St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

Introduction

Good morning, my name is Leon Berthiaume and I serve as the CEO for the St. Albans Cooperative Creamery in St. Albans, Vermont. I work and represent 360 dairy farm operations with 280 in Vermont, with others in New York and New Hampshire. I thank the Committee for their support of Vermont Agriculture and asking me to provide some opening remarks this morning as the industry begins discussion of the 2018 Farm Bill.

Farm Bill Overview

The Farm Bill is a comprehensive, multiyear piece of legislation that pertains to a substantial array of federal food, farm, forestry and rural policies and programs that are under the jurisdiction of the House Committee of Agriculture and the Senate Committee on Agriculture, Nutrition and Forestry.

The 2014 Farm Bill expires at the end of the September 2018. It contains 12 Titles, that include Commodities, Conservation, Trade, Nutrition, Credit, Rural Development, Research and Extension, Forestry, Energy, Horticulture, Crop Insurance, Miscellaneous. The projected 5-year cost of all the mandatory programs in the Farm Bill was $489 Billion. The Nutrition Title represented nearly 80 percent, Crop Insurance subsidies 9 percent, Conservation programs 6 percent of the total, and commodity programs 5 percent.

There is only a small amount of funding that address value added, rural business development, nutrition incentives, agriculture research and beginning farmers.

The Farm Bill is important to Vermont and our agricultural industry. The various programs have provided essential support to our dairy farmers.

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

Health of Our Dairy Farmers

With our Vermont Dairy Industry being the most significant part of our Vermont economy it is important to understand that our farms and industry have been facing significant financial challenges in recent years.

Conventional milk prices in the Northeast remain low, although it is anticipated that prices will rise through 2017. In April 2016, the statistical milk price for our members was $14.00 for our zone and a year later, they are $15.60. This is good news, but there is still an immense amount of pressure on producers across Vermont. These prices are significantly below the cost of production for our dairy farm operations.

There is also an incredible oversupply of milk in the Northeast right now. Currently there is more milk in the Northeast then there is manufacturing capacity. This is also impact the additional returns that we can collect from our customers therefore also reducing the additional premiums being paid to dairy farmers. In the Federal Milk Order region of which we are a part, there is 2.6% more milk in the market, which equals about 40 extra 60,000lb tankers per day.

At the present time, our organic producers are also being affected by oversupply issues and are having to operate under a two-tier pricing structure take a $20/cwt reduction on production over there previous year production.

Let me share with you some additional information that will help frame this discussion:

- The average statistical uniform milk price for St. Albans location in 2016 was $15.05, 2015 was 16.29 and in the first quarter of 2017, it jumped to $17.14. However, for full 2017 expecting an average of $16.55 due to lower prices the next few months.

- It general costs of production have been $18 per hundredweight and higher.

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

USDA analysis for 2015, showed total costs per hundredweight at over $23 before allocation of overhead. Vermont was higher that the all State average by nearly $4.74 due to higher feed costs and operating costs.

- In Vermont, we presently have 815 dairy farms that produce about 223million pounds per month. That means on an annual basis, about 2.67 billion pounds will be produced. Looking back to 2013, when there were about 940 farms, about 2.6billion pounds of milk was produced.

- In the first quarter of this year, it was reported that there are about 129,000 dairy cows. In 2013, there were 133,000.

- There is significant unsecured credit that has been extended to our dairy farmers by various suppliers.

- With financial pressures this has limited investments on the farm and replacement of equipment.

- There is unrest regarding the immigrant workforce.

Dairy farming is changing in Vermont and the Northeast:

- Production remains strong with fewer cows and farms.

- Our farmers are continually seeking to diversify and find new markets for a commodity for which they cannot set a price.

- We also have seen added scrutiny by our industry and regulators on our dairy farms that necessitate additional spending by farmers to comply with new rules, under FARM and Required Agricultural Practices.

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

With the changes that I just referenced in the dairy sector, we must ensure that policies and regulations adapt as well to protect and assist our farmers. This is important at both the State and Federal Level.

Farm Bill

As a State and individual stakeholders, we have vested interest in the Farm Bill.

Nearly every one of the 12 Titles in the Farm Bill touched dairy farmers in some way.

