

Written Testimony of Ashley Kennedy

U.S. Senate Agriculture Committee Field Hearing on the 2023 Farm Bill - *Growing Jobs and*

Economic Opportunity: 2023 Farm Bill Perspectives from Michigan

STEM Teaching & Learning Facility - Michigan State University, East Lansing, Michigan

On behalf of the

National Milk Producers Federation and Michigan Milk Producers Association

April 29, 2022

Chairwoman Stabenow, Ranking Member Boozman, members of the committee, thank you for the opportunity to testify before you today as the committee reviews current farm policy in advance of the upcoming farm bill.

I am Ashley Kennedy and my husband Eric and I are the third generation to farm our land. Although we are only the third, our history of being American agriculturalists goes back to when my family emigrated from Poland in the early 20th century. We raise our two daughters, Calli (six) and Adeline (three) on our farm along with 600 dairy and beef animals. On the farm we milk 240 cows with an automated milking system and raise all the calves born on the farm as future cows or as steers for beef. We are growing our own specialty beef herd of Wagyu cows and heifers. During the summer season we grow and harvest 120 acres of hay and 120 acres of corn to feed the animals. One of the most exciting parts of our operation is we are developing a direct-to-consumer farm store. We are going to sell our specialty Wagyu freezer beef, heirloom dry edible beans my brother produces and cheese from my milk cooperative plants.

Our farm has been a member of Michigan Milk Producers Association (MMPA) for 60 years. MMPA is a dairy farmer owned cooperative founded in 1916 that serves producers in Michigan,

Indiana, Ohio, and Wisconsin and operates four dairy manufacturing plants in three states. MMPA works hard to serve its members by providing leading on-farm services, training, and member involvement opportunities. MMPA also supports education for the next generation of dairy leaders with scholarships and other programs.

We are proud of the dairy industry in Michigan. At nearly 11 billion pounds, Michigan currently ranks 6th nationally in terms of annual milk production and ranks 1st in production per cow.

I am pleased to be delivering testimony on behalf of myself; my cooperative, Michigan Milk Producers Association, and National Milk Producers Federation. As an alumni of Michigan State University it feels fitting that I am able to share my testimony on the campus that shaped the beginning of my career.

As you prepare to craft the next farm bill, I am happy to share my perspective as a dairy farmer on current priorities. Chairwoman Stabenow, dairy farmers in Michigan and nationwide are grateful for your strong leadership in reforming the dairy safety net in both the Bipartisan Budget Act of 2018 and the 2018 Farm Bill. The Dairy Margin Coverage program is a significant improvement over its predecessor and has been a safety net for dairy farmers during difficult times. DMC worked as intended in 2021, paying out nearly \$55 million to participating Michigan dairy farmers as they continued to weather the challenges of the pandemic. This program was essential to our farm and family's financial success last year. We thank this committee for enacting Supplemental Dairy Margin Coverage payments to compensate producers for incremental production increases since 2014 and account for a nearly decade-old production history formula. We urge that production history adjustments be carried over into the farm bill. We also appreciate USDA's actions to ensure that DMC accurately reflects dairy farmer feed costs by fully incorporating dairy quality alfalfa into the DMC feed formula. Finally, we are pleased that, on par with producers of other commodities, dairy farmers now have access to both a Farm Service Agency-run safety net as well as Risk Management Agency tools such as Dairy Revenue Protection and Livestock Gross Margin-Dairy, which gives farmers the ability to customize their risk management to their needs.

Just over a year after the current farm bill was signed, the COVID-19 pandemic took hold, and, from the start, impacted our entire country in significant ways. While dairy farmers never stopped providing households with an abundant supply of nutritious milk and dairy products, we were not immune to the massive economic consequences of the pandemic. In particular, the combined effects of the change made to the Class I mover in the last farm bill and the government's heavy cheese purchases cost dairy farmers over \$750 million in Class I skim revenue during the last six months of 2020. That includes over \$117 million in the Mideast order which includes Michigan. We know that no one could have anticipated COVID-19 at the time the change was made to the Class I mover, but the events of the last two years have put a spotlight on the need for an overall update to the Federal Milk Marketing Order system. Although the COVID-19 relief packages were essential to keeping our business alive as beginner farmers, I wish I hadn't needed that assistance because the milk pricing system was in a more reliable state.

