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Agency of Agriculture Food & Markets

DRAFT Minutes
Vermont Milk Commission
September 26, 2017

Milk Commission Members: Secretary Anson Tebbetts (Chair), Senator Robert Starr, Representative Richard Lawrence, Harold Howrigan, Jr., Paul Doton, Jerry Booth, Linda Berlin, Jane Clifford, and Reg Chaput

Present: Chair Tebbetts, Senator Starr, Representative Lawrence, Howrigan, Berlin, Clifford and Chaput
Absent: Doton and Booth

The first meeting of the Vermont Milk Commission was held on September 26, 2017 at the Vermont Agency of Agriculture, Food and Markets in Montpelier, Vermont. Pursuant to 1 V.S.A. Chapter 5 and 6 V.S.A. § 2922, the Commission had a sufficient number of members present to conduct the meeting and take action if needed.

All Commission members introduced themselves and stated their background as related to their membership on the Milk Commission.

Thea Schwartz, the Vermont Assistant Attorney General assigned to the Agency of Agriculture, Food and Markets, provided a review of the powers of the Milk Commission as dictated in 6 V.S.A. Chapter 161. Schwartz also reviewed the session law passed in the 2017 legislative session in Act 77 An act relating to rural economic development, that requires the Milk Commission to meet to review and evaluate proposals that enhance and stabilize the dairy industry in Vermont and New England and that may be appropriate for inclusion in the federal Farm Bill 2018, and requires the Secretary then to submit to Vermont's congressional delegation the proposals that the Milk Commission recommends for inclusion.

Senator Starr and Representative Lawrence provided rationale and information regarding Act 77 and their expectations for the Milk Commission as indicated in this act.

Schwartz presented information on Vermont's open meeting law and informed the commission members of the requirements of this law. These include: Milk Commission meetings are public, agendas will be posted, minutes will be compiled, all materials presented at the meetings will be made available to the public, and there must be opportunity for public input.

Information on the status of the dairy industry and Farm Bill Proposals was provided to the Commission members.

- Diane Bothfeld, Director of Administrative Services and Dairy Policy presented compiled statistics on the dairy industry in Vermont from 2009 through 3rd quarter 2017.
- Robert Wellington, Vice President for Economics and Legislative Affairs for Agri-Mark, Inc. provided information on milk prices paid to dairy farmers for 2017 and predictions for the end of 2017 and into 2018 and the market conditions that are impacting those prices.



- Leon Berthiaume, General Manager of the St. Albans Cooperative Creamery, Inc. provided information on milk volume in Vermont and the Northeast and the availability of processing capacity in Vermont and the Northeast for dairy products.
- Tom Bivins, Executive Director of the Vermont Cheese Council provided an overview of the artisan cheese industry, an industry that has grown steadily over the past ten years. Cheese makers have been winning national as well as international awards for their cheeses. The Cheese Council has 66 members in Vermont. Sales of Vermont artisan cheeses have increased and have risen outside of Vermont, New England and the East Coast. Bivens said it is a challenge to market cheese to the West Coast and that grants to cheese makers to increase market access and domestic and international trade are important issues for the Cheese Council.
- Sarah Isham, Senior Loan Officers for Vermont Economic Development Authority and Vermont Agricultural Credit Corporation, David Lane, Vice President of Yankee Farm Credit, and Brian Kuper, Loan Officer for USDA Farm Services Agency provided an overview on the financial condition of Vermont dairy farmers. All voiced concerns for volatility of milk prices, limitation in the organic dairy industry on volume and prices, and further requirements on dairy farmers to comply with regulation such as those for water quality.
- John Rutherford, Director of Economics, Planning, and Operations for Dairy Farmers of America, provided an overview of Farm Bill programs that impact the dairy industry. Rutherford said that the current Milk Margin Protection that was passed in the 2014 Farm Bill has had challenges and several adjustments are being proposed and supported by national cooperatives. These include:
 - Removing the 10% reduction in the feed cost calculation that was implemented in the 2014 Farm Bill
 - Changing the calculation of the margin and payment from a every two-month occurrence to a one month occurrence.
 - Adjusting the data used in the feed cost calculation. Currently the data sets used are compiled by USDA but do not accurately reflect dairy farmer costs. These include:
 - Corn Price – NASS data is for corn sold by farmers and does not reflect the cost of processing corn and selling that to dairy farmers to feed cattle. USDA Agricultural Marketing Services does collect data on corn sold to farmers for feed.
 - Hay Cost – data set includes all hay at a variety of feed quality levels. Dairy farmers must purchase high quality hay to maintain milk production. Quality of the hay should be reflected in the price calculation.
 - Soybean Meal – data set has used a pricing point in Illinois as an indicator for the whole nation. Data exists for 11 pricing points in the United States. All pricing point data should be averaged and used in the calculation.
 - The premiums to purchase further insurance should be reviewed and recalculated. 2014 Farm Bill work occurred over 5 years ago and fundamentals have changed.
 - Deadline for sign up for this program should be moved from September to December in each calendar year. This would provide greater clarity for farmers to make informed insurance decisions.
 - Livestock Gross Margin Insurance and Milk Margin Protection Insurance programs should be aligned for easier use by dairy farmers.

