



MINNESOTA MILK PRODUCERS ASSOCIATION

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Dairy CORE Program

As the calendar flipped to April 2020, it was clear many dairies will not be surviving until even May or June due to the current economics of our industry. With schools, foodservice and exports all down substantially, our only short-lived saving grace has been some grocery store sales. But even those returned to pre-coronavirus levels. Thankfully, many have been thinking of policies that can return the dairy industry to its supply equilibrium and sustain as many of our United States dairy farms as possible.

Minnesota Milk concurs with many of the points with the NMPF-IDFA Proposal. All the proposal's objectives are exactly what we should be doing as a country. Specifically, we support direct aid to dairy farmers in this time of need, and Minnesota Milk believes the Dairy CORE (COronavirus REcovery) Program eliminates many potential pitfalls. There is widespread support for product purchases and processor loans, so we focus on dairy farm direct payments in this proposal.

Proposed: Dairy Coronavirus Recovery (CORE) Program - \$9/cwt x March milk production

We support a \$9/cwt payment based on March milk production, to provide an immediate infusion to every dairy farmer in the U.S. without distorting the market. The dairy industry will be affected for at least an entire quarter of the year, and that makes the equivalent of \$3/cwt by three months an appropriate starting point for aid. We should empower cooperatives and other processors to continue supply adjustments through incentives appropriate through their milksheds to quickly and appropriately adjust supply.

- Instruct USDA to pay U.S. dairy producers \$3.00/cwt for 100% of their March 2020 baseline, for each of the months in the second quarter of the year, irrespective of market prices. The payment would be done as a single lumpsum payment in April 2020. For example, a producer which shipped 1 million lbs (10,000 cwt) in March would receive one lumpsum payment of $3 \times \$3/\text{cwt} \times 10,000 \text{ cwt} = \$90,000$, authorized directly by the Secretary of Agriculture, and disbursed with minimum delay. Make direct payments assignable to agricultural lenders, so they are encouraged to offer emergency lines of credit until this payment is disbursed. In June 2020, the situation would be assessed again to evaluate if another round is needed for July-September.
- Do not condition direct payments on rigid, top-down, one-size-fits-all production cutbacks. Instead, encourage producer-owned cooperatives and private milk buyers to develop supply adjustment incentive programs which are most appropriate for their milk supply situation. NMPF could, for example, organize an online workshop where cooperatives and milk buyers could share their experiences with operating milk production base programs, and best practices can be recommended to organizations which do not have supply management programs in effect at present time. If creameries are assured that their producers have received a large, one-off direct payment, they will be more empowered to implement situation-adjusted, effective marginal incentives to right-size their milk supply. As COVID-19 situation improves in May or June, milk buyers can immediately adjust their milk supply management programs to ensure no supply chain bottlenecks are artificially created by new government programs.
- Instead of reopening 2020 signup for Dairy Margin Coverage or compensating processors for dumped milk, concentrate stimulus funds to a single, large lumpsum payment directly paid to each U.S. dairy producer.

Advancing the Success of Minnesota Dairy Farms