For example, the Conservation Title allows for EQIP Environmental Quality Incentives Program funding, which has been very helpful to our producers. Dairy farmers have long been stewards of the environment and to this day, continue to assure that they are adopting practices that will benefit their farms and the environment – including cover cropping, nutrient management and more.

EQIP is oversubscribed across the Country The Congressional Research Service noted that in the majority of years, fewer than half of the applications submitted get awarded funding. It is important to keep the funding for EQIP so that more worthy projects are approved for a cost share assistance contract and implemented. It is important to maintain the 60/40 percent livestock split in EQIP.

The Energy Title with the Rural Energy for America Program (REAP) that has enabled some Vermont farms to install digesters that are producing energy and also helping address water quality issues in Vermont and Lake Champlain.

In the Rural Economy and Development title, there are several important programs that are made available to producers and others, like us! We were able to secure a $250,000 award from the Value-added Producers Grant program that has allowed us to diversify our plant operations through investment in new packaging equipment for powder. Our customers asked that we increase packaging from 50-lb bags to 2,000lb totes – a large increase that meant a large investment. With the support of USDA and the Value-Added program, this project was implemented very quickly.

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

I looked at the USDA/Rural Development Annual Report earlier this week. During FY2016, Franklin County – where our facility is located, as is a substantial percentage of our membership – saw over $21million in investment from USDA. The total for Vermont was $149 million. Let's work together to preserve the valuable programs that are available for our state, including the Valued Added Producer Grant program, Business &Industry lending options and one that is of interest to the dairy sector, the Market Access Program.

Market Access Program provides the ability for entities like St. Albans to work with the Foreign Agriculture Service to develop export strategies and develop new markets for products. For dairy, this is important because of the increasing need to explore new markets and maintain existing export relationships.

Assuring that the nutritional programs and SNAP remain intact is important for our sector, too. Data shows that whole milk is good for our children and even a great way to replenish athletes' bodies after a workout.

From Senator Leahy's nutrition team recently sent me a few points to think of the SNAP impact in Vermont.

- Every $1 of SNAP benefits spent generates $1.70 in economic activity.
- 3SquaresVT (SNAP) provides over $9 million in nutrition relief to 82,000 Vermonters each month. (**at our last Census figures of 624,594 Vermonters that is actually more than 1 in 8 Vermonters receiving benefits from SNAP*)
- As of Dec 2016, 26,439 kids, or 34% of SNAP recipients in VT were children 0-17.
- Currently, 19 farmers' markets across the State accept 3Squares EBT cards –In Fiscal Year 2015 <u>$94,591 in EBT benefits were redeemed</u> at Vermont Farmers Markets, and nationally $19,441,570 were spent at Farmers Markets helping to keep a larger share of our food dollars at home to support not only Vermont farmers, but also cheesemakers, bakers and many others, as well as the local businesses that those farmers and businesses support.

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

  - ***I'm reminded of a USDA Economic Research Service figure that said that nationally in 2015 the Farm Share of every Food Dollar spent was only 15.6¢ (for domestically produced food), and 84.4¢ was the marketing share. So another important reason to increase supporting local agriculture that keeps those food dollars local to support more Vermont jobs and farms.*
- 1 out of 4 eligible Vermonters are not actually participating in the 3SquaresVT program.
- Kids with access to SNAP benefits are 18% more likely to graduate high school.

The Vermont Farm Service Agency has a significant role in support our agricultural activities. The Farm Loan program is essential and that Vermont needs to receive full funding for both the direct and guaranteed loan programs. Annual Loan Volume for Fiscal year 2015 and 2016 was over $32 million.

In discussions with the Farm Service Agency, they are advocating that the Livestock Forage Program, (LFP) expand the eligible pasture loss criteria. It is currently tied to a national drought index.

Forages are important to our dairy operations and the current Forage Safety net administered by FSA does not provided adequate protection for foraged based agribusinesses. Regionally, one of our greatest adverse economic condition, in a given year that impact our dairy farms is directly related to the loss of quality forage production, not necessarily in quantity. Our greatest quality losses are most accompanied by sufficient or even excessive quantity of production. We encourage that USDA consider a program that allows for quality adjustments on forage production.

Margin Protection Program

And finally, the Dairy section of the Farm Bill. In 2014, we moved to a new program to replace the milk price support program. In that conversation was to move away from discussing milk price to margin over feed.

