



Testimony of Steven Etko, Coordinator
of the
Midwest Dairy Coalition
submitted for the record
to the
House Committee on Agriculture
for a hearing regarding
“A 2022 Review of the Farm Bill: Dairy Provisions”
June 22, 2022

Chairman Scott, Ranking Member Thompson, and Members of the Committee-

Thank you for holding this hearing to discuss important dairy policy issues in advance of the 2023 Farm Bill. I wanted to use this opportunity to introduce Committee members to the Midwest Dairy Coalition and inform you about the policy positions of the Coalition.

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 nearly 5600 dairy farms, or about 19 percent of the dairy farms in the nation. On a regional basis, the Coalition's membership represents a majority of the dairy farms in the Upper Midwest and provides an effective and useful forum for dairy organizations to discuss, debate and propose common policy action dealing with the ever-changing federal dairy issues of the day.

Member organizations include [Associated Milk Producers Inc.](#), [Bongards Creameries](#), [Ellsworth Cooperative Creamery](#), [First District Association](#), [FarmFirst Dairy Cooperative](#), and [Rolling Hills Dairy Cooperative](#).

The Midwest Dairy Coalition has taken strong policy positions on a wide array of federal policies affecting dairy farmers and their markets. While not all our policy recommendations are within the jurisdiction of the House Agriculture Committee, we believe it is important for the Committee to see the cross-cutting issues affecting dairy farmers and their cooperatives.

Dairy Margin Coverage (DMC) Program

The Dairy Margin Coverage (DMC) Program has proven to be a very important risk management tool for dairy farmers. The voluntary program gives participating dairy

farmers the ability to manage risks associated with changes in the margin between milk prices and feed costs. The program was established in the 2018 Farm Bill as a successor program to the inadequate Margin Protection Program (MPP). In the 2023 Farm Bill, the DMC should be continued with the following updates:

- The 5-million-pound annual production threshold (about 200 cows) between Tier I premiums and the higher Tier II premiums should be updated to 8 million pounds (about 320 cows). Doing so reflects the growth in average dairy herd size since the 2018 Farm Bill. The average dairy cow annually produces about 25,000 pounds.
- The production history used under the current program is based on a dairy farmer's highest production from 2011, 2012 or 2013. As part of the Consolidated Appropriations Act of 2019, Congress established a parallel program called the Supplemental DMC Program to allow smaller-scale dairy farmers (under 5 million pounds of production history) to receive a supplemental DMC payment based on their 2019 production history. The updated production history concept of the Supplemental DMC Program should be merged into the base DMC Program to allow dairy farmers with 8 million pounds of production or less to update their production history to 2022 levels for future DMC payments.
- The Committee should also consider increasing the top DMC margin level from \$9.50 to \$10.00 per hundredweight, to partially reflect the increased costs of non-feed inputs used by dairy farmers. Variable feed costs are already captured in the base margin calculation formula of the DMC.

Federal Milk Marketing Order Modernization

The federal milk marketing order (FMMO) system has not been significantly updated since 2008. Because of the complexity of the system and the inter-related nature of all the aspects of the pricing system, the Midwest Dairy Coalition supports a full-scale review and improvements to the system and opposes efforts to seek more narrow changes.

Changes to the FMMO system should be made through the robust FMMO administrative hearing process, which was developed by Congress to fully consider all perspectives and potential repercussions of proposed changes, as opposed to mandating specific federal order changes legislatively.

Many of our members are actively engaged in FMMO discussions with other dairy farmer cooperative leaders from around the country through a process established by the National Milk Producer Federation (NMPF), at the urging of Agriculture Secretary Vilsack. The goal of this effort is to seek broad agreement on a full-scale proposal for FMMO modernization to be undertaken through the existing administrative hearing process within USDA's Agricultural Marketing Service. We urge the Committee to continue to monitor the industry's consensus-building dialogue. It is paramount that this process be allowed to play out prior to any Committee consideration of legislative action on FMMO issues.

Dairy Pride Act (S. 1346 and H.R. 2828)

Truth in Labeling for Non-Dairy Beverages

Currently, FDA regulations require products labeled as milk, yogurt, ice cream and cheese to be produced from dairy animals. Unfortunately, FDA has not enforced those regulations, which has resulted in many plant, nut-based or lab-generated products being inappropriately labeled using dairy terms.

Consumers are often unaware that the nutritional attributes of milk and other dairy products far exceed those of non-dairy beverages. Bipartisan legislation has been introduced in the Senate and House to require FDA to enforce its own regulations. The Midwest Dairy Coalition is urging Members of Congress to cosponsor this important legislation.

Dairy Trade Issues

United States-Mexico-Canada Agreement (USMCA) Enforcement

The United States-Mexico-Canada Agreement (USMCA), signed into law in January of 2020, includes important provisions to reform Canada's trade-distorting dairy pricing policies and expand U.S. dairy access to Canada. However, Canada has not lived up to its dairy access commitments under the Agreement, which led the U.S. to file a dispute settlement case against Canada's actions. In January 2022, U.S. Trade Representative Ambassador Tai announced the U.S. had prevailed in its case against Canada. As part of the dispute resolution process, Canada was given the opportunity to put forward a proposal to revise its rules to comply with the ruling. Canada's proposals to comply with the ruling failed to address to underlying harms identified by the ruling. This led the Biden Administration in May of 2022 to initiate a second dispute panel over Canada's recent delays in fulfilling its obligations under USMCA. The Administration and Congress should continue to insist Canada comply with the dairy market provisions of the USMCA.

