



**STATEMENT OF ROGER JOHNSON**

**PRESIDENT**

**NATIONAL FARMERS UNION**

**SUBMITTED TO THE HOUSE COMMITTEE ON AGRICULTURE**

**SUBCOMMITTEE ON LIVESTOCK AND FOREIGN AGRICULTURE**

**REGARDING "REVIEWING THE STATE OF THE DAIRY ECONOMY"**

**APRIL 30, 2019**

**WASHINGTON, DC**

Chairman Costa, Ranking Member Rouzer, and members of the subcommittee,

Thank you for holding a hearing to examine the current state of the dairy economy. National Farmers Union (NFU) represents roughly 200,000 family farmers, ranchers and rural members. NFU serves to protect and enhance the economic well-being and quality of life for family farmers and ranchers and rural communities across the country.

While the current slump in the farm economy has impacted much of American agriculture, no sector has been as hard hit as the dairy sector. Most dairy farmers have been paid below the cost of production for over four consecutive years. With mounting debt and no significant price rebound in sight, thousands have been left with no choice but to close their doors. Due to the severe and chronic challenge of oversupply, we urge the committee to examine long term solutions that would ensure a profitable and sustainable environment for dairy farmers.

### **Trends in the Dairy Sector**

According to the United States Department of Agriculture, the number of licensed dairy farms decreased by nearly 17,500 or about 34 percent from 2009 to 2018.<sup>1</sup> As dairy farmers exit the business at alarming rates, their production is being replaced by new, large-scale dairy operations. The U.S. dairy herd increased by nearly 200,000 cows from 2009 to 2018, while the average number of cows per operation increased by over 50%.<sup>2</sup>

As the industry consolidates and milk production increases, family dairy farms increasingly find themselves at a disadvantage. In 2017, the average national value of production was \$.05 less than total operating costs.<sup>3</sup> Small farms suffered the greatest average net losses per hundredweight, while farms with over 2,000 cows averaged the greatest net profit.<sup>4</sup>

The 2017 Census of Agriculture further illustrates the trend of consolidation in the dairy sector. While the number of dairy farms decreased by over 10,000 since the 2012 Census of Agriculture, the number of farms with 2,500 or more cows increased by 149.<sup>5</sup> Furthermore, operations with more than 2,500 cows accounted for 35.3 percent of the total value of milk production in 2017, a 5.8 percent increase from the 2012 Census.<sup>6</sup>

### **Dairy Together Campaign**

In response to the unprecedented challenges facing family dairy farmers, Wisconsin Farmers Union (WFU) launched the Dairy Together campaign in 2018. The goal of the campaign is to build grassroots support for a supply management plan that would ensure dairy farmers can receive a fair price from the

---

<sup>1</sup> United States Department of Agriculture, National Agricultural Statistics Service. Milk Production, March 2019; United States Department of Agriculture, National Agricultural Statistics Service. Milk Production, February 2010.

<sup>2</sup> *Id.*

<sup>3</sup> United States Department of Agriculture, Economic Research Service. Milk Cost of Production by Size of Operation. October 2018.

<sup>4</sup> *Id.*

<sup>5</sup> United States Department of Agriculture, National Agricultural Statistics Service. (2019) 2017 Census of Agriculture; United States Department of Agriculture, National Agricultural Statistics Service. (2014) 2012 Census of Agriculture.

<sup>6</sup> *Id.*

markets.<sup>7</sup> At a series of meetings, WFU has presented an analysis of three supply management programs that were introduced prior to the 2014 Farm Bill.<sup>8</sup> WFU and other farm groups have also discussed the Canadian dairy supply management system, a two-tiered pricing model, and short-term emergency programs to offset market losses.

Overall, Wisconsin Farmers Union, along with other Farmers Union divisions and farm groups, have hosted 22 meetings in eight states, reaching over 1,000 participants.

### **National Farmers Union Policy**

National Farmers Union recognizes the improvements made in the 2018 Farm Bill to better support our dairy farmers. The Dairy Margin Coverage (DMC) program is an improvement from its predecessor, the Margin Protection Program. The opportunity to cover the same production under both the DMC and the Livestock Gross Margin gives dairy producers another option to strengthen the support they receive. However, the farm bill does not address the ongoing challenge with oversupply.

