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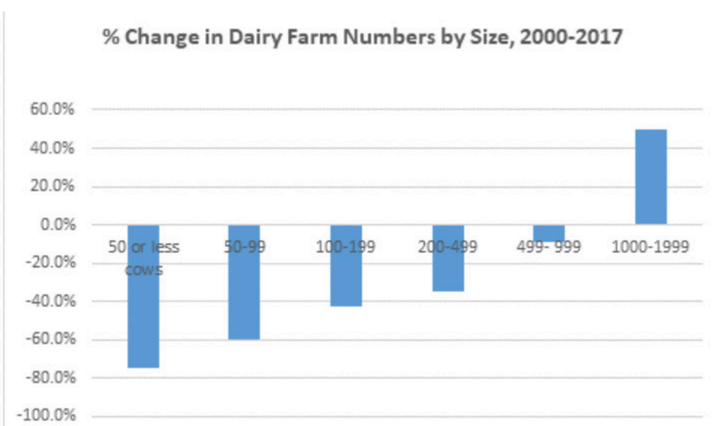
The Family Dairy Farm Relief Act

An Emergency Program to Address a National Crisis

American dairy farms come in many sizes. Some are traditional family-sized dairies in which a farm family owns the farm and provides most of the management and labor. Others are much larger, often investor-owned, and rely on hired workers. Both types of dairies have a place in America's dairy industry, and both are under extreme financial pressure from several years of low milk prices. Without fair and stable prices, America's dairy industry will always be in turmoil.

That is not the whole story, however. A second, more serious, crisis underlies the headlines concerning low and unstable milk prices. That crisis involves the staggering rate at which we are losing family-sized farms. During 2000-2017, we lost 75% of our dairies with fewer than 50 cows; 60% of those with 50-99 cows; and 42% of farms with 100-199 milk cows. (See Graph.) As those family-sized dairies leave, the particular benefits they provide to rural economies, the environment, and food security go with them. Such a loss is both unnecessary and unacceptable. We therefore present a proposal that provides immediate financial relief for family-sized dairy farms.



Production costs are out of balance

What makes the family-sized dairy farm so vulnerable in today's agricultural economy? Like all dairy farms, the family-sized operation must sell into a market plagued by low and unstable prices. But unlike its much larger counterparts, operating costs for smaller dairies are higher. Squeezed by low prices on one side and higher operating costs on the other, it is little wonder that so many of our family-sized dairies are failing to make sufficient profits to stay in business.

USDA data for 2017 show a range of $4.21 per cwt. among dairy farms of all sizes; smaller dairies were on the high end of the cost scale and very large dairies were on the low end. We want to level the playing field so that all dairies face the market on equal footing. We want to do that with a program that brings production costs for smaller farms in line with those for larger dairies. In times of good prices and of bad prices, all dairies must compete on a level playing field when it comes to production costs. Otherwise, we will stay on our current path in which opportunities for family-sized farms, and the benefits they provide to all of us, virtually disappear from American agriculture.

How the program works

Let us now turn to the mechanics of the Family Dairy Farm Relief Act. Table One presents USDA operating cost data for six sizes of dairy farms. We will call these sizes of dairies, going from smallest to largest, Tier One, Tier Two, and so on, up to Tier Six. Notice, for example, that Tier One dairies have average operating costs of $17.87 per cwt. while Tier 6 dairies have average operating costs of $13.66

Table One. Operating costs are out of balance.

Size of Farm (cows)	Operating Cost ($ per CWT)	Operating Cost Imbalance
50 or less	17.87	4.21
50-99	16.84	3.18
100-199	16.28	2.62
200-499	15.98	2.32
499- 999	14.85	1.19
1000-1999	14.61	0.95
2000+	13.66	00.00

Table One also shows the "Operating Cost Imbalance" for dairies in each of the six Tiers. For example, the Operating Cost Imbalance for a Tier One dairy is $17.87 minus $13.66, or $4.21. The corresponding number for a Tier Two dairy is $16.84 minus $13.66, or $3.18, and so on. At the other end of the scale, the Operating Cost Imbalance for a Tier 6 dairy is zero.

The program is voluntary. Emergency relief payments will be calculated and disbursed through local Farm Services Agency (FSA) offices. Each participating dairy farmer will sign up for the program at his or her local FSA office. The farmer must also authorize his or her receiving dairy plant to submit the farm's individual milk production records to that FSA office each month. The FSA offices would then make monthly payments to the participating dairy farmer based on the level of production on that farm and the Operating Cost Imbalance used for that size farm. This payment is independent of both the actual price received in the market for milk sold by the participating farmer and any income gained from other programs in which the farmer might participate.

What will the program cost?

Program payments will draw upon USDA program funds as allocated by Congress. Operating costs for various farm sizes directly affect program outlay, and those operating cost estimates can change yearly. Table Two shows the program outlays using operating cost estimates for 2017. (Note that program payments will be based on actual production as used in Table Two, not the corresponding number of cows shown in Table One.)

The program requires annual payments to farmers of $2.8 billion. Payments are distributed among all but the very largest farms. Smaller farms receive relatively higher payments per cwt. but have fewer cwt. to be paid. On the other hand, larger farms have lower payments per cwt. but get those payments for more cwt. of production. The program we describe here is intended to be a short-term bridge to a more market-oriented approach that does not require federal payments. America's dairy farmers strongly prefer market solutions, but in times of crisis must also recognize the importance of short-term Federal intervention.

Table Two. Program payments by size class and in total.

Cwt per Month	Operating Cost ($ per CWT)	Operating Cost Imbalance	Emergency Program Cost Annually ($)	Emergency Program Cost Monthly ($)
Below 65,000	17.87	4.21	436,741,190	36,395,099
65,000 to 130,000	16.84	3.18	622,721,910	51,893,493
130,000 to 260,000	16.28	2.62	602,262,020	50,188,502
260,000 to 575,000	15.98	2.32	559,806,720	46,650,560
575,000 to 1,300,000	14.85	1.19	289,317,560	24,109,797
1,300,000 to 2,600,000	14.61	0.95	300,431,800	25,035,983
Over 2,600,000	13.66	0.00	0.00	0.00
Total			$ 2,811,281,200	$ 234,273,433

Will the program save family-sized dairies?

In 2004, Maine implemented the Maine Dairy Relief Program to stabilize dairy farm numbers. There is no doubt that program has done what it set out to do.

• A 2010 assessment of the program by the Maine Department of Agriculture found that:The program has effectively slowed the loss of dairy farms in Maine…It has provided a safety net for many farmers on the verge of shutting their doors and has provided a window of opportunity for interested, younger families to begin dairy farming.

• A 2018 academic study of the Maine program reached this conclusion:

• We find that the tier program substantially contributes to the financial sustainability of the Maine dairy industry by reducing the number of farms that exit, keeping farms in business longer and increasing farm profits. Had the tier-pricing program not been adopted in 2004, there would likely be far fewer dairy farms operating in Maine today.

In many ways, the Maine program is similar to what we are proposing. What is working in Maine will work for all American dairy farmers.

Time to Act

We know this policy approach works. What we don't know is if we can get it in place on a national level in time to take the American family-sized dairy farm off the endangered species list. We hope so. Family-sized dairies support rural communities and help protect our environment. Losing them is too high a price to pay for want of a targeted, short-term program that effectively rescues the family-sized dairy farmer.