

**Statement by
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Chairman Scott, Ranking Member Thompson, and members of the Committee, thank you for the opportunity to appear before you today to discuss the U.S. Department of Agriculture's (USDA) implementation of select provisions of the Agriculture Improvement Act of 2018 (2018 Farm Bill) as well as the numerous other activities undertaken by the Agricultural Marketing Service (AMS) to facilitate the efficient marketing of milk and dairy products for the benefit of our nation's dairy farmers.

I am Dana Coale, Deputy Administrator of AMS' Dairy Program, and as someone who has worked with the dairy industry for 32 years, I've witnessed the turbulent landscapes that producers have faced over the last several decades. More recently, we've seen milk prices oscillate from near-record lows to now record highs. Through all of this, I've seen America's dairy farmers continue to innovate, persevere, and continue to put top quality dairy products on tables here and around the world. At USDA, we are committed to being a strong partner for dairy farmers, providing vital market information and programs to spur the development of more and better markets for America's dairy farmers at home and abroad.

We appreciate the tools that Congress has provided to the agency through the 2018 Farm Bill and subsequent legislation. In addition to a summary of those Farm Bill provisions, my testimony today will discuss other key AMS dairy programs and activities.

Milk Donation Reimbursement Program and Dairy Donation Program

The 2018 Farm Bill directed USDA to develop a program to reduce food waste and provide nutrition assistance to low-income individuals. The Milk Donation Reimbursement Program was established in a Final Rule published on September 5, 2019. Under the program, eligible dairy organizations that account to a Federal milk marketing order market-wide pool and incur qualified expenses related to certain fluid milk product donations may apply for and receive limited reimbursements to cover those expenses. The program is intended to reduce food waste and provide nutrition assistance to low-income individuals. Congress authorized \$9 million for the program in Fiscal Year 2019, and \$5 million per fiscal year thereafter.

In the Consolidated Appropriations Act, 2021, Congress expanded USDA's authority to reimburse processors for donated dairy products, including those in addition to fluid milk, and provided additional resources for the new Dairy Donation Program (DDP). An Interim final rule implementing this program was published on September 1, 2021. To lessen the burden on participating entities and gain administrative efficiencies, the programs are administered jointly, while still maintaining separate funds from which payments are made according to the separate program rules. The program began making reimbursement payments this spring.

Dairy Business Innovation Initiatives

The 2018 Farm Bill authorized the establishment of at least three Dairy Business Innovation (DBI) Initiatives to support dairy businesses in the development, production, marketing, and distribution of dairy products. The DBI Initiatives provide technical assistance to dairy businesses and use at least 50% of the award for subawards to dairy businesses, including makers of niche dairy products, such as specialty cheese, or producers of dairy products derived from the milk of a dairy animal, including cow,

sheep, and goat milk. For example, the University of Wisconsin's Center for Dairy Research partners with the Wisconsin Cheese Makers Association to test new ingredients and conduct trials of new cheeses. The DBI Initiatives' approach of providing both technical assistance and subawards to dairy businesses serves as a unique and effective model by facilitating the development of critical relationships with local dairy producers and processors to support their on-the-ground needs. For example, the Vermont Agency of Agriculture, Food, and Markets made marketing and branding consultants available to help dairy businesses pivot their business strategies in response to the pandemic.

In Fiscal Year 2019, which was the DBI Initiative's first year with funding, AMS competitively awarded \$1.36 million to three initiatives to fulfill the purpose of the program: the University of Tennessee, the Vermont Agency of Agriculture, Food & Markets, and the University of Wisconsin. In Fiscal Year 2020, AMS awarded \$18.4 million in additional funds to the current Initiatives to continue the work started under their previous awards. On November 8, 2021, AMS announced \$18.4 million, to be evenly split among the three current initiatives and an additional \$1.8 million for a new initiative at California State University Fresno Foundation. Each of these centers serve a multi-state region, such as the northeast, to reach stakeholders across broad geographic regions.

