



May 26, 2022

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, D.C. 20250

Dear Secretary Vilsack,

In December 2021, while visiting a Wisconsin dairy farm, you stated the dairy industry must reach a consensus before USDA will consider conducting a national hearing on federal milk pricing changes.

We ask you to provide us with the specific requirements that will meet your expectations. Does your intention mean a consensus of stakeholders that agree an FMMO hearing vetting potential proposals is needed? Or are you requiring a consensus of stakeholders agreeing on the same proposal before it is vetted through an FMMO hearing?

Currently, there is an industry wide consensus that the Class I pricing change made in the 2018 Farm Bill needs amending. Some differences lie in how this should be accomplished. However, since the change was made legislatively without a vetted hearing process, dairy farmers share a strong consensus that 'righting this wrong' is a great place to start in opening an FMMO hearing. The legislation states that this change can be amended via a USDA hearing process after two years of implementation. Here we are in May 2022, three years later, and farmers are concerned and asking for solutions.

The American Dairy Coalition has been meeting virtually with dairy farmers across the country over the past 20 months. We have conducted two Future of Federal Milk Pricing Forums in 2022 that were well attended and provided opportunities for farmers to engage. We also conducted farmer surveys and spoke with dairy industry experts. After these months of discussion with farmers and experts, we believe a hearing process helps achieve consensus by vetting various proposals to determine which proposal is in the best interests of dairy farmers throughout the nation.

The change from the 'higher of' to an 'average-plus' formula for Class I milk resulted in the inequitable loss of \$3B to dairy farmers. This estimate includes the \$750 million cumulative devaluation of the Class I milk price since the new formula was implemented in May 2019. This created an environment for massive de-pooling and negative PPDs further affecting farmers whose milk is used in all classes, and in turn, farmers saw additional losses of premiums they paid for purchased risk management tools that failed to protect them from the dysfunction that ensued within and outside of the FMMOs. These experiences from the fall of 2019 through the summer 2021, and at intervals since, have undermined the confidence of many dairy farmers in using risk management.

At the same time, we hear discussion that 'make allowances' could be increased by an expedited hearing process or another administrative option. If USDA moves in this direction, we are asking that you also allow the examination of the Class I milk pricing formula since it will alter make allowance credits. Farmers experience the same areas of in-put cost increases over the past decade as processors. Farmers are asking for USDA to analyze mailbox prices and milk check transparency as part of considering any make allowance adjustment. Therefore, we believe any move to increase the make allowance credits for processors should be linked to achieving adequate, transparent milk pricing for farmers. The linkage helps ensure farmer representation.

We also would like the opportunity to discuss with you some of the options we have as a dairy industry to correct the federal milk pricing issues we are facing. Farmers would benefit greatly if USDA would form a working group to put new milk pricing solutions through their paces using data only USDA's FMMOs have access to. We believe that if a consensus on proposals is needed before USDA will hold a national FMMO hearing, then these working groups are critical and will provide dairy farmers with the necessary access and representation.

Our voice was pre-empted in the last Farm Bill when it came to making federal milk pricing changes, and our dairy farmer members paid the price for that. We do not want to see this happen again. Therefore, it is necessary to return to the previous Class I mover formula now, while the industry continues building consensus about what milk pricing might look like in the future as you requested.

Sincerely,

The American Dairy Coalition Board of Directors

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