaining revenue neutrality for farmers, but it has instead cost dairy farmers nationwide more than $900 million in Class I skim revenue on account of market dynamics in both 2020 and 2022. This has occurred because the current mover fundamentally saddles farmers with asymmetric risk. It includes an upper limit on how much more Class I skim revenue it can generate for producers than the previous mover, but no lower limit on how much less can be generated than the previous mover. We were very grateful for the Pandemic Market Volatility Assistance Program provided by USDA with Congress' support, but it is not reasonable or sustainable to keep a policy in place that will necessitate significant ad hoc disaster assistance every time the current Class I mover causes farmers to suffer major losses. Dairy farmers are united in seeking a return to the previous mover.

NMPF's petition also includes an update to make allowances, which are a necessary component of the FMMO pricing formulas. Current FMMO make allowances have not changed since 2008, while the costs of manufacturing dairy products have increased. Many dairy farmers are members of cooperatives like Agri-Mark who own dairy processing plants and therefore have a clear interest in setting the make allowance at the right level, looking at this from both the farmer and processor perspective. However, in addition to this needed interim update, we also seek to develop a process to ensure that make allowances are reviewed more frequently. With this in mind, we hope to work with this committee in the upcoming farm bill to enact legislation to require USDA to conduct regular, mandatory, and auditable processing plant cost studies every two years and to report the results. This would provide information necessary for all dairy stakeholders to consider requesting future hearings to update make allowances based on accurate and up-to-date data.

I would like to highlight several other areas of great significance to dairy. First, dairy producers are long-time environmental stewards who tend with great care to our land, water, and other natural resources. As a testament to dairy's endeavors, research shows that producing a gallon of milk in 2017 required 30% less water, 21% less land, had a 19% smaller carbon footprint, and produced 20% less manure than it did in 2007. However, we always believe that more can be done, and, as a result, have set industry-wide goals of becoming greenhouse gas neutral or better, improving water quality, and optimizing water use by 2050. Conservation programs like the Environmental Quality Incentives Program are key as we work to continue our ongoing sustainability efforts. New funding enacted last year will help dairy farmers scale up innovative climate smart practices, such as new approaches to both feed and manure management, especially as these popular programs are currently oversubscribed.

Second, trade is critical to our success as farmers. Today, exports account for approximately 18% of our production and are likely to comprise an even greater share as global dairy demand continues to grow. Trade promotion programs like the Market Access Program and the Foreign Market Development program promote American-made dairy and agriculture products that compete with heavily subsidized foreign products, returning well over $20 in export revenue for every one dollar invested in the programs. We support doubling funding for both essential programs to better promote U.S. dairy products worldwide. In addition, we hope to work with this committee in the farm bill to combat the European Union's efforts to restrict the use of common food names in markets around the world. These efforts are a trade barrier plain and simple, and they must be stopped.

Third, dairy farmers appreciate the enduring connection between agriculture and nutrition. Dairy is a nutrition powerhouse, serving as an excellent source of 13 essential nutrients, but continues to be under consumed according to the most recent Dietary Guidelines for Americans. Nutrition programs like the Supplemental Nutrition Assistance Program are vital to linking the food we produce as farmers to families across the country facing difficult circumstances. Finally, the Dairy Donation Program provides nutritious dairy products to food insecure families and minimizes food waste. We look forward to working with this committee on any additional enhancements that will help this program meet its goals.

Finally, in recent years, farmers have endured one difficult year after another. Stress in rural America continues to be a major problem that grips many of our communities. I am thankful to this committee for working in the previous farm bill to reauthorize the Farm and Ranch Stress Assistance Network, which aims to connect those working in agriculture to stress assistance and behavioral and mental health support programs. We thank the members of the Appropriations Committee for providing the needed funding and hope those efforts can be increased in the future.

Thank you again for the opportunity to testify before you. I am happy to answer any questions you may have.