Margin Protection Program for Dairy is a voluntary program) designed to provide support when the difference between calculated farm milk prices and feed costs fall below certain levels. The program enables dairy farmers to annually decide the level of margin coverage they want for their operations, ranging from a so-called catastrophic floor coverage level of $4.00 per hundredweight of milk, up to a maximum level of $8.00/cwt. The $4.00/cwt. basic catastrophic level is available for a $100 administrative fee paid annually to USDA. Coverage above that level is available in $.50/cwt. increments (up to the $8.00/cwt. maximum), with escalating premiums for each higher level of coverage.

Per Jim Mulhern at NMPF "Approximately 23,000 dairy producers, slightly more than half the nation's dairy farmers, are currently participating in MPP. The participating producers represent 80 percent of the overall U.S. milk supply. During the program's first full year of operation in 2015 farmers paid roughly $70 million in premiums and fees to USDA for the basic and supplemental coverage. But during that same year, USDA paid out to participating dairy farmers only $730,000 under the program. Due to the program's meager supplemental coverage performance in 2015, many producers reduced their coverage for 2016, choosing to only purchase coverage at the catastrophic ($4.00/cwt.) coverage level, which in turn further reduced MPP payments to producers from USDA when margins shrunk last year. As a result, last year farmers paid in $20 million while USDA paid out only $13 million. In total, MPP has generated a significant profit to the federal government and provided no meaningful support to dairy farmers since its inception—greatly harming farmer support and trust in the program as an effective safety net."

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

For 2016, we had 566 Vermont Dairy Farms enrolled in the MPP program that would represent nearly 1.7 billion pounds of milk. 93 percent of the farms are at the catastrophic level also representing 97 percent of the milk volume in the program.

On a regular basis, I hear our producers lamenting the efficacy of the Margin Protection Program. In short, we feel that there is an opportunity to improve this program as a "safety net" for farmers.

I have had the opportunity to serve on the National Milk Producers Federation Economic Policy Committee to review the Margin Protection Program. In this effort recommendations were designed to address some of the limitations and changes needed while maintaining broad support from the dairy producer community across the country.

I would propose that the authors of the 2018 Farm Bill consider some of the recommendations that National Milk has proposed and that we fully support: restore the feed cost formula that was originally proposed and revisit feed and milk pricing data sources. Both, will help shape a better program. We need to use single month program versus bimonthly periods, ensure that we have affordable premiums that will encourage participation and provide a greater benefit to farmers.

We also need to allow producers to avail themselves to various risk management programs and not be limited to participating in one program. For example, the 2014 Farm Bill required producers to make a one-time choice at the start of the farm bill between Margin Protection Program and Livestock Gross Margin Program. The LGM insurance program is administered by the Risk Management Agency.

Let's work to create a true safety net for dairy producers that fall on tough economic times.

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
www.stalbanscooperative.com
stalbanscoop@stalbanscooperative.com
802.524.6581 800.539.0343

Looking Forward and Conclusion

Budget and Dollars available for the 2018 Farm Bill will have a significant impact on programs and capacity to maintain or grow programs. Various commodities in addition to dairy such as cotton are seeking to provide support in the face of low prices, while grain farmers will have a variety of adjustments they want in the fool and feed grain programs. Some states would like to receive some funding for disaster assistance for farmers when they face droughts and other extreme weather events.

We need to have a dairy policy that supports regional production and farms of all sizes. Our farms are the fabric of our communities and rural America.

We must protect programs that generate economic development, regional foods systems, food access. We need to support diversified agriculture and production practices. Need to foster more programs that support the next generation of dairy farmers.

We need to incentivize more value-added opportunities for the use of dairy.

Looking ahead to 2018, we hope to see many of the programs that I just mentioned remain intact or in a perfect scenario, see more funding allocated to them.

We need to advocate that these investments are in rural America where jobs and economic activity are created.

I also need to mention the importance of keeping this a Farm and Food Bill, without SNAP staying a part of this bill we will not pass the Senate, and then we are left with no Farm Bill at all.

As a small state, we are fortunate to have a strong voice. Let's work together to help craft a Farm Bill that is truly of benefit to Vermont.