In order to improve regional dairy supply chain resiliency, support processing capacity expansion, and increasing technical assistance services to local and regional dairy businesses, USDA announced on March 2, 2022, an additional \$80 million in funding to support long-term resilience in the dairy industry. This American Rescue Plan funding provided the four DBI partners the opportunity to submit an additional proposal to further dairy processing capacity expansion, on-farm improvements, and technical assistance to producers. On June 20, 2022, USDA awarded this \$80 million in additional funding and announced a new DBI Request for Applications for \$22.9 million in appropriated funding for Fiscal Year 2023. It's important to note that with this supplemental \$80 million in funding, the reach of the DBIs was extended from 30 to 39 states.

Extension of Dairy Forward Pricing Program

The 2018 Farm Bill extended the Dairy Forward Pricing Program until September 30, 2023. This program allows farmers to voluntarily enter into forward price contracts with handlers for pooled milk used for Class II, III, or IV products under the Federal Milk Marketing Orders. The program allows regulated handlers to pay farmers in accordance with the terms of a forward contract instead of paying the minimum Federal order blend price for pooled milk. The final rule extending the program was published on March 1, 2019.

Class I Skim Milk Price

The 2018 Farm Bill amended the Class I skim milk price formula for milk pooled under Federal Milk Marketing Orders. Per Congress's direction, the Class I skim milk price became the simple average of the monthly advanced pricing factors for Class III and Class IV skim milk, plus \$0.74 per cwt, plus the applicable adjusted Class I differential. Prior to this amendment, the Class I skim milk price was the higher of the two advanced pricing factors, plus the applicable adjusted Class I differential. The final rule amending the formula was published on March 11, 2019.

Pandemic Market Volatility Assistance Program

The Pandemic Market Volatility Assistance Program (PMVAP) was authorized and funded under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2021 and provided much-needed pandemic assistance payments to dairy farmers who received a lower value due to market abnormalities occurring during the pandemic. Under the PMVAP, payments reimburse qualified dairy farmers on an

annual production of up to five million pounds of milk, for 80 percent of revenue losses for fluid milk sales from July 2020 through December 2020. The payment rate varies by region based on the actual losses on pooled milk related to price volatility.

USDA disbursed funds to handlers to provide to their eligible dairy farmer suppliers. After receiving the payments, handlers had 30 days to make payments to their eligible dairy farmer suppliers. Handlers began payments to farmers in January 2022. USDA has implemented a robust oversight system to ensure accurate and verified payments are distributed by handlers to qualifying dairy farmers within 30 days of a handler's receipt of the money.

As part of the program, handlers provided virtual or in-person education to dairy farmers on the program and other dairy topics, selecting from educational information available from USDA or other sources. Handlers were paid a limited reimbursement for administrative costs and the dairy policy education they provided.

Market News

One of AMS' most important functions is Market News which collects, analyzes, and disseminates current market information to assist producers and marketers of farm products and those in related industries in making critical daily decisions. Market News information covers local, regional, national, and international markets and includes data on supply, movement, contractual agreements, inventories, and prices for numerous agricultural commodities, both conventionally and organically produced. Reported commodities include cotton, cottonseed, and tobacco; dairy products; fruits, vegetables, and ornamentals; and livestock, meat, grains, poultry, and eggs. There are over 470 unique market reports disseminated from over 45 Market News offices across the country.

Market News continues to expand its organic market price reporting services, increasing the products and markets covered by boosting outreach to reporters and industry contacts in the organic sector. Market News has added new organic products and expanded overall organic coverage at each of the market levels reported – shipping point, wholesale/terminal markets, and retail. The AMS Market News organic webpage focuses on market reports detailing over 300 different grains, feedstuffs, eggs, specialty crops, and dairy products. The AMS Weekly Retail Organic Price Comparison report shows price differences between organic and conventional products to assist stakeholders in analyzing commodity sales and consumers' willingness to pay for organic products.

