Northeast Dairy Farmers Cooperatives

Agri-Mark, Inc. – Dairy Farmers of America Northeast Council – St. Albans Cooperative Creamery – Upstate Niagara Cooperative, Inc.

NDFC NEWSLETTER

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***In the December 14th Edition*:**

Farm Bill Passes Senate and House

By Bob Gray

The Senate and House have both passed the 2018 Farm Bill by huge bipartisan margins and it has been sent to the President who is expected to sign it early next week. On Tuesday the Senate passed the Farm Bill by a whopping 87 to 13 vote. On Wednesday, the House followed suit with a landslide vote of 369 to 47.

This final vote in the House marked several months of extreme party bickering , particularly on the SNAP work requirements. After this and some other key issues were resolved between the House and the Senate, the Farm Bill moved very quickly. Back in June the Farm Bill squeaked through the House on a 213 to 211 vote with no Democrats voting for it. It had earlier failed on a very close vote as the SNAP issue was again at front and center. But it is now soon to be signed into law.

The Dairy Title, of course, is of great interest to the readers of this Newsletter. Therefore, the main focus of this Newsletter will be on the new Dairy Margin Coverage Program (DMC) formerly known as the Margin Protection Program (MPP).

Let me say from the onset that not all the readers of the Newsletter are in agreement with the need for a DMC program for dairy producers. They do not feel that producers should receive government checks. I respect that opinion. On the other side of the coin, this is a voluntary program. No dairy farmer is forced to participate. And if he or she does they have to invest in it by making a premium payment under the DMC. So this is not a free government check. You take your chances as to whether farm milk prices are going to remain low in 2019 and decide if you want to take part in the program. Let's take a look at the new DMC!

Dairy Margin Coverage An Improvement Over Previous MPP

By Bob Gray

I am going to present a number of charts to compare the new DMC with the provisions that were in the Senate and House Farm Bill and what were in the current law. Senator Leahy of Vermont was instrumental in getting most all of the final provisions of the DMC in the Dairy Title of the Bill. And Senator Gillibrand of New York stuck to her guns by getting a provision to help pay back previous premiums that were paid in 2014, 2015, 2016 and 2017 and in which farmers never received any MPP payments back from the premiums they paid in.

For those dairy producers who want to use the new DMC it is a very good deal given the budget constraints and all the other hurdles needed to be overcome in getting a final Farm Bill Conference Report.

Comparison of House and Senate DMC Provisions With the Final Farm Bill

By Bob Gray

The following chart compares the provisions that were in the House version of the Dairy Title and the Senate version and those that ended up in the Final Farm Bill (far right hand column). It gives you a good overview of the final provisions. The chart also contains the premium levels in Tier 1 and Tier 2 with the House and Senate versions as well as with current law. It also includes the new DMC Tier 1 and 2 premium levels.

Issue	House	Senate	Final Farm Bill
Program Name	Dairy Risk Management	Dairy Risk Coverage	Dairy Margin Coverage (DMC)
Small Farms	• Low premiums on first 5 million pounds of milk ($0.17/cwt for $9) • New $8.50 & $9 margin levels for first 5m lbs. • No discount for small or medium farms	• Low premiums on first 5 million pounds of milk ($0.18/cwt for $9) • New $8.50 & $9 margin levels for first 5m lbs. • Premium discounts for small & medium farms	• Even lower premiums on first 5 million pounds of milk ($0.10/cwt for $9.00 & $.15/cwt $9.50) • No size based discounts • Allow up to 95% coverage of production history
Large Farms	• New flexibility for larger farms to cover 5% of production, down from current 25% • No changes to the catastrophic level • Permit farms to use both MPP & LGM insurance, but not on the same milk	• New flexibility for larger farms to cover 5% of production, down from current 25% • Catastrophic raised to $5 with cap of 40% of milk • Prevents overlap of new MPP and LGM insurance	• New flexibility for larger farms to cover 5% of production, down from current 25% • Very inexpensive at $5 • Allows overlap of new MPP and any insurance (LGM or Farm Bureau)
Sign Up Period/ Enrollment	• Require farms to sign up for 5 years, blocking any changes to the coverage or margin level	• Maintained annual enrollment	• Offers farmers a choice between annual enrollment or a onetime election for 5-year enrollment with a 25% premium discount
MPP Refund	• No refund for 2014, 2015, 2016, or 2017	• Direct refund of every farmers' net premiums paid in 2014, 2015, 2016, and 2017	• Farmers can choose between 75% credit of net premiums if put towards future coverage or a refund worth 50% of the credit
Donation	• Eliminates previous Dairy Product Donation Program	• New program to reduce the disincentive for milk donations	• New program to reduce the disincentive for milk donations
Misc.	• Remove inflation factor that annually increased production history	• Remove inflation factor that annually increased production history	• Remove inflation factor that annually increased production history • Allow the 457 farms enrolled in LGM in 2018 to retroactively enroll in MPP for 2018

