



April 1, 2020

Member Organizations:

Associated Milk Producers Inc.

Bongards' Creameries

Ellsworth Cooperative Creamery

FarmFirst Dairy Cooperative

First District Association

Midwest Dairymen's Company

Rolling Hills Dairy Producers Cooperative

Coordinator:

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

Dear Secretary Perdue:

I am writing on behalf of the Midwest Dairy Coalition to urge your swift action in response to the growing COVID-19 pandemic, and its impact on our nation's dairy farmers and throughout the dairy supply chain.

The precipitous decline in dairy product sales over recent weeks has resulted in a massive dairy product price decline on the Chicago Mercantile Exchange (CME) in the past week. After five very economically challenging years for dairy farmers, market predictions from USDA and private sources in late 2019 were foretelling a slow improvement in dairy farmer income in 2020 and beyond. However, the COVID-19 pandemic reversed those trends very quickly. Milk and dairy product prices are now in freefall with the bottom nowhere in sight. Without a substantial intervention by the federal government, pay prices to dairy farmers will quickly fall to levels that are unsustainable, even in the short term, and could lead to a drastic loss in dairy farms.

Therefore, we are requesting that you use your existing authorities, including the new authorities included in the recently enacted CARES Act, to take the following actions:

- 1) Initiate a Strategic Dairy Product Purchase Plan for Donation to Food Banks and Other Food Donation Programs

We urge you to initiate a significant purchase of dairy products for donation to food banks and other food donation programs. Such purchases will benefit dairy farmers as well as their farmer-owned dairy cooperatives by offering a short-term replacement for markets that have been lost as a result of the pandemic-related closure of schools, restaurants and other food service outlets. In addition, dairy products will provide food bank and other food donation program participants with access to nutritious dairy products that are also very popular with consumers. Unfortunately, the economy-wide impact of the pandemic will likely result in a surge in demand for food from food banks and other food donation programs, and cheese and other product donations would be well timed to help meet those needs.

It is critical that the size, timing and specifications of the dairy product purchases be strategic. With regard to the size of the product purchase announcement, the quantity of the products purchased must be commensurate with the loss in dairy product sales related to the pandemic.

Midwest Dairy Coalition Letter
to Secretary Perdue regarding
Covid-19 Response for Dairy

With regard to timing, the announcement should be made as quickly as possible. History has shown that an announcement by USDA regarding an upcoming dairy product purchase can have positive implications for market prices, even prior to the actual execution of the purchases.

With regard to the specifications for the dairy product purchases, it would be most strategic for USDA to purchase products that have been clearly displaced due to the pandemic, such as cheese and other dairy products traditionally used in food service, instead of product packaged for retail sales, since retail product markets remain strong. In addition, products from barrel cheese, such as processed cheese slices, are readily used by consumers at food banks and other food donation outlets. USDA purchases of products sourced from barrel cheese have the added benefit of helping to narrow the spread in prices between block and barrel cheese sold on the CME. The block-barrel spread has been a long-standing imbalance in the U.S. dairy market, and USDA product purchase decisions could have the secondary effect of improving this situation.

2) Re-open the 2020 Sign Up for the Dairy Margin Coverage (DMC) Program

We also urge you to re-open the 2020 sign-up period for the Dairy Margin Coverage (DMC) Program to allow new participants in the program. In addition, reopening would allow existing DMC participants to retroactively reconsider their coverage decisions for 2020 given the extraordinary and unforeseen dairy market collapse related to the pandemic.

3) Additional Accommodations for FSA Direct and Guaranteed Loan Borrowers

We appreciate the March 26th Farm Service Agency announcement regarding relaxation of procedures regarding direct and guaranteed loans. We urge you to consider additional emergency measures, such as loan payment deferrals or even debt write-down actions, in light of the severity of impact on farm income related to the pandemic.

We thank you in advance for your expeditious and strategic efforts to respond to the needs of dairy farmers and farmer-owned dairy cooperatives in light of the COVID-19 pandemic.

Sincerely,



Steven D. Etko
Coordinator
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