Rutherford also discussed trade. He said that although the North American Free Trade Agreement (NAFTA) is not a part of the Farm Bill, the dairy industry is very concerned about the outcome of the renegotiation of NAFTA. Mexico has become the number one export market for dairy products and Canada does import some dairy products from the US. Canada has extremely concerning dairy pricing formulas that are impacting the US dairy industry especially in New York, Wisconsin and Michigan.

Rutherford also addressed the Nutrition title of the Farm Bill. He said that Nutrition title must remain a part of the Farm Bill. This brings together the agricultural community with the non-agricultural community for passage of the Farm Bill and the programs to feed people and to

produce food are strongly aligned. He said that adding milk and dairy products with higher fat contents back into the school lunch program would be positive for the dairy industry.

Rutherford addressed labor issues on dairy farms and said that although labor is not a part of the Farm Bill, solving the issue of adequate labor for the nation's dairy farms is a critical issue.

- Robert Wellington added that the Milk Margin Protection Program 10% reduction in the feed cost calculation was costing dairy farmers between \$1 to \$1.50 per hundredweight on the margin calculation, as calculated by Farm Credit Northeast. He also said that farmers do not believe the current program is working and even if repairs are made to this program, it will be difficult to convince dairy farmers locally and in the nation to enroll in this program in the future.
- Leon Berthiaume spoke to the need to formalize and make more transparent the calculation of the all milk price within the Margin Protection Program. He said that the prices that are reported should be standardized – is deduction included or is this a gross milk price. He said that it is a concern that different rates are being reported in different parts of the country.
- Berthiaume added that the margins that can be insured range from \$4 to \$8 and this was provided in the 2014 Farm Bill. When the next Farm Bill is finalized, 4 to 5 years will have passed and costs on dairy farms have been changing. It is proposed that the margin range should be changed to \$5 to \$9.

Public Comment

Chair Tebbetts called for public comment. No one in attendance came forward to provide public comments.

The next meeting agenda and dates for future meetings were discussed. The following are the dates of upcoming Milk Commission meetings:

- October 13, 2017
- November 7, 2017
- December 1, 2017

The Commission discussed topics for future meetings. The Commission members would like to have more information on the following:

- Milk and dairy products in school systems
- Organic Dairy Industry
- Conservation Title of the Farm Bill
- USDA Farm Services Agency information on enrollment and use of the Margin Protection Program in Vermont

The meeting was adjourned at 2:45 p.m.

Minutes respectively submitted by Diane Bothfeld, Director of Administrative Services and Dairy Policy, Vermont Agency of Agriculture, Food and Markets