Testimony of Bernie Guillemette on behalf of Dairy Farmers of America- Northeast Council for joint hearing on the 2018 Farm Bill by the Vermont Senate Agriculture Committee and House Committee on Agriculture and Forestry

April 20, 2917

Chairman Starr, Chairwoman Partridge, and members of the Senate Agriculture Committee and the House Committee on Agriculture and Forestry, my name is Bernie Guillemette. I own and operate Guillemette Dairy Farm, located in Shelbourne, Vermont. The farm was established in 1948 by my parents Ludger and Ciecile Guillemette. My Father passed away 15 years ago, but my Mom is still living in the main farm house at age 95. My son Kyle, 37, is third the third generation, working with me on the farm. We raise crops on 6-800 acres and have 350 well-cared for animals.

I am the second generation on the farm, taking over from my Father in the early 80's. In addition to Dairy Farmers of America, I also serve on the Boards of the New England Dairy Promotion Board and Green Mountain Dairy Farmers.

I am happy to provide testimony on behalf of my dairy cooperative, Dairy Farmers of America-Northeast Area. I have been a member of the Northeast Area (and predecessor cooperatives) since 1984 and a member of its Council since 2013.

DFA is owned and governed by nearly 14,000 members across the United States, including 128 dairy farmers in Vermont, and markets almost one-quarter of the milk produced in the state of Vermont. DFA works very closely with St. Albans Cooperative Creamery, Inc. in St. Albans, Vermont, through Dairy Marketing Services, LLC. In addition, DFA owns and operates 42 dairy manufacturing facilities, including 11 dairy plants in the Northeast with 1 each in Maine and Connecticut, 2 in New York, 6 in Pennsylvania, and 1 in Maryland.

Thank you for the opportunity to speak with you this morning what can be done in the next Farm Bill to serve producers across Vermont.

ISSUES

USDA funding

We recommend that the starting point for the Farm Bill debate be to maintain full funding for USDA and increase the baseline for dairy. In recent years USDA's budget has experienced significant cuts. While no one is advocating for fat, wasteful budgets in government agencies, it is in no one's best interest to cut a budget to the point of hogtying its administrators to underfunded and therefore irrelevant programs. USDA's total spending has been relatively flat (averaging 154.5 billion and varying only +/- 2.5 billion from that) since 2012. When you compare this to increases total Federal spending of 317 billion dollars from 2012 to 2016, it is easy to see that Agriculture is getting a smaller share. Programs, such as the Margin Protection Program have suffered.

On the graph attached to my testimony, you will note that dairy currently receives relatively little support. Additional cuts to dairy related programs would further weaken the dairy industry nationally and in the state. This chart illustrates that funding needs to be restored for dairy.

Effective safety net/MPP changes

There have been large swings in dairy prices over the past 2 years. In 2015, Vermont monthly milk prices ranged from $17.80/cwt to $20.30/cwt, a change of 14% within the year. In 2016 that range was $16.00/cwt to $19.70/cwt, a change of 20% within the year. Such price volatility puts strain on the farm families producing that milk. Wildly changing milk prices combine with relatively constant costs of production to create very tight profit margins on dairy farms. To assist farmers with this issue, the 2014 Farm Bill included the Margin Protection Program (MPP).

MPP originally was designed to provide a safety net for dairy farms by providing a measure of protection for their margins, but a change made during the late stages of the Farm Bill's negotiation reduced the effectiveness of the program for dairy farmers in Vermont and across the country. Indeed, the change turned the safety-net for farmers into a revenue stream for the General Fund with premiums paid INTO the program by farmers outpacing the amount PAID OUT by $80 million! More than $1.3 million of the funds collected through MPP premiums came from Vermont dairy farms.

The change reduced the calculated feed cost by 10%. There was no science behind this number, only that 10% correlated to a Congressional Budget Office score. The program's intent is to protect a producer's margin between milk price received and cost of feed to produce it. However, the relationships in the math are now distorted, leaving the margin calculated by the program no longer reflective of life on the farm. Producers' are reducing their participation to lower levels of coverage. In 2015 there were 588 total dairy farms in Vermont participating in MPP, with 381 of those purchasing the additional coverage. For 2016, only 39 purchased additional coverage. The 10% reduction of the feed cost calculation needs to be returned so that the program provides the needed assistance to farmers in times of low margins.

I had originally signed up my farm only at the base level. One reason was that signing up, at least at the base level, positioned a farm for increases in the base production covered by the program in the future. I did not go beyond the base level because market outlooks, at that time, indicated margins would be acceptable without the added cost of buying-up protection in the program. Since that original signup I have been disappointed by the MPP. This was supposed to be a better safety-net, but the old program, the MILC, would have helped me more in 2016 than MPP did.

A few additional changes would bring the feed cost calculation closer to actual costs paid by producers. The soybean meal price and alfalfa prices originally specified for the program used the best numbers available to USDA. However, USDA should create new price surveys to more accurately reflect the costs for these feeds as used by dairy farmers.

The program allows producers to buy-up supplemental coverage for greater margin protection. We believe the rates for these buy-up options should be adjusted, especially for smaller farms.