To recap, prior to the 2018 Farm Bill, the Class I mover was based on the higher of the Class III or Class IV price each month, commonly called the "higher of" formula. To maintain revenue neutrality for farmers while also accommodating price risk needs of processors, a compromise was reached to restructure the mover as the monthly average of the Class III and Class IV prices, with a \$0.74/cwt. adjustment factor added to that average. The historical record from January 2000 through August 2017 indicated that this new mover would be revenue neutral for dairy farmers by maintaining essentially the same Class I skim milk revenue as the old mover.

The new mover took effect in May 2019, but the COVID-19 pandemic dramatically undercut the revenue neutrality that formed its foundation. The Farmers to Families Food Box Program heavily weighted its dairy product purchases toward cheese (Class III). This imbalance caused a wide chasm between the monthly Class III and Class IV prices, making the average of the two significantly lower than the "higher of" the two, even with the \$0.74/cwt. adjustment factor added. As a result, Class I skim milk prices averaged \$3.56/cwt. lower during the second half of 2020 than they would have under the previous mover. This undermined the orderly marketing

of milk and represented a net loss to dairy producers of more than \$750 million during the latter half of 2020.

I am pleased to share that the dairy industry through the National Milk Producers Federation (NMPF) is treating this matter with urgency and is seeking to find consensus on not only the Class I mover, but a range of improvements to the system that we can take to USDA for consideration via a national order hearing. MMPA is a member of NMPF and is actively participating in its process, which involves careful examination of key issues to the dairy sector nationwide. The dairy industry recognizes that to successfully enact policies that are better than those we have in place today, we must work together with the goal of achieving consensus. We look forward to working with the members of this committee as our efforts advance.

I would like to highlight several other areas of great significance to the dairy sector. First, dairy farmers are environmental stewards who tend with great care to our land, water, and other natural resources. We have in fact been working on sustainability long before this work captured the public's attention. As a testament to dairy's endeavors, research shows that producing a gallon of milk in 2017 required 30% less water, 21% less land, had a 19% smaller carbon footprint, and produced 20% less manure than it did in 2007. However, we always believe that more can be done, and, as a result, have set industry-wide goals of becoming greenhouse gas neutral or better, improving water quality, and optimizing water use by 2050. We commend your efforts, Chairwoman Stabenow, to increase funding for farm bill conservation programs. Conservation programs like the Environmental Quality Incentives Program are key as we work to continue our ongoing sustainability efforts. Enhanced funding will help dairy farmers scale up innovative climate smart practices, such as new approaches to both feed and manure management. We also congratulate the members of this committee for getting the Growing Climate Solutions Act through the Senate on a vote of 92-8. This legislation will help facilitate greater farmer participation in environmental markets, and we look forward to its enactment.

I feel compelled to reiterate the importance of agriculture being part of the solution when it comes to carbon markets and the greater discussion about climate change. I passionately feel we cannot hide and think if we don't talk about it, it will go away. I want to be a part of the discussion because agriculture does so many important things already to combat climate change. Agriculture is a carbon sink; we need to make that part of the discussion and continue to find solutions to make ourselves carbon neutral. Farmers have been stewards of the land for generations and it's time we use this to become part of the climate solution.

My belief in environmental and conservation practices started several years ago. In 2016 I was awarded an EQIP grant to help cost share on a new manure pit for our farm along with other conservation practices. The logistics of it were, frankly, a mess. Every step included a new person because the previous engineer had left or been promoted. Each person had different requirements which meant we had to keep bringing out the expensive private engineering firm to take more samples at several thousand dollars a time. When it came time for the end of my contract, we knew we couldn't fulfill all the requirements needed in the time left and pulled my application. It was very disappointing. From my view USDA needs to hire more engineers to get through the massive backlog of projects and needs to find out how to keep the people already there. NRCS could provide a better service to farmers and conservationists if employees, especially good ones, could be kept.

