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**DRAFT Minutes**

**Vermont Milk Commission**

**November 7, 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: Linda Berlin, Rep. Richard Lawrence, Paul Doton, Harold Howrigan, Reg Chaput, Jane Clifford and Anson Tebbetts

Absent: Senator Bobby Starr, Jerry Booth

Meeting called to order at 9:35 a.m.

Minutes from October 13, 2017 – motion to approve by Clifford with a second from Doton. Minutes from October 13, 2017 were approved.

Meeting on December 1, 2017 was discussed. Another meeting scheduled for December 20, 2017 – Paul Doton cannot attend on December 20.

The Commission Member were provided information from the following speakers and topic areas.

Bob Gray – Executive Director of the States Ratification Committee discussed the Farm Bill Process and other legislative issues in Washington, DC. Gray does not expect the Farm Bill to be taken up until 2018. Does not think farm bill will be complete by September 2018. Mid-term election – could be extended to the end of year. Could be a 2019 farm bill.

Milk Margin Protection Program is a major point of discussion for dairy.  
MPP – centerpiece of 2014 Farm Bill. Had insurance and supply management in proposal. Areas for improvement to the Margin Protection Program include:

* Calculation formula – feed cost -replace the 10%
  + Potential for regional formulas
* Survey for prices paid for better data – corn and soy and dairy quality hay
* Mail box prices versus all milk price
* Monthly payments
* Leahy in the Senate Appropriation bill – changes proposed
* How to bring farmers back into the program – will the changes work
* $351 million for the farm bill – tough to add to the costs of the program – 5 years of the farm bill.

American Farm Bureau has proposed a dairy revenue risk management program to compliment the Livestock Gross Margin (LGM) and Margin Protection Program (MPP).

Labor issues – not in the Farm Bill:

Many dairy farmers have migrant labor. HR4092 – bill on labor from Rep. Goodlatte is contentious. Bill would implement a H2C program for full time migrant labor on dairy farms. Bill is being analyzed at this point. Concerns:

* Wage Levels
* Full time – touch back provision – leave farm and go back to home for 45 days. Not a possibility to get back in to the US. Planning on amendments.
* Not workable at this point.
* Does not expect this to come up in 2017.

Congressional Delegation Staff – Tom Berry, Senator Leahy’s Staff; Adrienne Wojciechowski., Senator Leahy’s staff, Erica Campbell, Senator Sanders Staff and Ryan McLaren, Congressman Welch’s Staff addressed the Milk Commission.

Dairy Legislative Issues

Senator Leahy’s Staff - The current Farm Bill expires December 2018 – authorization just keep going. With no continuation of the Farm Bill - would go back **to permanent law passed over 80 years ago – so not alternative must extend and fund.**

Senate will have a Farm Bill draft in 2018. Timing is right for input on the Senate side. Actively seeking input on farm bill. Also working on nutrition programs as well.

Senator Sanders Staff not on the ag committee – but cares deeply. Staff are conducting one to one outreach on issues with farmers. Been at meetings with Leahy’s staff. Milk Commission has been very useful. Looking for the recommendation to be able to help dairy farmers in Vemront.

Congressman Welch’s Staff – has a good relationship with ranking member – not on house ag committee. Timing on the House side – Congressman is prepared for a bill to be introduced this year – could happen this year if needed.

Senator Leahy’s Staff - Coalition building is very important with the Farm Bill. National Milk Producers Federation and American Farm Bureau important nationally. Certainly regional issues – Northeastern states important for input and agreement if possible. National Association of States Departments of Agriculture is important as well. Milk Commission should provide recommendations and try to get support from these groups. Organic – Northeast Organic Dairy Producers Association is important and has some common agenda for organic dairy while working with NOFA-VT.

Senator Leahy’s Staff -Organic Dairy – debate around organic – very controversial. Hydroponics and other items removed from list of approved products. Expect debates and fights – do not have the best of intentions for the organic industry. A lot of attention – Farm Bill as well as appropriations on USDA to enforce laws and accountability of inspectors.

Senator Leahy FY2018 Ag appropriations bill – did some legislating in an appropriation bill. Changes to Margin Protestation Program – would not happen until the end of FY 2018.

* Reduce premium levels for the first tier to sign up
* Monthly calculation
* If get these changes – grows the baseline to make changes to the baseline for dairy. Partnership deal on the appropriations bill – chairman want cotton changes. Hoping this will get into the final appropriation bill – dairy and cotton need to be taken care of in the omnibus bill. Take care now – better improvements in the Farm Bill. Important piece for the farm bill. Has not been passed into law.
* MPP – has not worked as planned. December need the omnibus – hoping to get Leahy changes to appropriations. Improvements to the MPP – make these clear and the industry must try to get behind this as much as possible. No great love for the Leahy proposal – need a program and try to be clear what these are. Be as strong a voice as possible – work with Northeast State as much as possible.
* Ability to opt out for 2018 – farmers could opt out of the program and not pay the fee. Much uncertainty around all programs. Signups if greater then program would have paid. With market uncertainty what is possible.

