

February 16, 2024

Secretary Tom Vilsack
United States Department of Agriculture
1400 Independence Avenue
Washington, DC 20250

Dear Secretary Vilsack,

On behalf of dairy farmers across the country, we write to request that you use your authority to take all possible actions to provide direct relief to struggling dairy farmers. An alarming number of dairy farms are closing across our nation. Immediate relief is crucial to prevent further closures. The loss of dairy farms has a negative ripple effect on local, regional, and state economies across the country. Immediate relief for dairy farmers is crucial to prevent further closures.

We request that direct relief be provided to dairy farmers as on-farm margins are causing substantial and growing losses to dairies across the nation. Current milk prices paid to dairy farmers are well below production costs. According to the latest United States Department of Agriculture (USDA) Agricultural Resource Management Survey, the cost of production nationwide totals more than \$27 per cwt; however, the net price paid to dairy farmers in major milk-producing states in December averaged approximately \$16 per cwt.

The Dairy Margin Coverage (DMC) Program recorded the lowest margin in its history, totaling just \$3.52 per cwt in July of last year, and DMC payments have been issued in all but one month due to chronically low farm margins reaching an all-time high in 2023. High interest rates totaling 10% or more and increased scrutiny by farm lenders will continue to accelerate dairy closures unless action is taken to provide financial relief to dairy producers. We urge USDA to utilize its authority to provide direct payments to dairy farmers from the Commodity Credit Corporation (CCC) and USDA's Section 32 Account to provide direct relief to dairy farmers.

As a secondary measure, we urge USDA to increase government purchases, particularly cheese purchases, to shore up plummeting cheese prices. A Government Accountability Office (GAO) Report from years ago concluded that cheddar cheese is thinly traded on the Chicago Mercantile Exchange (CME) and vulnerable to price manipulation. CME cheese prices have an outsized influence on prices reported by the National Agricultural Statistics Service (NASS), on which the dairy farmers' minimum prices are based. To counter the impact of artificially depressed CME prices, we urge USDA to utilize its authority to purchase dairy products using USDA's Section 32 Account. The demand for dairy products in food donation programs has increased substantially due to rising needs at food banks since the pandemic began.

Finally, we urge USDA to reject proposals currently before the ongoing federal milk marketing order hearing to increase the make allowance, which would reduce milk prices paid to dairy farmers and make processing plants less responsive to changes in market demand. Higher make allowances make processing plants less responsive to changes in market demand because plant costs are covered through a fixed allowance. Small changes in milk production and dairy demand have big impacts on milk prices. Currently, there is a patchwork of plants implementing base plans around the country. However, the imbalance in dairy supply and demand is depressing all milk prices paid. A make allowance increase will only worsen dairy farmers' milk prices.

We support the establishment of an incentive-based dairy growth management plan to balance milk supply with profitable market demand. As well-known studies from the University of Wisconsin and

Cornell University have concluded, an incentive-based inventory management plan that matches milk production with demand will stabilize and improve milk prices paid to dairy farmers. Plummeting milk prices paid and headline-grabbing news stories last year about the widespread dumping of milk prove that the current dairy pricing system is failing dairy producers and dairy consumers.

Dairy farmers are reluctant to testify publicly in opposition to proposals put forward by milk handlers out of fear that they will no longer have a place to ship their milk. Dairy farmers are enduring economic losses, and the federal order hearing should prioritize all proposals that improve milk prices paid to dairy farmers. We support changing all Class formulas to incorporate more end-product prices, including mozzarella, unsalted butter, and other products in demand today, to reflect current market conditions. We urge USDA to expedite the adoption of the return to the "higher of" Class III or Class IV in the Class I pricing formula because the losses to dairy farmers due to this change total over \$1 billion and are growing. Finally, we call for updating the Class I differentials to account for higher transportation costs and increasing the Class II differential to reflect the higher value of Class II milk since the last update in 2000.

Federal milk marketing orders were established to stabilize the milk market and help equalize the market power of dairy farmers with dairy processors. In effect, federal order regulations exist to protect dairy farmers from dairy processors who enjoy far more significant market power. During prior federal order hearings, dairy farmers had a choice about where to ship their milk. Due to the concentration and consolidation today, dairy farmers have few, if any, options about where to sell their milk. As a result, dairy farmers remain silent during this hearing process out of fear of retaliation from their milk handlers.

We thank you for considering our request to provide relief to struggling dairy farmers and look forward to working with you to improve their outlook for the future.

Sincerely,

California Dairy Campaign
California Farmers Union
Family Farm Defenders
Hawaii Farmers Union
Iowa Farmers Union
Michigan Farmers Union
Minnesota Farmers Union
Missouri Farmers Union
Montana Farmers Union
National Family Farm Coalition
National Farmers Union
Nebraska Farmers Union
New England Farmers Union
Ohio Farmers Union
Organization for Competitive Markets
Pennsylvania Farmers Union
South Dakota Farmers Union
Texas Farmers Union
Utah Farmers Union
Wisconsin Farmers Union