Second, trade is critical to our success as farmers. Today, exports account for 17% of our production and are likely to comprise an even greater share as global dairy demand continues to grow. Trade promotion programs like the Market Access Program and the Foreign Market Development program promote American-made dairy and ag products that compete with heavily subsidized foreign products, returning well over \$20 in export revenue for every one dollar invested in the programs. We support doubling funding for both essential programs to better promote U.S. dairy products worldwide. In addition, we hope to work with this committee to help combat the European Union's efforts to restrict the use of common food

names in markets around the world. These efforts are a trade barrier plain and simple, and they must be stopped. Finally, we hope to increase the role of dairy in food aid and expedite the process of nominating key trade officials.

Third, dairy farmers appreciate the enduring connection between agriculture and nutrition, as enshrined in the very name of this committee. Nutrition programs like the Supplemental Nutrition Assistance Program are vital to feeding families when they face difficult circumstances and are the bedrock of linking the food we produce as farmers to households across the country. Dairy is a nutrition powerhouse, serving as an excellent source of essential nutrients, but continues to be under consumed according to the most recent Dietary Guidelines for Americans. Continued robust support for USDA nutrition programs will help boost consumption of healthy, nutritious dairy products across our population. We also strongly encourage robust support for the Dairy Donation Program that you authored, Chairwoman Stabenow, to facilitate the donation of dairy products to food insecure families. MMPA is proud to have helped inspire this initiative, which began as the Milk Donation Reimbursement Program in the 2018 Farm Bill, based on our partnership with the Kroger Michigan Dairy plant to donate thousands of gallons of milk through the Food Bank Council of Michigan. The Dairy Donation Program is helping to minimize food waste by providing nutritious dairy products to those who need them most while supporting local dairy farmers.

Relating to nutrition as well, while this committee does not oversee the Food and Drug Administration, it is critical that the agency finally enforce dairy standards of identity to combat the proliferation of imitation products attempting to use dairy's positive reputation in the marketplace when these products are not nutritionally equivalent to real dairy.

Fourth, labor is a chronic and challenging issue in agriculture. Likely, it will require creative solutions and mechanizations. Nine years ago, we were struggling to find reliable labor. We made the decision to put in an automated milking system for our cows. The mechanization made it, so we still have dairy cows today. Before robots I couldn't imagine ever having kids and

cows at the same time. I hope the Farm Bill can continue to set up funds for farmers, organizations and the government to find solutions to getting the work done in the fields, barns and greenhouses.

Lastly, in recent years, farmers have endured one difficult year after another. Stress in rural America is not talked about enough, which is unfortunate, because it's a problem we can only solve by working together. I am thankful to this committee for stepping up in the farm bill and reauthorizing the Farm and Ranch Stress Assistance Network, which aims to connect those working in agriculture to stress assistance and support programs. For the last 3 years I have truly struggled with ADHD, anxiety and depression. Dealing with birth trauma, an employee suicide and a cousin dying of an overdose, I went to a dark place. I have been a person who needed the help and I am thankful to have received it. The stories of many others like mine and the work of this committee cannot be replaced in our rural communities. Even with the Farm and Ranch Stress Assistance Network our rural areas are desperately short of mental health resources. Our thanks to members of the Appropriations Committee for following through and providing the needed funding and I hope the efforts can be increased in the future.

As a farmer who has used USDA Beginner Farmer loans three times to start growing our influence on the farm, I appreciate everything this committee does. I couldn't have come back to the family farm if it were not for many of these programs. Being a part of the conversation is essential to see a future that reflects opportunity and success.

Thank you again for the opportunity to testify before you. I am happy to answer any questions you may have.