

Washington DC/ Farm Bill Update



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Farm Bill Issues

Farm Bill – Where We've Been

- **Heading into last farm bill, dairy policy needed significant improvements**
 - Margin Protection Program, though well-intended, did not provide an effective safety net due to budget constraints in prior 2014 farm bill
 - Dairy farmers lacked access to crop insurance-type risk management tools on par with other producers
- **NMPF secured major dairy policy reforms in two-step process**
 - Congress provided new funding in 2018 budget deal to shore up weak dairy and cotton programs & lifted livestock insurance cap to pave way for DRP
 - 2018 Farm Bill created DMC program and provided dairy producers access to multiple risk management programs



Farm Bill – Status Update

- **Current law expires Sept. 30**
 - Ag Committees are continuing to hold hearings and listening sessions
- **Bills likely to advance in fall**
 - Ag Committees targeting September for votes
 - Year-end completion more likely than Sept. 30
- **Funding landscape not yet certain**
 - New funds desired for row crop, trade programs
 - SNAP work rules likely to be a flashpoint
- **Bill will be written by a split Congress**
 - Republican House, Democratic Senate



Farm Bill – California Players

- **Speaker Kevin McCarthy (R)**
 - Represents ag and dairy-heavy district in Central Valley
- **House Ag members**
 - Rep. Jim Costa (D) – Central Valley
 - Rep. John Duarte (R) – Central Valley
 - Rep. Salud Carbajal (D) – Central Coast
 - Rep. Doug LaMalfa (R) – North State
- **Other House members**
 - Rep. David Valadao (R-CA) – Central Valley
 - Rep. Jimmy Panetta (D-CA) – Central Coast
- **Sen. Dianne Feinstein (D) – LAST farm bill**
- **Sen. Alex Padilla (D) – FIRST farm bill**



Farm Bill – Cost Estimate

- **Congressional Budget Office issued baseline in May**
 - Baseline assesses cost of current law assuming no changes
- **Current bill slated to spend roughly \$1.5 trillion over 10 years**
 - Nutrition (SNAP) – roughly \$1.2 trillion, or 81.1 percent
 - Crop Insurance (DRP, LGM, etc.) – roughly \$101.3 billion, or 6.7 percent
 - Commodities (DMC, etc.) – roughly \$68.6 billion, or 4.5 percent
 - Conservation (EQIP, etc.) – roughly \$60 billion, or 4 percent
 - Inflation Reduction Act – roughly \$34.7 billion, or 2.3 percent
 - Other (trade, energy, etc.) – roughly \$19.7 billion, or 1.3 percent

Farm Bill – Budget Rules

- **CBO is the arbiter of “cost” in Congress**
- **Congress must abide by CBO “scores” of legislative proposals unless it chooses to waive budgetary rules**
- **CBO assessments are estimates, not hard caps**
- **Some programs receive fixed amounts of mandatory funding, while others receive such sums as necessary based on rules**

Farm Bill – Dairy Update

- DMC enrolled 16,868 operations this year, slightly below 17,979 enrolled in 2022
- **May CBO baseline assumes roughly \$2.5 billion in net DMC outlays over 10 years**
 - This is nearly \$1 billion more than was expected in February baseline
 - Higher expected outlays will raise projected cost of changes
- Without new funding, adjustments may be possible by **working within existing baseline**



Farm Bill – NMPF Focus

- **NMPF convened Economic Policy Committee to consider desired policy improvements in several areas**
- Review of dairy safety net and risk management tools
- Discussion of Board-approved FMMO recs in farm bill context
- Additional work on conservation, trade, and nutrition titles based on farm bill opportunities to advance existing policy priorities

Farm Bill – NMPF Process

- **NMPF surveyed all member cooperatives to seek feedback on priorities across major farm bill titles**
 - Survey sought feedback on DMC, risk management, conservation, trade
- **Economic Policy Committee gathered multiple times**
 - Virtual ‘grounding’ meeting on February 13
 - In-person meeting in Chicago on April 11
 - Virtual meeting on May 10
- **Executive Committee met May 25 to discuss EPC work**
- **Board of Directors approved recommendations on June 7**

