

United States Senate

WASHINGTON, DC 20510

March 28, 2019

The Honorable Sonny Perdue
Secretary of Agriculture
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Perdue:

We encourage the U.S. Department of Agriculture (USDA) to implement the Agriculture Improvement Act of 2018 (the 2018 Farm Bill) in a timely, transparent, and producer-friendly manner. Specifically, we write to request that the USDA prioritize implementation of Dairy Margin Coverage (DMC) and other 2018 Farm Bill dairy provisions and we appreciate your indications that these provisions are an early area of focus. We also write to urge the USDA to promote DMC to dairy farmers and their lenders.

The situation for dairy farmers is urgent. Although DMC is effective as of January 1, 2019, the government shutdown delayed action on 2018 Farm Bill implementation for over a month. During this time, dairy farmers have continued to face market instability and are struggling to survive the fourth year of sustained low prices. These realities make it even more important for the USDA to make dairy farmers across the country aware of their improved options and ensure they have the ability to quickly take advantage of DMC.

The 2018 Farm Bill significantly improves the dairy safety net through DMC by offering higher coverage levels at more affordable rates. Several agricultural economists have analyzed the new DMC program and concluded that it will provide a significant level of risk protection at a reasonable price, especially for small and medium-sized dairy farms. The 2018 Farm Bill also provides an opportunity for larger farms to cover their first five million pounds at the new higher coverage rates while also providing the option to cover additional production at reasonably-priced, lower coverage rates. In addition to the flexible coverage options provided by DMC, the 2018 Farm Bill removes any restrictions on participating in DMC and purchasing subsidized dairy insurance policies offered by the Risk Management Agency. These improvements give all farms, regardless of size, options worth considering. Analysis by the American Farm Bureau Federation that compared the new program with the previous safety net (Margin Protection Program or MPP) found that DMC would have provided more than five times the net benefits under similar conditions over the past three years.

At a recent hearing, you announced an implementation schedule for various dairy-related provisions in the 2018 Farm Bill. We appreciate your commitment to quickly provide a decision-tool for farmers, along with refunds or credits of previous MPP premiums available in April. Although you announced that sign-up for the new program is not slated to begin until June, we were encouraged to hear that the USDA will begin issuing payments before the sign-up period closes. Given the importance of adhering to this timeline, we encourage the USDA to prepare

contingency plans should there be any delays in the development of information technology required to implement the new program. As producers struggle to make ends meet, receiving a payment a few weeks faster could make a big difference.

In the interim, we request that the USDA invest in outreach, training, coordination with partner organizations, and staffing to ensure that every eligible farmer receives personalized information about the new and improved options. These efforts are particularly important, since the 2018 Farm Bill removes the previous restriction on participating in DMC and purchasing subsidized dairy insurance policies offered by the Risk Management Agency. With three insurance options—Livestock Gross Margin-Dairy Insurance, Dairy Revenue Protection, and Whole Farm Revenue Protection—and the new choices under DMC, dairy farmers will benefit significantly from a decision tool that gives them the ability to examine and explore the full combination of options. We encourage the USDA to administer and fund a decision tool with this capacity, alongside efforts to establish a partnership with cooperative extension or other groups that provide education related to the use of the tool.

In addition to the decision tool and related extension, the USDA should use every means at its disposal, including partnerships with states, cooperatives, insurance agents, and lenders to make sure every dairy farmer is aware of the opportunities under DMC. The changes to DMC make it a much more flexible policy that will likely benefit many of the farmers who chose not to participate in MPP. The USDA should strongly encourage these farmers to consider DMC. The initial DMC sign-up will be especially critical since dairy farmers have a one-time opportunity to lock in coverage for five years and receive a 25 percent premium discount.

Local office staff who interact with farmers directly are critical to the success of any enrollment. In addition to the \$15.5 million made available to assist with the implementation of the Commodities title, Congress recently provided \$161 million above the amount the USDA requested for Farm Service Agency (FSA) salaries and expenses for this fiscal year with a specific directive to fill vacancies at FSA county offices and farm loan officers. We encourage the USDA to use the resources Congress has provided and prioritize filling any field office vacancies before the sign-up begins and, during the sign-up, the USDA should use temporary employees or “jump teams” to fill any gaps.