Senator Leahy’s Staff – There is no appetite in this Farm Bill for Supply Management for Dairy. Individual farmers are interested in some form of supply management. Not coming from organizations, cooperative to support supply management.

Senator Leahy’s Staff – Nutrition title of the Farm Bill is very important to Vermont. Interested in adding whole milk back into feeding programs. Support for the Checkoff program for research and development. Research and extension so tool are available to farms and then financially opportunity to fund changes in the industry.

Increase solids in fluid milk. Congressman Welch – supported last time around.

Senator Leahy’s Staff - USDA to deem dairy as a commodity and not fall under livestock – could be very positive for dairy. Could be done outside of the farm bill. Could be more attractive to smaller farms. Opens insurance opportunities.

Senator Leahy’s Staff -SNAP versus commodity programs – 75% SNAP with 25% or less for commodities. For total Farm bill spending. Nutrition spending has gone down – economy. 1 in 9 Vermonters uses the SNAP program each month. Get whole milk back into schools and cheese as a snack to get more dairy into the class room. Not specifically Farm Bill but these items have come up in Farm Bill before. There is a snack program in the Farm Bill – could be a possibility.

Bob Wellington – Class I pricing proposal.

National Milk Producers Federation (NMPF) and International Dairy Foods Association (IDFA) have proposed a change to the Class I pricing formula in the Federal Order System. Current pricing formula uses the higher of the Class III and or Class IV advance price plus the regional differentials. Proposal is to average the advanced Class III and Class Iv prices, add $0.74 and then add on the differentials.

Change Class I pricing.

The use of the higher of Class III and Class IV has provided $4 billion on the Federal Order from the higher of calculation for class I. Estimates that Vermont received $90 to $100 million from this calculation. No complaints from any area of the nation. So, what is the problem.

Issues:

* Use of future’s markets to hedge on fluid milk. – not easily achieved with current formula.
* Class I processors – long shelf life milk a bigger issue. Price is flat for this milk – want to be able to use futures and options markets to protect pricing from market fluctuations.
* H.P. Hood purchased plant in Batavia, New York – wants to do aseptic milk. Now want to do forward contracts on milk.
* IDFA more supportive of federal order. Want to keep farmers whole but be able to do forward contracting through cooperatives.
* Simple average of Class III and Class IV – would depress prices by about $0.74 so now add $0.74 to the class I differential. Every order and zone receive this money.

Use of the futures and options market is very important. Manage risk at the cooperative level is very helpful. Can lock in profits. Very important to the Class I processors

What does this do for farmers?

* Fewer times that Class IV has set the price.
* Feels capturing the $0.74 value is very helpful to the pricing to farmers. Removes some volatility.
* Farmers can hedge their own blend price – able to hedge Class II and Class IV and through formulas achieve the whole blend price.

What are the problems:

* Not everyone likes this. Not all fluid milk processors, cooperatives or induvial farmers.
* Individuals may fight against this. May splinter
* The $0.74 is very important – if negotiated then there is an issue. Needs to go higher not lower during Farm Bill discussions.
* Whole Class I calculation has not been an issues across the country. Now highlighting the differences and benefits across the country. May bring out regional concerns.

The Milk Commission implemented a public hearing beginning at 1:00 p.m. The following people addressed the Milk Commission.

Gil Livingston, Vermont Land Trust – Provided information on land conservation title of the farm bill specifically on conservation easements.

Kyla Bedard, Northeast Organic Farmers Association of Vermont – provided an update on organic dairy industry in Vermont.

Peter Clole, Vermont Holstein Association – provided information to the Milk Commission on the following points:

* Encouraged the commission to take a hard look at supply management – look at Holstein plan from last Farm Bill.
* Margin Protection Program is not working as expected for the nations dairy farmers.
* Holstein Association – 120 employees – 80 in Brattleboro

Louise Calderwood, Northeast Agribusiness & Feed Alliance and Art Whitman, Vermont Feed Dealers Association and provided information on the Margin Protection Program, the Conservation Title of the Farm Bill, Trade, Rural Development, Research and Extension, Animal Health and Food Safety. Food Safety requirements for Feed Mills are very costly. Feed mill changes are costing $100,000 to $150,000 per year to manage feed mills to meet FSMA. Asking Farm Bill to assist smaller mills to comply with these requirements.

Ela Chapin, Vermont Housing and Conservation Board- Farm Viability Program addressed the Milk Commission on the importance of the Farm Viability program and conservation easement program.

Chairman Tebbetts called for Public Comment. One member of the public addressed the Milk Commission.

Jenny Nelson – Farmer ombudsman from the Dairy Farmers of America (DFA) lawsuit. Lots of calls coming in with various concerns to her in this role. Wants to mention – supply management, as a farmer first introduced a resolution to her cooperative on supply management. DFA surveyed all farmers on farm expansion plans not if farmers were willing to cut back on production. DFA presented to the council that small farm cut backs would hurt more than large farm cut backs in milk production. Nelson wants more control over the sale of their milk from the farm – take all the milk but do not want to pay for it. Need to get control of milk volume. Asking for Milk Commission to look more closely at supply management.

Meeting was adjourned at 2:35 p.m.

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