

Agri-Mark, Inc.

agrimark.coop

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Dear Dairy Industry Advocate,

April 1, 2020

The dairy industry has suffered from low milk prices for the last five years. At the end of 2019, many of the fundamental challenges facing dairy markets were resolving. Since then, the COVID-19 pandemic has rattled dairy markets. Dairy demand is a function of retail, food service, and exports, with the latter two seeing very sharp declines. In a matter of weeks, dairy demand in the US has shifted dramatically to only retail in response to the outbreak, causing dairy commodity prices to plummet.

Current projections show the 2020 average milk price in the northeast to be \$15.80 per hundredweight, having fallen 20% since the start of the year, 10% in the last two weeks alone, and still falling. These farm prices are far below the region's cost of production and simply not sustainable, especially after years of low milk prices. At these projections, farmers throughout our cooperative and across the country will be forced out of business, unable to make ends meet.

All dairy cooperatives and processors are also struggling amidst the pandemic. Increased spending in the form of wages, prevention measures, and inefficient transportation, are causing increasing financial burden as we work to ensure that our product is getting to consumers. At the same time the dollar value of our products is sharply declining.

We are in danger of losing a critical part of our food supply when we need it most. Dairy products are produced, manufactured, and delivered immediately to retail stores every single day to keep store shelves stocked. The current price outlook will result in a rapid loss of dairy farms that will jeopardize the security of our food system throughout the nation.

The most important action step to avoid such a loss is to stabilize dairy prices across the industry. The USDA National Dairy Products Sales Report prices for butter, cheese, sweet whey, and powder set respectively at \$2.10, \$2.00, \$.35, and \$1.20 per pound for the next four months would be enough to ensure the industry remains operational and that dairy products continue to make it into the hands of consumers. In doing so, multiple benefits will be seen.



Owned by the farm families of Agri-Mark who provide their farm fresh milk to their award-winning brands.

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First, stabilized dairy product prices will allow dairy cooperatives and processors to continue to manufacture and deliver product during this uncertain and increasingly financially challenging time. Second and most importantly, the Blend Price paid to farmers, which is based on these commodity prices, would in turn be stabilized. At the prices proposed above, this would equate to a Blend Price of \$19.50 per hundredweight. It is critical that dairy farmers have a stabilized source of revenue to allow for their operations to continue at a time when they are the most critical to our nation.

In addition to stabilized prices, the continuation of dairy product purchases such as cheese, whey, butter, and powder would be very beneficial to helping stabilize commodity prices, while also ensuring that a back-up of products does not create long-term market burden. Reopening the Dairy Margin Coverage program is another tactic that would help farms with some of the loss recovery.

This is a matter of national food security. The need for financially strong and diverse dairy production and manufacturing sectors is more important than ever. I urge you to consider my proposal and work on behalf of the entire US dairy industry to develop legislation to create stability in the food supply chain.

Stay healthy,

A handwritten signature in blue ink that reads "Ed Townley".

CEO Agri-Mark



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