

December 20, 2022

Members of the Vermont Dairy Task Force:

Dairy Farmers of America, Inc. (DFA) appreciates the opportunity to provide comment to the Vermont Dairy Task Force (Task Force). The discussions you have fostered are critical as we all look to identify and develop impactful policy or program changes to benefit dairy farmers in the state.

DFA is a national cooperative, owned and governed by more than 11,000 dairy farm families across the nation, including over 2,500 in the twelve states that make up DFA's Northeast Area. DFA farmer-owners are invested in 85 manufacturing assets which produce a range of nutritious dairy products for domestic and global consumers.

DFA's national footprint has afforded us the opportunity to engage in robust policy discussions around the country and with many partners. We have been party to successful efforts to support dairy farmers through, for example, state reimbursement for Dairy Margin Coverage (DMC) program premiums, COVID assistance, and grants that support on-farm infrastructure improvements.

DFA understands the Task Force is considering policy which would mandate over-order premiums in the state. As others noted during the Task Force's last meeting, such policy proposals are complex and often lead to unintended consequences. In most cases, mandating an over-order premium does not create more value or infuse new money into the system. Instead, it repools what marketing units in Vermont are already paying. This can lead to disorderly marketing conditions as customers look to purchase milk supplies not subject to the premium, often sourcing milk from out of state and putting milk marketers in challenging positions.

Instead of such a state program, DFA believes that U.S. dairy farmers can benefit more from the development of new or improvement of current dairy programs being administered by the U.S. Department of Agriculture (USDA). For example, the Dairy Margin Coverage (DMC) program provides dairy farmers a measure of protection from volatile dairy markets by providing a payment when national feed/milk margins are squeezed. DFA is committed to working with other national dairy leaders to improve the DMC program by urging Congress to allow dairy farmers to update their DMC production history and by increasing the access and benefit of the program to mid-sized operations. Additionally, DFA will use the Farm Bill process to advocate for increased conservation funding to help farmers cost-share on-farm climate smart technologies to prepare them for opportunities in emerging eco-markets. Improvements to the Dairy Revenue Protection (Dairy-RP) program, a tool used by many DFA owners, will also be sought.

Outside of opportunities the upcoming Farm Bill may offer for improvements to dairy programs, the dairy industry, including DFA, has been working diligently over the last year to identify and coalesce around proposals to modernize Federal Milk Marketing Orders (FMMO). At the National Milk



Producers (NMPF) Annual Meeting, the NMPF board of directors, which includes several Vermonters, passed a resolution supporting the following package of changes to FMMOs.

1. Return to the "higher-of" Class I mover
2. Discontinue use of barrel cheese in the protein component price formula
3. Extend current 30-day reporting limit to 45 days on forward priced sales of NFDM and dry whey
4. Update the milk component factors for protein, other solids, & nonfat solids in the Class III & Class IV skim milk price formulas
5. Develop process to ensure make allowances are reviewed on a more frequent basis by enacting legislation authorizing USDA to conduct mandatory plant cost studies every two years and report results to industry
6. Proposed Make Allowance adjustments:

- Cheese \$.2400	Butter \$.2100
- Dry Whey \$.2300	NFDM \$.2100

Additionally, NMPF and its members continue developing analysis and anticipated recommendations surrounding the Class I pricing surface. With the hope of gaining the support of the NMPF Board in early 2023, both these efforts would require USDA to convene a FMMO hearing to consider the recommended changes.

Finally, to ensure opportunities and create lasting profitability for DFA's farmer-owners, DFA leadership continues to reinvest in its manufacturing plants, including in Vermont, and develop long-term sales relationships with milk and dairy product customers to gain more revenue from the marketplace and satisfy global consumer demands for dairy products.

Again, thank you for the opportunity to provide the Task Force comment on these important issues. We look forward to working with you to develop policy proposals to support the state's dairy industry.

Sincerely,



Kiersten Bourgeois
Director, Marketing and Industry Relations