	$4.00	$4.50	$5.00	$5.50	$6.00	$6.50	$7.00	$7.50	$8.00	$8.50	$9.00	$9.50
Tier 1 <5M	$ -	$0.0025	$0.005	$0.030	$0.050	$0.070	$0.080	$0.090	$0.100	$0.105	$0.110	$0.150
Tier 2 >5M	$ -	$0.0025	$0.005	$0.100	$0.310	$0.650	$1.107	$1.413	$1.813	*NA*	*NA*	*NA*

Comparing Current Premiums to House – Senate – Final Farm Bill

Coverage Level	Current Law		House		Senate		Final Farm Bill	
	Tier 1	**Tier 2**	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**
$ 4.00	$0.0000	$0.0000	$ -	No changes to Tier 2 premiums	$ -	$ -	$ -	$ -
$ 4.50	$0.0000	$0.0200	$0.0020		$0.0050	$0.0480	$0.0025	$0.0025
$ 5.00	$0.0000	$0.0400	$0.0050		$0.0100	$0.0960	$0.0050	$0.0050
$ 5.50	$0.0090	$0.1000	$0.0080		$0.0200	$0.1440	$0.0300	$0.1000
$6.00	$0.0160	$0.1550	$0.0100		$0.0400	$0.2400	$0.0500	$0.3100
$ 6.50	$0.0400	$0.2900	$0.0170		$0.0700	$0.4200	$0.0700	$0.6500
$ 7.00	$0.0630	$0.8300	$0.0410		$0.1000	$1.0800	$0.0800	$1.1070
$7.50	$0.0870	$1.0600	$0.0570		$0.1200	$0.3200	$0.0900	$1.4130
$ 8.00	$0.1420	$1.3600	$0.0900		$0.1400	$1.6800	$0.1000	$1.8130
$ 8.50			$0.1200	*NA*	$0.1600	*NA*	$0.1050	*NA*
$ 9.00			$0.1700	*NA*	$0.1800	*NA*	$0.1100	*NA*
$ 9.50							$0.1500	*NA*

Additional Amplification on DMC Provisions

By Bob Gray

- **Dairy producers can place either 5% or 95% of their milk into the DMC or any amount into it between any given year.**
- **They can make changes in their margin level and percentage of milk covered each year they are in the program.**
- **Producers can opt to have an 11 cents premium on their Tier 1 $9.50 margin level, a 4 cents discount from the 15 cents premium level but they would need to lock that level in for five years.**
- **Milk production levels are frozen at your current 2018 base with FSA – no increases over the next five years – this is disappointing.**
- **You can get credit on your 2019 DMC premium payments of 75% discount on the MPP premiums you paid in 2014, 2015, 2016 or 2017. Or you can opt for a one-time payment of 50% of the MPP premiums you paid it the past.**
- **You can use both the DMC program and LGM-Dairy program at the same time (same milk) and are not restricted to using just one or the other.**
- **Larger dairy operations can take advantage of the provision to cover 5% of their production with the low premium level and they can place all their milk in the LGM – Dairy as well as the Dairy Revenue Protection Program.**
- **Raising the margin level from $8.00 to $9.50 will vastly increase DMC payments.**

Estimated DMC Payments For 2019

By Bob Gray

It is difficult to project farm milk prices very far into the future. However, at least in the short run they look to be low well into 2019. With the DMC Margin levels at $9.50, payments may be made on a monthly basis most of next year if you look at the Chicago Mercantile Exchange (CME) futures market right now. That could change for the better and hopefully it does. But at least for the first six months of 2019, DMC payments would be made every month and with the 75% refund on past premiums most dairy producers would have a decent net return in DMC payments. Economist Ken Olson made the following projections on various herd sizes for 2019 using the 95% milk production coverage at the $9.50 margin level. He used the CME projected farm milk prices for 2019. He used annual milk production in both 20,000 pounds per cow and 25,000 pounds per cow. This varies per state and per farm and can be adjusted to the average production and herd sizes on various operations.

