

FAMILY FARMING AND DAIRY

2017 SPECIAL ORDER OF BUSINESS

U.S. dairy farms are an important segment of our nation's economy. As one of the world's largest dairy producing nations, the industry provides roughly \$140 billion in economic output, \$29 billion in household earnings, and more than 900,000 jobs.

The economics of the dairy sector over the last three years have forced producers to shutter dairy farms across the country. After reaching \$24 a hundredweight in 2014, dairy prices quickly eroded, falling to \$16 a hundredweight in 2016. In addition to prices well below the cost of production, volatility has continued to create challenges for producers. Cash receipts over the last three years demonstrate this volatility. In 2009, cash receipts were \$24.3 billion, shooting up to \$49.3 billion in 2014, and quickly falling to \$34.2 billion in 2016.

Exports increase and decrease by billions of dollars from year to year based on factors well beyond the control of producers, but which nonetheless greatly impact the financial health of their farms. Despite the unfavorable economic conditions faced by dairy producers, U.S. milk production increased for the seventh consecutive year and the dairy herd continues to expand.

The current dairy safety net, the Dairy Margin Protection Program (DMPP), has provided very little relief to struggling dairy producers. In 2016, about two thirds of milk production, or 140 billion pounds of production history, enrolled in DMPP, did not sign up for any buy-up coverage. It is widely recognized that the program has failed dairy producers. Looking forward there must be an acknowledgement, especially during the budget process, that producers paid millions of dollars into the program and did not receive assistance in troubling economic conditions.

An adequate safety net must remain the goal for federal dairy policy. Congress and the administration must act to protect more dairy farmers from going out of business. Relief for producers should include:

- A budget resolution to increase spending for an adequate dairy safety net;
- Programs that account for actual costs of production;
- An incentives-based inventory management program that recognizes the inelasticity of the dairy sector;
- Ad hoc disaster assistance; and
- Trade policies that don't disadvantage American dairy producers.