Federal Milk Marketing Orders

Federal Milk Marketing Orders (FMMOs) establish certain provisions under which dairy processors purchase fresh milk from dairy farmers supplying a marketing area. In Federal order provisions, dairy processors are referred to as handlers and dairy farmers are known as producers. A marketing area is generally defined as a geographic area where handlers compete for packaged fluid milk sales, although other factors may be taken into account when determining the boundaries of a marketing area. Federal orders serve to maintain stable marketing relationships for all handlers and producers supplying marketing areas. Federal milk marketing orders were established in the 1930s by Congress and have been continually modified, at industry request (most recently in 2019), to evolve into the system we have today. The program carries out its objectives by establishing minimum milk prices participating handlers must pay to producers, ensuring timely and accurate payments to producers, and providing robust market information. The provisions work together to facilitate the complex process of marketing fresh milk.

Research and Promotion Programs

Since 1966, Congress has authorized industry-funded research and promotion boards, also known as checkoffs, to provide a framework for agricultural industries to pool their resources and combine efforts to develop new markets, strengthen existing markets and conduct important research and promotion activities. AMS oversees 22 research and promotion programs, which generate more than \$900 million in assessments annually. The strategic direction for activities conducted by research and promotion programs is determined by a board of directors appointed by the Secretary of Agriculture. AMS ensures that those boards properly account for all program funds and administer the programs in accordance with their authorizing statutes and orders. Boards are required to post their bylaws; annual budget summaries; annual reports containing information about board activities, projects, and administrative expenses; annual Certified Public Accountant financial audit report; and most recent independent economic evaluation to their website.

AMS oversees two research and promotion dairy programs. The Dairy Research and Promotion Program is a national producer and importer program for dairy product promotion, research, and nutrition education. It is the largest of all commodity check off programs generating \$346.7 million annually. To fund the program, U.S. dairy farmers pay a 15-cents-per-hundred-weight assessment on their milk and importers pay 7.5 cents per hundred-weight on dairy products imported into the U.S.

The Fluid Milk Processor Promotion Program develops and finances a generic advertising program designed to maintain and expand markets and uses for fluid milk products produced in the U.S.

Processors marketing more than 3 million pounds of fluid milk per month pay a 20-cent-per-hundred-weight assessment on fluid milk processed and marketed in consumer type packages in the U.S. This program generates \$85.7 million annually. The Dairy and Fluid Milk boards fund a variety of programs and activities including consumer marketing and education, product innovation and partnerships, nutrition research, exports, and childhood health and wellness, and climate change solutions.

The provisions contained in the authorizing statutes, the Dairy Production Stabilization Act of 1983 and the Fluid Milk Promotion Act of 1990, may be amended by Congress. The National Dairy Promotion and Research Board and the Fluid Milk Processor Promotion Board may recommend to the Secretary of Agriculture amendments to the Dairy Production and Research Order and the Fluid Milk Order. Amendments to the programs are conducted through the rulemaking process in the Federal Register.

Origin of Livestock

The Origin of Livestock final rule was published in the Federal Register on April 5, 2022. This rule provides clear and uniform standards about how and when livestock may be transitioned to organic dairy production, and how transitioned animals are managed within the organic dairy system. Now, all organic dairy livestock producers will have the confidence and certainty they are operating in a fair and competitive market.

Some organic certifiers and dairies had not been consistently implementing these requirements. Therefore, the organic industry sought further rulemaking to eliminate the inconsistencies and what they viewed as some producers avoiding the significant costs and time investments required under statute.

AMS-accredited certifiers visit every certified organic dairy yearly. AMS is working with them to ensure the inspectors understand and apply the new regulation consistently, to ensure all organic dairies are held to the same standard. In addition to the inspections by certifiers, the ongoing organic livestock

compliance project targets Federal surveillance and unannounced inspections based on risk factors that include operation size, complexity, and compliance history to better enforce uniform compliance with the organic standards.

Conclusion

Thank you for the opportunity to be here today and we look forward to working with the committee as you work to draft the 2023 Farm Bill. I would be happy to address any questions you may have.