Projected DMC Payments, 2019

Herd size	**Milk per Cow**	**95% of Milk covered**	**$9.50 Margin Level**	**Total Premium At 15 cents per cwt**	**Total Estimated DMC Payments For 2019**
75	**20,200**	**-**	**-**	**$2,137**	**$14,506**
75	**25,000**	**-**	**-**	**$2,671**	**$18,133**
150	**20,000**	**-**	**-**	**$4,275**	**$29,013**
150	**25,000**	**-**	**-**	**$5,343**	**$36,266**
350	**20,000**	**-**	**-**	**$7,220**	**$48,260**
350	**25,000**	**-**	**-**	**$7303**	**$48,177**
500	**20,000**	**-**	**-**	**$7,362**	**$48,177**
500	**25,000**	**-**	**-**	**$7,481**	**$47,999**

Note: If the 75% discount is applied to 2019 payments, then the premiums would be reduced or eliminated and added to the 2019 payments.

Catherine de Ronde, the economist for Agri-Mark, also did an estimate of dairy herds in Vermont which is shown below. She used the $9.50 margin level at 90% milk coverage for an average 179 cow Vermont herd. And she cranked in the discount as well.

Average Vermont Dairy Farm – Net Returns $9.50 margin, 90% coverage
For the average VT dairy farm with 179 cows, at a $9.50 margin ad 90% coverage, below are the expected net returns under both scenarios. Net returns under annual sign up range from $17.621 - $23,427 depending on the forecast used. With the lock-in discount, those net returns increase to a range of $19,041 - $24,847.

DMC Forecast

	2018 Farm Bill	Lock-in Discount	2018 Farm Bill	Lock-in Discount
Average VT Farm Net Return 179 herd	$23,427	$24,847	$17,621	$19,041

Photo by Matthew O'Leary of The Dented Lens

The Heathen Chronicle

By the following:

Mia: I MET SANTA!! And he's coming the day after my birthday and he's bringing me anything I want!
Willow: Yeah, that's me laughing my you-know-what off. Like Mom's going to let a live squirrel in the house. Or a dead one, for that matter.
Mia: There were lots of other dogs there, but Santa liked me best because he moved me to the front of the line right away.
Willow: True. She was so obnoxious Mom had to pick her up and get her out of there ASAP. She NEVER shuts up.
Mia: I think this happens the day after my birthday EVERY YEAR!. Which is perfect because then I get presents 2 days in a row!
Willow: I told Santa what I want, too, but he said she stays!

The Public Charge Issue

By Maggie McHugh

"Charge!" this time does not mean the 7^{th} Cavalry showing up to rescue somebody. Rather in this case it is a White House policy to be administered through the Department of Homeland Security denying non-citizens green cards based on whether or not they were dependent on food stamps, etc. Particularly if that dependency exceeded 15% of the poverty level which currently translates into $1,821. In a letter to Secretary of Homeland Security Kirstjen Nielsen from Frank Pallone, Jr., the Ranking Member of the Committee on Energy and Commerce and Richard Neal, Ranking Member of the Committee on Ways and Means they expressed the deep displeasure of the committees. The following are some excerpts from a very interesting letter:

"*Current public charge policy appropriately limits the benefits considered to be cash assistance, such as Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF) and comparable state and local programs and government funded institutional long-term care.*

Under the changes in the proposed rule in making a public charge determination, immigration officials would also consider non-cash benefits from programs that support work and improve health, including Medicaid and SNAP (formerly known as food stamps). These programs served one in three U.S. born individuals in 2015. This is far harsher from the current standard, which looks at receipt of cash assistance or long-term institutionalization at government expense in determining whether an individual is a public charge. Modest amounts of assistance could be considered in making a public charge determination, even if the benefits reflect only small share of an immigrant's total income.

We are strongly opposed to the inclusion of Medicaid in public charge determinations ***. Congress is responsible for making decisions about the eligibility of immigrants for benefits under federal health programs****, and it is highly inappropriate for DHS to override Congress' intent and effectively deny immigrants access to Medicaid benefits by including such benefits in a public charge determination.*
Further we are adamantly opposed to the inclusion of benefits provided under the Children's Health Insurance Program (CHIP) in a public determination."

