



9/29/2017

USDA/Federal Crop Insurance Corporation's Board of Directors
Risk Management Agency, Stop 0801
U.S. Department of Agriculture
1400 Independence Ave, SW
Room 6092-S
Washington, D.C. 20250

Re: Dairy-Revenue Protection 508 Proposal

Dear Board Members:

The 30,000 producer members of the American Dairy Coalition encourage the United States Department of Agriculture (USDA) to provide a reliable and transparent dairy risk-protection program by utilizing the expertise of the Risk Management Agency (RMA). Dairy farmers continue to face huge fluctuations in the milk price they receive, largely based on conditions that are outside of their control. In order to remain profitable, our dairy industry requires a risk-protection program similar to what other commodities are offered through the USDA. Additionally, we request that the USDA correctly categorize "milk" as an "agricultural commodity," rather than "livestock." These actions will provide much-needed assurance to an industry that provides huge economic rewards throughout the United States.

The ripple effect the profits of dairy farms have on our economy cannot be understated: when a dairy farmer sells \$1 of milk, it generates \$3 in economic activity. When \$1 million dollars in sales occur, we add 17 jobs. When farmers manage their risk, a strong affect and influence is felt by citizens across the country.

Dairy producers in our nation work tirelessly to produce safe, nutritious and affordable dairy products, not only for our nation, but for export around the globe. Despite continually increasing our efficiency and output, our livelihood continues to be threatened by unpredictable declines in milk prices. In order to operate our businesses to full capabilities and with certainty, we must have access to an effective risk-management insurance product. The Margin Protection Program (MPP) was well intended, but it has failed to provide the safety net farmers have so desperately needed. The program is complex and confusing, does not fully reflect milk price risk, and features coverage levels and premiums that are not actuarially appropriate. As a result, the number of producers who are enrolled in MPP has declined dramatically in the past year. Currently, most enrollees are only covered at catastrophic levels.

The ADC strongly believes the Dairy- Revenue Protection 522 Concept Proposal (Dairy RP) would complement existing programs and expand the ability of producers to protect their profitability. This program is similar to the crop-revenue protection programs that many farms already utilize. Through use of Dairy RP, revenue guarantee would be based on future prices, expected production, and market-implied risk -- priced using actuarially appropriate methods. This type of risk-management insurance would address several gaps in the current margin-based risk management tools.

To fully maximize risk-management insurance tools offered to our nation's dairy producers, the USDA must work to recategorize milk as a commodity, rather than livestock. Livestock is defined as an actual animal, not the product produced by an animal. Furthermore, this categorization places a \$20 million cap on available coverage under existing LGM-Dairy coverage tools. Milk represents our nation's third-largest commodity, yet has an insignificant safety net due to this incorrect categorization. It is imperative categoric correction is made to provide dairy producers the safety net they require to run their businesses.

The American Dairy Coalition supports the Dairy Revenue Protection and urges the USDA to work with the RMA to implement this program and to adjust the categorization of milk to a commodity. These efforts will help to provide the risk-management insurance tools to allow dairy producers to grow their businesses with confidence to keep up with the ever-increasing growing global demand for safe and affordable dairy products.

Sincerely,

John Jacobs- President, American Dairy Coalition
Laurie Fischer- Founder and CEO, American Dairy Coalition