Approved Resolutions – DMC & DRP/LGM

- NMPF supports:
 - Improving the Livestock Gross Margin-Dairy and Dairy-Revenue Protection programs, including reducing premiums, and prioritizing such improvements within any available new funding
 - Continuing the Dairy Margin Coverage program and making the program's production history calculation more contemporaneous

Background – DMC & DRP/LGM

- **Farm Bill must maintain key programs to provide certainty**
- **Robust DMC discussion, but consensus that program works**
 - NMPF zeroed in on areas of broadest unity given overall success of current dairy safety net and risk management programs
 - Broadest support for updating production history calculation
- **Broad support for making DRP & LGM more affordable**
 - NMPF staff working with USDA and Congress to explore possibilities
 - NMPF shared USDA request for feedback, comments due June 16

Approved Resolutions – FMMO Issues

- NMPF supports:
 - Restoring the previous “higher of” Class I mover in the most expeditious manner possible, including administrative or legislative actions
 - Seeking language to direct USDA to conduct mandatory plant cost studies every two years to provide better data to inform future make allowance reviews, as approved by the Board of Directors on March 7, 2023

Background – FMMO Issues

- **Class I mover was previously changed in last farm bill**
 - NMPF Board approved returning to “higher of” as part of package
 - Other stakeholders seeking most expeditious path to return to “higher of”
 - Some in Congress have taken interest in this issue, likely to arise
 - Statutory change would have no budgetary cost
- **Broad agreement that legislative action is needed to direct USDA to conduct mandatory plant-cost studies on a periodic basis**

Approved Resolutions – Other Titles

- NMPF supports:
 - Maintaining robust funding for voluntary conservation programs, with additional emphasis on feed and manure management and relief from payment limitations, consistent with NMPF Policy Statements
 - Enhancing funding for trade promotion programs and seeking language to protect common food names, consistent with NMPF Policy Statements
 - Supporting the continuation of federal nutrition programs and the enhancement of such programs to provide nutritious dairy products to beneficiaries, consistent with NMPF Policy Statements

Background – Other Titles

- Farm Bill may provide avenue to scale up conservation program emphasis on manure and feed while seeking relief from payment limits
- NMPF shepherding new bipartisan SAVE Act to protect common food names
- Significant member interest in nutrition programs to support dairy consumption



Environmental Issues

Inflation Reduction Act Implementation

- **Most of funds are not available until 2024-26**
- **USDA has rolled out some funds for 2023**
 - \$250 million for Environmental Quality Incentives Program
 - \$250 million for Conservation Stewardship Program
 - \$250 million for Regional Conservation Partnership Program
 - \$100 million for Agricultural Conservation Easement Program
- Producers interested in new EQIP or CSP funding should apply according to program ranking dates per NRCS
- NMPF-secured funding for Conservation Innovation Trials focused on enteric emissions will become available later this year