Congress is also alarmed about:

1. How decreased participation for eligible individuals would harm, among others, U.S. citizen children living in immigrant families and senior citizens who are legal permanent residents, considering the impact of confusion and fright about accepting very basic help versus putting immigration status at risk.
2. Discrimination of individuals with disabilities under the Americans with Disabilities Act, Section 1557 of the Affordable Care Act, and the Rehabilitation Act. Congress opposed DHS considering an individual's disability or chronic condition as part of a public charge determination.

3. The ability of U.S citizens and residents to welcome their parents into the country, even when able to sign an affidavit of support.
4. The proposed rule's focus on paid work compared to the other critical roles many older people play in our society, for example grandparents in caring for their grandchildren and other family members or even older Americans as a paid or unpaid elder care workforce. (Bold print above provided simply for clarification.)

In sum, if the rule were finalized it would directly and indirectly exacerbate and undermine participation in public programs that support work, strengthen families, and provide basic necessities to children that are critical in their development to become strong, productive adults.

"We strongly urge the Department to withdraw this ill-conceived proposed rule immediately."

EPA And Army Corps Of Engineers Release Proposed WOTUS Rule

By Mike Oscar

On Tuesday, December 11th, the EPA and Army Corps of Engineers are expected to release a proposed WOTUS rule that would redefine the jurisdiction of the Clean Water Act more narrowly than a rule issued by the Obama administration in 2015. Per the EPA's talking points, the new rule will be "clear and easy to understand" and will help landowners "understand whether a project on his or her property will require a federal permit or not, without spending tens of thousands of dollars on engineering and legal professionals." Also, the EPA document says the rule will eliminate ephemeral streams and most ditches from federal jurisdiction as well as wetlands that aren't "physically and meaningfully connected to other jurisdictional waters." The rule is expected to be challenged in court, but administration officials said they were crafting it in line with the 2006 *Rapanos* decision written by the late Supreme Court Justice Antonin Scalia in which the court split 4-1-4. The Obama rule was written to appeal to Justice Anthony Kennedy, who was replaced this year by Brett Kavanaugh, who is expected to follow Scalia's reasoning.

Omnibus Bill

By Mike Oscar

Congress has until midnight on December 21st either to wrap up work on the seven remaining spending bills or pass another Continuing Resolution (CR) to avoid a partial government shutdown. Negotiators are still stuck on the border wall funding in the Homeland Security bill. Last Friday, the Trump administration sent to Congress a list of new spending requests that would cost an additional $4.76 billion. Congresswoman Nancy Pelosi (D-CA) and Senate Appropriations Chair Richard Shelby (R-AL) said that they are close to wrapping up the FY19 appropriations bills. There appears to be agreement on six of the bills (1. Agriculture, 2. Commerce, State, Justice, 3. Financial Services & General Government, 4. Interior, 5. State & Foreign Operations, 6. Housing & Urban Development), which would pave the way for an omnibus package. Also, the omnibus is expected to include funding to address the nation's recent natural disasters including forest fires and hurricanes. It is unclear how large the disaster aid package will be but, Senator Dianne Feinstein (D-CA) expects California will receive less than the $9 billion she requested from Congressional leaders to help with wildfire recovery.

President Meets With Democratic Leadership

By Mike Oscar

On Tuesday, December 11th, Senate Democratic Leader Chuck Schumer (D-NY) and House Democratic Leader Nancy Pelosi(D-CA) met with President Trump to discuss border barrier spending and how to finish the seven remaining appropriation bills. The Democratic leaders released a joint statement stating that the funding impasse is the fault of the Republicans, claiming that the $5 billion for the border wall that the President insists on including in the final appropriations package does not have enough votes to pass the House and Senate.

2018 Farm Bill Hemp Provisions

By Mike Oscar

Hemp Provisions in the Conference Substitute Title VII (Research)

- Sec. 7129 - Makes hemp, as well as new and emerging commercial products derived from hemp, eligible for research under this section.
- Sec. 7501. Critical Agricultural Materials Act – Makes hemp eligible to receive research funding under this section.
- Sec. 7605. Legitimacy of Industrial Hemp Research – Requires the Secretary to conduct a study on the hemp research pilot program from the Agricultural Act of 2014 that includes a review of the economic viability of the domestic production and sale of hemp. This section also repeals the hemp research pilot programs one year after the Secretary publishes a final regulation allowing for full-scale commercial production of hemp.

