



July 19, 2017

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
Washington D.C. 20250

Dear Mr. Secretary:

I am writing on behalf of the Midwest Dairy Coalition to express our significant concerns about the lack of an adequate safety net for our nation's dairy farmers, and to suggest ways in which USDA can help address those problems.

The Midwest Dairy Coalition is an alliance of dairy cooperatives representing dairy producers in eight Upper Midwest states on federal dairy policy issues. The Coalition collectively represents 7,600 dairy farms, which is about 18 percent of the nation's dairy farms.

In the 2014 Farm Bill, many long-standing dairy programs were eliminated in favor of a new dairy safety net program, the Margin Protection Program (MPP). Unfortunately, the MPP has fallen far short of being an effective safety for dairy producers.

One of the unique challenges for dairy producers is the lack of options for managing risk. Many crop producers have access to commodity programs established through Title I of the Farm Bill and administered by the Farm Service Agency, as well crop insurance options administered through the Risk Management Agency (RMA). In contrast, dairy producers do not have the same access to RMA risk management options.

One of the reasons that RMA options are so limited for dairy producers is that the agency has inappropriately defined milk as "livestock," which has resulted in dairy falling under the statutory \$20 million funding cap that applies to all livestock insurance plans. However, a closer look at the statutory language shows that the relevant section of the Federal Crop Insurance Act [7 USC 1523(b)] defines the term "livestock" to refer only to the animals themselves (cattle, sheep, swine, goats and poultry) and not to the products of livestock, such as milk or eggs.

Therefore, we believe that USDA would be entirely within its existing authority to issue a clarification that the \$20 million annual funding cap for RMA livestock insurance products applies only to insurance products covering livestock, and does not apply to the products of livestock, such as milk. In fact, Congress has recently indicated its concurrence with this analysis. The Consolidated Appropriations Act of 2017 included the following report language:

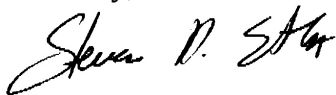
The agreement supports the development of insurance products that recognize and cover livestock products such as milk as 'agricultural commodities' separately and distinctly from coverage developed for 'livestock.' The statute only refers to livestock and lists types of livestock in the definition (7 U.S.C. 1523(b)), but lists not livestock products. There is no indication that Congress intended for livestock products to fall under the availability of livestock insurance policies and this restriction has unnecessarily hindered the availability of policies for livestock products like milk. The agreement encourages RMA to present this reinterpretation to the Federal Crop Insurance Corporation board at the next scheduled meeting and to develop additional policies for milk to provide dairy farmers with more robust risk management options before the end of the year.

In addition, if dairy is appropriately classified as a product of livestock, and not livestock itself, it paves the way for Federal Crop Insurance Corporation to use its existing authority to offer coverage for a risk management policy for milk production, either offered through a private submission or developed by RMA with review by the FCIC Board. Like other decisions by the FCIC Board to expand crop insurance coverage, this decision to cover milk as a commodity would not require administrative PAYGO offsets.

The frustrating experience with the ineffective Margin Protection Program underscores dairy farmers' need for more risk management options. As we work with Congress to reform the MPP to make it more effective in the long term, we look forward to working with you toward administrative changes in the RMA rules that can make a difference for dairy farmers in the near term.

Thank you for your consideration of this request.

Sincerely,



Steven D. Etko
Coordinator
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cc: Heidi Green, Chief of Staff, USDA Office of the Secretary
Dr. Rob Johansson, Federal Crop Insurance Corporation, Board Chairman