April __, 2020

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

Dear Secretary Perdue:

The COVID-19 pandemic presents a severe challenge to our nation's farmers, who are continuing to work to provide the nation with a safe, abundant, and affordable food supply. This impact is particularly acute for producers of perishable commodities, such as dairy farmers who milk cows every day. Dairy farmers do not have the option of waiting or pausing production.

Although the milk supply remains safe and production continues across the country, we are greatly concerned by the recent sharp decline in dairy futures markets and in cash prices for dairy commodities. This price decline has translated to an estimated $4.7 billion loss at the farm level in just the last five weeks. Further, the impact of five consecutive years of low prices is felt even more acutely now, as dairy farmers are enduring a massive drop in sales due to restaurant closures, school closings, and food-service order cancellations. Some processing plants that supply these businesses have also temporarily closed or reduced production. Despite efforts by dairy cooperatives and processors to shift milk supplies to other plants, wholesome, high-quality milk is being dumped as processing bottlenecks continue. Further disruptions could be possible, especially if some of the essential workers at our processing plants fall ill.

To respond to damage that farmers have already incurred and to prepare for further losses, Congress included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act a $9.5 billion emergency response fund for agriculture, to equip the Department to prepare for, prevent, and respond to COVID-19 through direct support to producers. Dairy producers are to be specifically supported within this fund. The law also partially replenishes by $14 billion the borrowing authority for the Commodity Credit Corporation, which can be used to assist producers whether or not they have been impacted by the pandemic.

We urge the Department to act quickly and build off the existing programs to deliver both direct assistance to dairy farmers and intervene in the market to reverse the decline in futures prices and signal a floor on farm prices

Re-opening the 2020 sign-up for Dairy Margin Coverage (DMC) would provide an immediate, positive opportunity for dairy farms of all sizes to protect against uncertain prices for the remainder of the year. Dairy Margin Coverage would be particularly beneficial, since by design it would automatically ramp-up or ramp-down assistance based on how quickly other interventions, such as purchases, will have on future prices. Though 2020 enrollment closed at the end of last year, using your statutory authority to reopen sign-ups would reflect the unprecedented situation that farmers could not have predicted at the time, given the widespread impacts of the pandemic on our entire economy. We also recommend that the Department cover the cost and fees of tier I coverage at $9.50 under 2020 DMC in order to provide an automatic safety net to all dairy farms with production history. While farmers should be provided an opportunity to opt-out or select tier II coverage, providing automatic coverage and refunds will also minimize the contact between farmers and USDA employees.

An immediate and substantial purchase of a variety of dairy products to offset the lost commercial market sales would also send a clear demand signal throughout the dairy economy that would help calm volatility. The purchase should concentrate on products that have lost their normal restaurant, foodservice and export markets, and that can be repackaged or repurposed for nutrition programs such as processed cheese, mozzarella cheese, shelf-stable milk, and skim milk powder. Moreover, as unemployment spikes and the economy slows, food banks and other feeding programs are already seeing increased demand for nutritious food like milk and other dairy products.

Even with improved risk protection and an effort to shore-up markets, dairy farmers will face significant losses on both milk and other production, such as the beef value of their cull cows and dairy steers. We urge the Department to calculate these losses and provide direct assistance based on recent milk production or herd sizes, instead of historical production. Similar to the tier I coverage under DMC, we encourage the Department to set a higher rate for the first 5 million pounds of milk production.

While these recommended actions should reduce the imbalance between milk supply and demand in certain segments of the dairy industry caused by COVID-19, especially in the short term, there will likely be additional milk dumping. With significant dumping of milk possible, the Department should work quickly to ensure that there is a clear incentive to process and donate as much milk as possible. Donating milk can cost the dairy cooperative or processor significantly more than dumping when the costs of transportation, processing, packaging, distribution and marketing order costs are considered. The 2018 Farm Bill created a new milk donation program that could be used as a model for providing an incentive for donation. This approach would also allow dairy cooperatives and processors to work directly with food banks and other charities to meet their needs without USDA acting as an unnecessary middleman. If necessary, we encourage the Department to provide assistance for dumped milk, potentially working through the Agricultural Marketing Service or similar to the reimbursement for milk dumping losses under the Wildfire and Hurricane Indemnity Program (WHIP).

We thank you for the Department's ongoing efforts to help our nation's producers through this unique and difficult crisis, and look forward to continuing to partner with you over the coming months on behalf of our dairy farmers, dairy companies and workers as our nation endures this unprecedented public health and economic crisis.

Sincerely,