MPP sends a payment to a dairy farmer if this calculated margin over the course of two specified months is lower than the margin the farm purchased for protection. Margins can be below the threshold one month but above the next, therefore not triggering a payment because the average stayed above the trigger point. This MPP provision needs to be changed. The MPP should be calculated for each individual month, and not averaged over consecutive months.

Trade

The US dairy industry has succeeded over the past 20 years in establishing and building export markets. Today, approximately 15% of total production (or about 1 day's production per week) ultimately reaches a consumer outside the borders of the US. It is critical that these additional outlets for milk be maintained and expanded. We urge Congress to maintain funding for two programs- the Market Access Program (MAP) and Foreign Market Development (FMD) program which are critical to this growth.

We also ask Congress to protect the progress we have made as the Administration updates agreements like the North American Free Trade Agreement (NAFTA) and to reject the European Union's moves to redefine common food names, such as Parmesan and Feta, to be tied only to that produced within specific geographies.

Canada

One more trade partner needs to be called out for recent actions aimed specifically at US products that are creating dire consequences in regions bordering that country. I am referring to Canada and the imposition of Class VI and VII milk pricing. These new regulations were created with the intent of closing trade in US supplied ingredients from nearby US states. While Vermont was not an exporter of these products, the blockage of an outlet for millions of pounds of milk-equivalent each month is already increasing the volume of milk in the Northeast that is looking for a processing home. This added milk is creating a domino effect of pushing milk out of other plants, increasing milk hauls, and decreasing returns to dairy farmers across the region. We ask you to push Congress and the Administration to act to provide some relief to the dairy farmers of all states affected, including Vermont.

Immigration

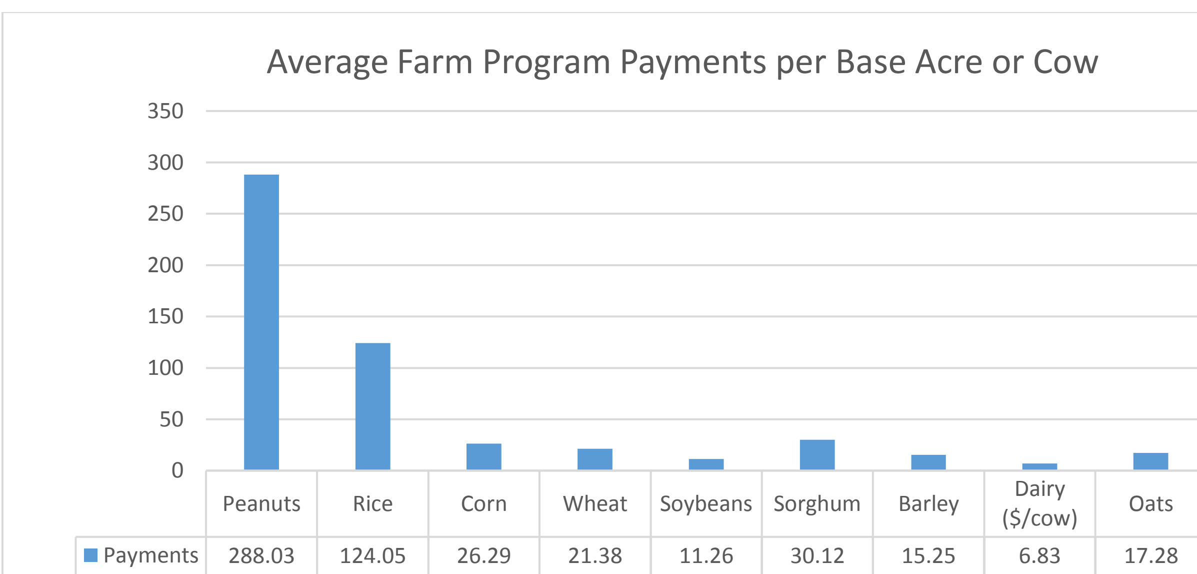
The last topic I want to discuss with you is immigration reform. Let me start out saying that I first hired some immigrant labor in 1990 and have ever since. Recently I tested the American-born labor pool again, but did not find the caliber of worker I need. My foreign-born labor is hardworking, loyal, and reliable.

Per a University of Texas A&M survey, 51% of all dairy farm workers in the US are foreign born. The survey does not provide data for individual states, but I know there are Vermont dairy farms where immigrant workers provide most of the hired labor. For these dairies to operate, it is critical that they have access to a reliable workforce. Please understand that from the farm perspective, it is of no concern if the worker is from a multi-generational American family, is spending their first days in this country, or from some situation in between. There simply is work that must be done and often foreign born workers are either the only or the best qualified workers who apply. It is essential that Congress work with the President to enact a program to allow current farm workers to remain on the job and provide a visa for future workforce needs.

THANK YOU

Chairpersons Starr and Partridge and members of both Committees, thank you for this opportunity to share the thoughts and concerns of own, and those of my cooperative, regarding the upcoming Farm Bill. I look forward to your questions and if you need, can provide copies of any reports or documentation you need.

Attachment 1



Sources: ARC; PLC; MMP