

House Committee on Agriculture
Subcommittee on Livestock and Foreign Agriculture
“Reviewing the State of the Dairy Economy”

Tuesday, April 30, 2019

Chairman Costa, Ranking Member Rouzer, and members of the House Committee on Agriculture’s subcommittee on Livestock and Foreign Agriculture, thank you for the opportunity to provide testimony today, and for hosting this hearing to learn more about the state of the dairy economy.

My name is Dave Smith. My family and I operate a farm in central Pennsylvania where we grow crops and raise young dairy animals on a contract basis for a neighboring dairy farm. When I received a call last week to invite me to join this hearing, my first thought was that I needed to be on the farm to plant corn so that the livestock would have feed next year, but I quickly recognized the importance of providing testimony, and I am humbled to be here. My son, Joel is the fifth generation on our farm, and I have an amazingly active 84-year-old farmer father who does not know the word retirement. In addition to my farm involvement, I am the Executive Director of the Pennsylvania Dairymen’s Association. The Association is a nonprofit organization run by a board of directors who are active dairy farmers. Our main focus is to promote and sell dairy products at events and use the proceeds to fund scholarships, youth, next generation dairy farmer programs, as well as consumer education about agriculture. Within the last three years, the Association has funded agriculture programs with over one million dollars in financial support.

I will begin by discussing two key components of the 2018 Federal Farm Bill, offer a brief overview of the state of Pennsylvania’s dairy economy, and provide five key policy recommendations for your consideration.

2018 Federal Farm Bill

I would first like to thank the committee for its good work in helping to shape, and ultimately pass, the 2018 Farm Bill. The legislation contains several positive aspects for Pennsylvania’s dairy industry. First, it strengthens support for dairy farmers by offering reduced premiums and new coverage levels for milk produced under the new Dairy Margin Coverage program. This new program remedies the issue with dairy farmers not having an adequate safety net to protect themselves from devastating low milk prices. Expediting the implementation of the Dairy Margin Coverage program is essential to providing dairy farmers the support that they desperately need as we continue to move through this low-price period.

Second, the Farm Bill included a new Farm to Food Bank program, which is a good and logical government program which connects the dots between surplus agriculture products and our nation’s food banks. The program was, in part, modeled after Pennsylvania’s successful Pennsylvania Agricultural Surplus System, which provides an efficient mechanism for the agricultural industry to donate safe, wholesome food products while being reimbursed for the costs involved in harvesting, processing, packaging, and transportation. This program has

provided an additional outlet for Pennsylvania dairy farmers to be able to re-direct their surplus milk to families struggling with hunger.

Pennsylvania's Dairy Economy

Pennsylvania's dairy industry continues to undergo significant consolidation and loss of farms and cows. We continue to be the only major dairy state with significant declines in both milk production and cow numbers, with the state's dairy herd dropping 30,000 head from a year ago and total milk production down 6.9 percent. Milk production per cow is also down 25 pounds or 1.4 percent from a year ago. And according to USDA's Milk Production Report, milk production across the U.S. fell for the first time in six years, down 0.4 percent year-over-year to 19.1 billion pounds. This was the first year-over-year decline since March 2013. Milk production per cow was up 10 pounds or 0.5 percent to 2,044 pounds, while cow numbers fell 86,000 head year-over-year to 9.344 million head.

According to the USDA Census of Agriculture that was recently released, Pennsylvania lost 915 dairy farms and 4,718 cows between the 2012 and 2017 census. While the number of U.S. dairy cows and milk production continue to increase, the latest census data shows a drop of more than 10,000 farms with milk sales between 2012 and 2017. We have the second largest number of family farms in the nation. Agriculture is the number one industry of the Commonwealth with dairy as the leading sector. Pennsylvania dairy farms are the backbone of our communities and generate \$14.7 billion in annual economic revenue.

The financial stress of our dairy farmers is real. I have personally seen dairy farmer friends struggle through seismic change in their family business model with some selling their business and others seeing the painful loss of their family farm. The source of this pain is multi-faceted, but one reason is supply and demand. Milk production has outpaced demand, which ironically is a good situation for our nation's consumers who reap the benefits of having an abundant and affordable supply of dairy products. Our consumers may share a different view if there were a shortage of milk, cheese, ice cream, or milkshakes.

Policy Recommendations

To help address the challenges currently faced by the dairy industry in Pennsylvania and across the country, I offer a few key policy priorities for consideration.