National Farmers Union has long been a supporter of dairy supply management.<sup>9</sup> At NFU's 117<sup>th</sup> Annual Convention, our members passed a Special Order of Business reinforcing our support for a comprehensive dairy supply management plan.<sup>10</sup> The proposal adopted by the delegate body supports a plan that would establish fair prices, manage milk inventories, and manage imports and exports. (See Appendix)

### **Conclusion**

Thank you for the opportunity to submit a statement for the record on the state of the dairy economy. We look forward to working with you to identify both short-term and long-term solutions to promote the economic viability of family dairies, including mechanisms to meaningfully address oversupply.

Sincerely,

A handwritten signature in black ink that reads "Roger Johnson". The signature is fluid and cursive, with the first name "Roger" and the last name "Johnson" clearly distinguishable.

Roger Johnson  
President

---

<sup>7</sup> Wisconsin Farmers Union (2018). Dairy Together. Retrieved from: <https://www.dairytogether.com/>.

<sup>8</sup> Nicholson, C., & Stephenson, M. (2019). Analyses of Selected Dairy Programs Proposed to Reduce Variability in Milk Prices and Farm Income. Retrieved from: [https://dairymarkets.org/PubPod/Podcast/Misc/SupplyManagement/WFU\\_Report.pdf](https://dairymarkets.org/PubPod/Podcast/Misc/SupplyManagement/WFU_Report.pdf).

<sup>9</sup> National Farmers Union. (2019) Policy of the National Farmers Union. Retrieved from: <https://nfu.org/policy/>.

<sup>10</sup> National Farmers Union. (2019) Family Farming and Dairy, 2019 Special Order of Business. Retrieved from: <https://1yd7z7koz052nb8r33cfxyw5-wpengine.netdna-ssl.com/wp-content/uploads/2019/03/Dairy-SOB-030519.pdf>.

## Appendix

### Family Farming and Dairy, 2019 Special Order of Business



#### **FAMILY FARMING AND DAIRY 2019 SPECIAL ORDER OF BUSINESS**

The number of dairy farmers in the United States has dropped by more than 30 percent over the last 10 years, and the rate of closures across the country continues to accelerate today.

The United States Department of Agriculture (USDA) projects the nationwide average price paid to dairy farmers will total \$15.80 per hundredweight (cwt), while average cost of production is \$22.70 per cwt. Dairy farmers nationwide are paid 30 percent below average production costs and have been paid prices well below production costs for more than four years leading to unprecedented financial challenges for dairy farm families.

The recently passed farm bill fails to address the challenges dairy farmers face today primarily because it lacks an inventory management component that is vital to establish fair milk prices. We urge Congress to pass a three-point plan:

- Establish fair prices.
- Manage milk inventories.
- Provide import/export dairy policy to restore and protect profitability to dairy farmers across the United States.

NFU calls on Congress to pass legislation that includes:

1. The establishment of an incentives-based inventory management program to manage milk inventories based on market demand and pricing stability.
2. Establish a farmer-led plan to establish fair milk prices that are based on the dairy farmers cost of production and retail prices for dairy products.
3. Effective dairy trade policy that manages both imports and exports to ensure that U.S. dairy farmers are paid a fair price from the market.
4. Each FMMO region of the country establishes a dairy board made up of dairy farmers that establish prices with processor involvement.
5. Prices are determined by farmers on a region-by-region basis based on cost of production and other cost indices.
6. Using processors forecast demand for milk for dairy products, each region will produce enough milk to meet processors needs.
7. Milk requested for use in export by processors would be included in regional dairy supply demand. Imports are subject to USDA market review to assure that they do not undercut the dairy farmer-led inventory management plan.
8. Changes in forecast demand for dairy products will allow for increased production for those dairies that choose to grow based on market demand and allow for new dairy operations.
9. New growth production is issued equally, with a program for beginning farmers.
10. Dairies can buy and sell existing production based on the value set on the open market, but new production is only issued by regional boards based on demand increases.
11. This would be a farmer driven program with mandatory enrollment of all dairies including organic.
12. Organic market inventory would use similar system to set organic prices and manage inventory to meet processor and consumer demand.