Finally, in keeping with the enhanced, flexible options provided in the 2018 Farm Bill, it is critical that the USDA take a flexible, farmer-friendly approach to the multitude of operational issues that may arise during implementation. We encourage the USDA to work with producers to best accommodate individual circumstances that may arise, such as allowing producers to pay their DMC premiums in installments rather than all at once; accommodating those whose production history has changed due to intergenerational transfers; and ensuring that producers can carry over their credited MPP premiums beyond 2019.

Other important dairy provisions in the 2018 Farm Bill will be implemented by different agencies. The Agricultural Marketing Service has already extended the Dairy Forward Pricing Program and implemented the new update to the Class I pricing formula, but others include a directive to include price data for high-quality alfalfa hay in the National Agricultural Statistics Service monthly price survey reports, a provision to counteract the disincentive for milk donation,

and a new pilot to encourage fluid milk consumption among SNAP households. These are important provisions that are likely to be spearheaded by the USDA agencies that will not be directly responsible for implementing DMC. The USDA can implement these provisions on tracks parallel to DMC that will not delay DMC. Even though improved price data for high quality alfalfa hay may ultimately change DMC calculations, it is preferable to implement DMC now and take those changes into account once new data are available.

The 2018 Farm Bill and the accompanying report make it clear that implementation of the dairy safety net improvements, including extensive and coordinated outreach to dairy farmers and assistance with decision-making, should be a top priority for the USDA. We look forward to working with you for successful implementation of the dairy provisions.

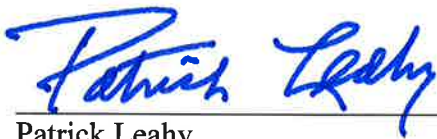
Sincerely,



Debbie Stabenow
U.S. Senator



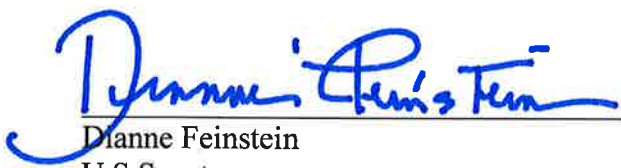
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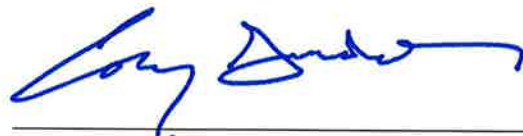
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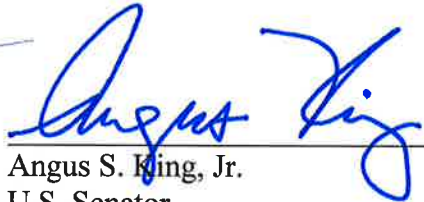
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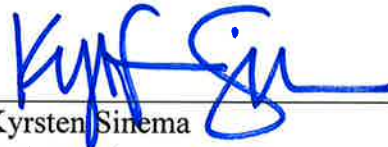
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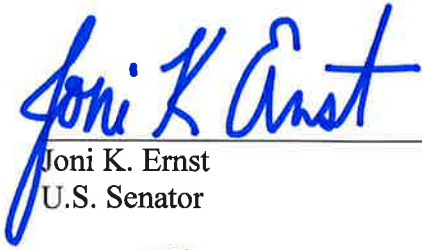
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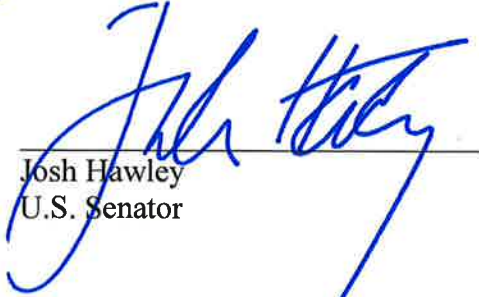
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