

May 13, 2021

The Honorable Tom Vilsack  
Secretary  
U.S. Department of Agriculture  
1400 Independence Ave., S.W.  
Washington, DC 20250

Dear Secretary Vilsack:

We write today to urge USDA to take action to support dairy farmers and help them through the crisis they are facing.

The COVID-19 pandemic has disrupted dairy supply chains and has caused disruptive price volatility. Feed, labor, farm equipment, and energy costs have all increased as the result of the pandemic and contributed to lower profits for dairy farmers. In addition, dairy farmers have experienced challenges receiving a fair price for their milk as a result of the change to the Class I milk price formula in the 2018 Farm Bill which moved to an averaging method of Class III and Class IV prices plus \$0.74, as opposed to the previous “higher of” method of determining fluid milk prices. This one change has caused dairy farmers collectively to lose out on \$725 million dollars in income since the change was implemented in May 2019.<sup>1</sup> During the pandemic, this adjustment curtailed the payments dairy farmers received when the government intervened in cheese markets with purchases made for the Farmers to Families Food Box Program. This made the Class III price rise sharply by 161 percent from June to September 2020, while Class IV prices rose only 19 percent during the same period, further shaking the stability of the market.<sup>2</sup> All of these components have hampered dairy farmer’s ability to receive a fair price for their milk, and the only thing that has helped them offset some of their losses was the Coronavirus Food Assistance Program (CFAP) dairy payments.

We appreciate USDA’s work to implement the relief for farmers provided by Congress, as well as the agency’s commitment to support dairy farmers during the COVID-19 pandemic across a variety of programs; however, this market distortion needs to be corrected. On March 24, 2021 USDA announced the new Pandemic Assistance for Producers initiative that established new programs and efforts to bring assistance to producers who have been impacted by COVID-19.<sup>3</sup> This includes assistance to dairy farmers through the Dairy Donation Program, carrying out CFAP formula payments for cattle and eligible crops and reopening the CFAP 2 sign up period for

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<sup>1</sup> <https://www.nmpf.org/dairy-farmers-to-seek-emergency-usda-hearing-on-class-i-mover-reform/>

<sup>2</sup> <https://www.fb.org/market-intel/impact-of-the-farm-bill-change-to-the-class-i-milk-price-on-dairy-farm-inco>

<sup>3</sup> <https://www.usda.gov/media/press-releases/2021/03/24/after-identifying-gaps-previous-aid-usda-announces-pandemic>

producers that were not previously enrolled in the program. However, this new announcement did not include new payments to dairy farmers.

By allocating more direct payments through CFAP, USDA could take action to reduce the strain that dairy farmers are facing. Specifically, the agency should continue issuing payments to dairy farmers under CFAP, or through any further assistance programs that USDA conceives, including the Pandemic Assistance for Producers initiative, for the first six months of 2021 and make these payments retroactive to January 1<sup>st</sup>. Continuing these payments would help alleviate the loss of dairy farms we are seeing in the Northeast and around the country and give dairy farmers' additional relief as they continue to face the fallout of this pandemic.

CFAP payments have proved to be very beneficial to our dairy producers during this time of financial stress. This is particularly true for our small and mid-size dairy operations which have been hit the hardest by this pandemic and have few cash reserves on hand to cushion their losses when milk prices fall below production costs. So far throughout the pandemic the USDA has allocated more than four billion dollars of CFAP payments to dairy farmers, which is the smallest allocation of payments out of the four categories that received payments (acreage-based, sales commodities, livestock, and dairy).<sup>4</sup> According to a recent National Agricultural Statistics Service (NASS) report, the United States lost 2,550, or seven percent, of its dairy herds from 2019 to 2020, and without further help from USDA this number may increase this upcoming year.<sup>5</sup>

Dairy farmers support our food system with their milk, providing the beverages, cheese, butter, and numerous other products that hundreds of millions of American's consume on a daily basis. Dairy farmers have been suffering due to declining prices for decades, which has led to almost half of dairy herds lost since 2003, and are now also feeling the ramifications of a flawed milk pricing formula that they did not have a chance to voice an opinion on, and has caused almost one billion dollars of lost income.<sup>6</sup> Continued payments to dairy farmers through CFAP or other possible avenues would go a long way in making sure that these operations around the country are able to remain solvent as they continue to weather the effects of this pandemic.

Thank you for your serious consideration of this request. We very much looking forward to working with you on ways to ensure that dairy farmers are supported during this pandemic and beyond.

Sincerely,

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<sup>4</sup> <https://www.farmers.gov/cfap2/data>

<sup>5</sup> <https://downloads.usda.library.cornell.edu/usda-esmis/files/h989r321c/br86bx43m/7p88d932r/mkpr0221.pdf>

<sup>6</sup> <https://www.fb.org/market-intel/usda-report-u.s.-dairy-farm-numbers-continue-to-decline#:~:text=The%20Decline%20of%20Licensed%20Dairy%20Herds%20in%20the%20U.S.&text=The%20overall%20number%20of%20licensed,2003%20to%2031%2C657%20in%202020.>