Title X (Horticulture)

- Sec. 10113. Hemp Production - Allows states to regulate hemp production based on a state or tribal plan. Such plan must include information on locations of hemp production, testing for THC concentration, disposal of plants that are out of compliance, and negligence or other violations of the state or tribal plan.
- Defines hemp as the plant *cannabis sativa L.*, or any part of that plant including seeds, derivatives, and extracts that have a THC concentration of not more than 0.3 percent.
- Makes any person convicted of a felony relating to controlled substance, ineligible to grow hemp for a 10-year period following the date of conviction. This limitation does not apply to producers who have been lawfully participating in a state hemp pilot program as authorized by the Agricultural Act of 2014, prior to enactment of the Conference substitute.
- Sec. 10114. Interstate Commerce - Clarifies that the interstate commerce of hemp shall not be prohibited.

Title XI (Crop Insurance)

- Sec. 11101. Definitions – Defines "hemp" in the Federal Crop Insurance Act.
- Sec. 11106. Insurance Period – Adds hemp to list of insurable crops, including post-harvest coverage.
- Sec. 11113. Submission of Policies and Materials to Board – Authorizes the Federal Crop Insurance Corporation board to waive the viability and marketability requirements for submissions that propose new policies or pilot programs for hemp.
- Sec. 11119. Agricultural Commodity – Adds "hemp" to the definition of "agricultural commodities" in the Federal Crop Insurance Act.
- Sec. 11121. Maintenance of Policies; Reimbursement of Research, Development, and Maintenance Costs – Authorizes the Federal Crop Insurance Corporation board to waive viability and marketability requirements when reimbursing the creators of hemp policies or pilot programs for costs incurred in research and development.

Title XII (Miscellaneous)

- Sec. 12619. Conforming Changes to Controlled Substances Act – Legalizes hemp by amending the Controlled Substances Act to exclude hemp from the definition of "marihuana" [sic].

100 New Members To Define The 116th Congress

By Mike Oscar

The November midterm elections will bring a wave of new faces into Congress with a 100 new House members who make up a class with more diversity and more women than ever before. Also, it's expected to be more pro-gun-control. That's a byproduct of the new Democratic majority creating what advocates call a gun-sense majority. Per the group Giffords: Courage to Fight Gun Violence, 39 seats that belonged to politicians backed by the NRA were flipped by candidates who support gun control. To that end, Democrats have announced that their first effort will be an anti-corruption bill, including campaign finance overhaul, expanded voting rights, and stronger government ethics rules, but Democratic leader Pelosi and others have said a background-checks bill would be among the first orders of business for the new House. Alternatively, last year saw a push for some gun-rights legislation, including various school safety measures such as arming teachers. They're likely to come up again this session.

GAO Rescissions Ruling

By Mike Oscar

A few months ago, there were questions about rescissions and if the President could rescind appropriations within the 45-day expiration date. The GAO has ruled on this matter and stated that the law does not permit budget authority proposed for rescission to be withheld until its expiration simply because the 45-day period has not yet elapsed. A withholding of this nature would be an aversion both to the constitutional process for enacting federal law and to Congress's constitutional power of the purse, for the President would preclude the obligation of budget authority Congress has already enacted and did not rescind.

House Tax Bill 2.0

By Mike Oscar

On Monday, the House Ways and Means Chairman Kevin Brady (R-TX) released a revised tax bill. The bill includes language repealing the decades-old Johnson amendment, which bars nonprofits from engaging in political activities. Also included is controversial language backed by abortion opponents stipulating that 'unborn children' may be designated as beneficiaries of 529 education-savings accounts. The bill drops a number of provisions reviving some tax extenders.

MARCELLUS SHALE UPDATE

By Mike Oscar

U.S. To Have the World's 3rd Largest LNG Export Capacity in 2019 - The Energy Information Administration expects the U.S. to become the third-largest liquefied natural gas exporter in the world by the end of 2019, with capacity increasing from the current 3.6 billion cubic feet per day to 8.9 Bcf/d. Several LNG export facilities are due to enter service next year, including Cameron LNG in Louisiana and Elba Island LNG in Georgia.