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# United States Senate

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February 7, 2019

The Honorable Joseph M. Otting  
Chairman  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street, SW  
Washington, D.C. 20219

The Honorable Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429

The Honorable Dallas P. Tonsager  
Chairman and Chief Executive Officer  
Farm Credit Administration  
1501 Farm Credit Dr.  
McLean, VA 22102

Dear Chairman Otting, Chairman McWilliams, and Chairman Tonsager:

I write to you today out of concern for the financial situation facing many farmers, particularly dairy producers. As the regulators responsible for overseeing providers of agricultural credit, I am sure you know that due to the lapse of funding the U.S. Department of Agriculture (USDA) ceased most operations for 35 days – the longest shutdown on record.

The shutdown closed thousands of USDA offices across the country, cutting producers off from receiving loans, signing up for new programs like the tariff relief payments, and other critical services and information they need as they begin to make planting decisions for this year. On top of this, I am deeply concerned that the shutdown has delayed implementation of the recently-passed Agriculture Improvement Act of 2018 (commonly known as the 2018 Farm Bill).

Many dairy farmers in Michigan and around the country continue to face market instability. The 2018 Farm Bill is strong bipartisan legislation that makes many improvements that will help

farmers struggling with low prices, growing trade concerns, and unpredictable weather. The Farm Bill also makes significant improvements to the dairy program and provides premium refunds for dairy farmers. Dairy farmers will be asked to select coverage levels that could trigger payments as soon as USDA is able to enroll producers in the program. These changes will provide crucial risk management tools for dairy farmers in Michigan and around the country as they continue to struggle due to market instability.

The 2018 Farm Bill made the new Dairy Margin Coverage (DMC) program effective starting January 1, 2019. Unfortunately, all the work necessary to implement and educate producers about the new Farm Bill was on hold due to the shutdown – at a time when dairy farmers desperately needed financial assistance. I am concerned that delayed implementation has left dairy farmers in the dark as they plan for the future. Many dairy farmers facing difficult financial situations are meeting with their lenders to negotiate operating loans for this year. Because important USDA implementation resources and decision tools were delayed, dairy farmers and their lenders might not fully account for the benefits they will receive under the new dairy safety net, which could jeopardize farmers' ability to receive credit.

Several agricultural economists have analyzed the new DMC program and have concluded that it will provide a significant level of risk protection for smaller dairy farms at a reasonable price. It will also allow dairy farmers to fully utilize risk management tools available through private crop insurance products.<sup>1</sup> Additional early analysis has shown that the improvements made in the new DMC would have provided much-needed financial support to dairy farmers during the downturn in the dairy economy in recent years – up to 5 times as much support for the smallest farms.<sup>2</sup>

It is impossible to predict how markets will look throughout 2019, but it is crucial for dairy farmers and their lenders to understand the new dairy safety net as they discuss financing for the years ahead. Now that the shutdown has ended, I trust that USDA staff will work quickly and carefully to implement the 2018 Farm Bill as Congress intended.

I am encouraging lenders to take a close look at and take into account the improved safety net as they work with dairy farmers to understand cash flow for their operations and what options are newly available – even though they have been delayed due to the shutdown. As regulators who oversee agricultural lenders, I also ask that you consider the new risk management options available to dairy farmers and make it clear that lenders are allowed to account for the improvements as they extend credit to dairy farmers around the country.

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<sup>1</sup> <https://dairymarkets.org/PubPod/Pubs/BP18-02.pdf>

<sup>2</sup> <https://www.fb.org/market-intel/reviewing-dairy-margin-coverage>

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Thank you for your attention to this request.

Sincerely,

A handwritten signature in blue ink, reading "Debbie Stabenow". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Debbie Stabenow  
Ranking Member