1. Ratifying the **United States-Mexico-Trade Agreement**, in particular the dairy provisions, has become very important. A report from the International Trade Commission shows that the United States dairy sector could become the benefactor of increased dairy trade of \$227 million upon completion of the agreement. I would be negligent to not emphasize the importance of trade, as nearly 20% of our nations milk production is moved outside of our country. I urge Congress to move quickly to ratify USMCA.
2. Pennsylvania dairy farmers need longer term, **continual review of the Federal Milk Marketing Orders** and how milk is priced across the country. The Northeast is within a

half day's drive to 60 percent of the U.S. population. Having an adequate supply of milk is essential to provide both fresh fluid milk and processed dairy products to this population. The Northeast has a higher cost structure than other parts of the country, given land costs, environmental restraints and farm size. The federal order pricing system may need to be reviewed to protect the farms in this region as larger, lower cost farms continue to come online in other regions of the country. I am sure the members can agree that there are great consumer benefits provided when access to locally produced milk is available.

3. The need for a **guest worker program for year-round dairy operations** is at an all-time critical high. A dependable workforce is essential to the health of our animals and the survival of our family businesses. Much of the dairy industry's essential workforce consists of immigrants. Not because it is cheap labor; in fact, dairies pay very competitive wages in an effort to attract and retain employees, but because as hard as we try, we cannot find local people who are willing and able to do the dirty, manual work, often in inclement weather on a dairy farm. Dairy farming is a 24/7, all-weather job. The immigrant labor that dairies often employ is not taking jobs away from U.S.-born citizens who want the jobs we have to offer. And with the unemployment rate at an all-time low, it is impossible to find people willing and able to do these essential jobs. These are not part time pickers; they are necessary year-round...yet there is no year-round visa for them.

We see genuine desire in Congress to help dairies hire and retain foreign born workers year around. However, attempts to address this critical need seem to continually get caught up in the political debate of border walls and other volatile immigration reform, and die as a result. I would encourage you to take a leadership position in defining our dire worker shortage not as an immigration issue, but instead for what it is; an agricultural workforce issue. It could be a great starting point for finding common ground for the benefit of struggling dairy farmers across the nation.

The last two items I would like to share are the ones which I am most personally passionate.

4. Our dairy farmers have worked hard over generations to build on the wholesome, nutritious image that milk now has. Dairy cow milk is unrivaled as a beverage of nutrition but in recent years, many upstart beverages have now used milk in their labeling. These alternative beverages are riding on the coattails of the affordable wholesome nutrition of cow's milk. I do believe that in general, consumers are aware of the difference in nutrition between real milk and the nut juices, but I am concerned that many consumers are being led to believe, by virtue of the name milk on the label, that they are getting a comparable product. Dairy farmers call for the U.S. Food and Drug Administration (FDA) to **vigorously enforce food standards regarding the labeling of dairy products** and prohibit the misleading and deceptive labeling of nut and plant-based beverages as "real milk". The Dairy Pride Act would classify these disguised products as

“misbranded” and be subject to enforcement. The bill requiring the FDA to finalize enforcement of mislabeling is long overdue.

5. Finally, our dairy farmers have been incredibly discouraged that the **choice of whole milk** has, with the stroke of pen, been eliminated from school lunches. I believe that what started as an attempt curb childhood obesity, has done the opposite. In 2010, Congress passed the Healthy, Hunger-Free Kids Act which amended nutrition standards in the School Lunch Program and mandated that flavored milk must be fat free within the program. I believe that this led to significant changes in beverage consumption habits of children, and it resulted in a 9% decline in milk consumption in schools between 2010 and 2012 – not only impacting students, but dairy farmers. Progress has been made since then, when in May of 2017, the USDA announced a rule that allowed schools to receive waivers for low-fat flavored milk, rather than only fat-free. It is time to draw on science-based research on dietary fats. Without the option of having a full-bodied beverage to satisfy an appetite, our children are seeking sugar-based drinks. I recently had a conversation with the mother of an elementary age child. She mentioned that her son likes milk at home but doesn't like the taste of milk in school. I believe we have lost a generation of milk drinkers.

We thank Congressman Thompson and Congressman Peterson for their leadership on H.R. 832, the Whole Milk for Healthy Kids Act of 2019, which would allow for unflavored and flavored whole milk to be offered within the School Lunch Program.

In conclusion, my wife and I became first time grandparents last year and while it is true what I had heard, that grandparenting truly is the best job one could have, it is unfathomable to me that in a nation which prides itself in allowing choices and freedoms, my grandchild could enter a school and not even have the option to choose whole milk with her lunch.

I am humbled and thankful to be here to address this esteemed audience, and available now to answer any questions you may have.