Geographic Indications and Common Cheese Names

The European Union has taken an aggressive stance in bilateral and multi-lateral trade negotiations to block the ability of U.S. dairy farmers and manufacturers to use common cheese names, such as parmesan, feta, and asiago. They argue these names should only be allowed for use by cheesemakers in the regions of the world where that style of cheese originated. However, these generic cheese names have been commonly used in the U.S. dairy sector for generations.

In a January 2022 judicial ruling, Judge Ellis of the U.S. District Court for the Eastern District of Virginia upheld a 2020 decision of the U.S. Patent and Trademark Office's (USPTO) Trademark Trial and Appeal Board regarding use of the term "gruyere." This ruling confirmed "gruyere" is a generic style of cheese that can come from anywhere. The decision

reaffirms that all cheesemakers, not just those in France or Switzerland, can continue to create and market cheese under this common name.

Congress and the Administration should take steps in trade negotiations to preserve the ability of U.S. cheesemakers to continue the use of common cheese names.

Support for Bi-lateral and Multi-lateral Trade Agreements

In 2021, dairy product exports totaled 17.3 percent of U.S. total milk solids production, a record for the U.S. dairy industry. The U.S. dairy industry has the capacity to raise its level of exports even further.

The Midwest Dairy Coalition encourages the Administration to pursue comprehensive trade agreements whether bi-lateral or multi-lateral. The Administration's trade policy agenda refers to trade and investment and economic "frameworks" but that doesn't equate to trade agreements built around tariff cuts.

With respect to dairy competitors, the European Union, New Zealand, and Australia are showing signs that their dairy industries have limitations on their ability to significantly grow dairy exports in the future. More bi-lateral and multi-lateral trade agreements will give the dairy industry the opportunity to reach new highs in dairy exports.

Ocean Shipping Reform and Dairy Trade

The Midwest Dairy Coalition has endorsed the Ocean Shipping Reform Act to address the shipping challenges the dairy industry and other U.S. agricultural sectors have faced since the beginning of the pandemic. Therefore, we are very pleased that this bill recently passed Congress and was signed into law by President Biden. The new law will help alleviate delays and disruptions at U.S. ports that have been a critical part of the export supply chain challenges plaguing U.S. dairy exporters. We thank Congressmen Garamendi and Johnson and Senators Klobuchar and Thune for their bipartisan leadership in getting this important legislation across the finish line.

Agriculture Labor Policy and Dairy Farms

Foreign-born workers are a critical part of the U.S. dairy economy and the communities where they live. While border security is important, establishing a clear process for immigrant dairy workers to establish legal status is critical. The Midwest Dairy Coalition supports agriculture labor reform legislation to:

- Provide an affordable and efficient guest-worker program that ensures the continued availability of immigrant labor for all of agriculture, including dairies; and
- Permit those currently employed or with employment history in the U.S. to earn the right to work here legally, regardless of their current legal status.

The Midwest Dairy Coalition supports the Farm Workforce Modernization Act (H.R. 1603), as passed by the House in March 2021, and supports efforts to make improvements and pass the bill in the Senate.

The Role of Dairy in the National School Lunch Program

Dairy foods such as milk, cheese and yogurt provide critical nutrition to Americans of all ages. Dairy consumption helps Americans meet recommendations for calcium, vitamin D and potassium, three of the four under-consumed nutrients of public health concern. Dairy foods also make important contributions to the consumption of protein, magnesium, vitamin A and other nutrients in the U.S. diet.

Access to nutritious milk and dairy products is especially important for children – a large percentage of whom fall short of meeting daily dairy intake recommendations established by the Daily Guidelines for Americans through the U.S. Department of Agriculture and the U.S. Department of Health and Human Services.

The decline in fluid milk consumption in schools has been linked, in part, to past Congressional and USDA efforts to prohibit schools from offering whole milk or low-fat flavored milks, which children prefer for a better taste experience. Nutrition and health science professionals have begun to reconsider those policies in recognition of the nutritional benefits of milk consumption for children. For example, a March 2015 Policy Statement from the American Academy of Pediatrics [declared](#) that “consideration of a beverage such as flavored milk provides a good example of the balance needed to limit added sugars and yet promote nutrient-rich foods.”

To help address the shortfall in daily intake of dairy products by schoolchildren, the Midwest Dairy Coalition supports:

- The School Milk Nutrition Act (H.R. 4635), introduced by Reps. Courtney (D-CT) and G.T. Thompson (R-PA), to ensure low-fat flavored milk remains an option for children as part of the National School Lunch Program.
- The Whole Milk for Healthy Kids Act (H.R. 1861), introduced by Reps. G.T. Thompson (R-PA) and Antonio Delgado (D-NY), to require children be offered a variety of fluid milk options as part of the National School Lunch Program, and to allow schools the option of serving whole milk.

Thank you for this opportunity to highlight the broad array of federal policy initiatives that impact dairy farmers and cooperatives of the Midwest and nationwide. We look forward to working with the Committee as your Farm Bill hearings and deliberations continue.