Inflation Reduction Act Dollars

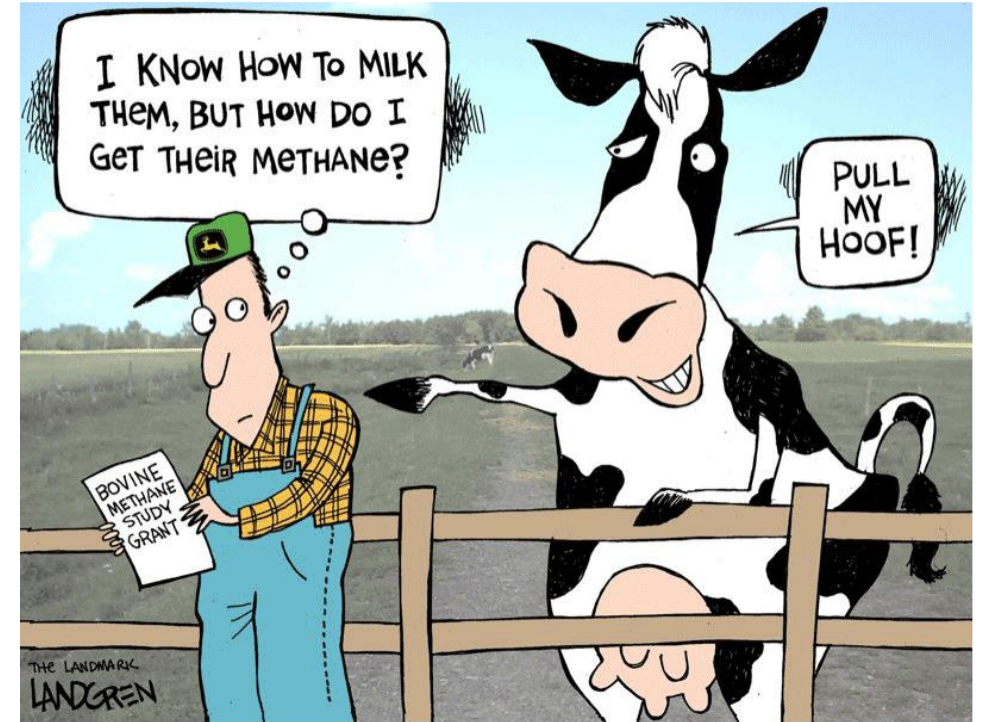
	FY 2023	FY 2024	FY 2025	FY 2026	Total
EQIP	\$250 million	\$1.75 billion	\$3 billion	\$3.45 billion	\$8.45 billion
Regional Conservation Partnership Program	\$250 million	\$800 million	\$1.5 billion	\$2.4 billion	\$4.95 billion
Conservation Stewardship Program	\$250 million	\$500 million	\$1 billion	\$1.5 billion	\$3.25 billion
Agricultural Conservation Easement Program	\$100 million	\$200 million	\$500 million	\$600 million	\$1.4 billion
Total	\$850 million	\$3.25 billion	\$6 billion	\$7.95 billion	\$18.05 billion

Farm Bill Emphasis

- **NMPF to seek support for manure and feed management**
 - Digesters, cap-and-flare, solid-liquid separation, other manure systems
 - Inclusion of approved enteric-reducing feed ingredients in NRCS programs
 - Will also support continuation of 50% EQIP livestock set-aside
- **NMPF to push for relief from AGI and payment limits**
 - Current rules box out some producers and limit potential for many others
- **NMPF has helped drive consensus through membership in Food and Agriculture Climate Alliance Steering Committee**
 - FACA is a unique alliance of agricultural and environmental groups forging alignment on conservation and environmental policy recommendations
 - FACA Farm Bill recommendations emphasize key dairy priorities on feed and manure management

Feed Additives – Background

- Feed additives can reduce enteric methane in dairy cows by 30+ percent
- Feed additives already approved in the European Union, Brazil, Australia, Chile, Canada
- FDA CVM 1240.3605 “Regulating Animal Foods with Drug Claims” (9/18/1998)
 - FDA held listening session Oct. 2022
 - NMPF spoke and submitted comments



Feed Additives – Approval Process

- **NMPF worked closely with Elanco to put Bovaer on pathway to approval by NEXT YEAR**
 - Bovaer can reduce enteric methane in dairy cows by 30+ percent
 - NMPF secured bipartisan congressional support to pressure White House
- **NMPF working with Elanco and others on implementing bill**
 - Sens. Roger Marshall (R-KS), Tammy Baldwin (D-WI), Jerry Moran (R-KS), and Michael Bennet (D-CO) advancing the Innovative FEED Act
 - Bill would codify FDA authority to review feed additives like Bovaer using the Food Additive Petition process
 - FAP process quicker than drug pathway, but still requires safety reviews
 - Goal of enacting legislative fix as part of larger Animal Drug User Fee Amendments Act this year

Feed Additives – Farmer Adoption

- **Until markets are developed, producers will benefit from policy incentives to adopt Bovaer upon approval**
- **NMPF to work with Elanco and stakeholder partners to secure product's inclusion in conservation programs for next year**
 - NMPF-led IRA climate smart ag funding will provide key resources
 - USDA will finalize 2024 program payment schedules later this year
 - Key partners: Food and Agriculture Climate Alliance, Environmental Defense Fund, American Feed Industry Association
- Continued congressional support will be important to USDA prioritization within programs

Electric Pathway

- **NMPF working with biogas and automotive stakeholders to urge EPA to finalize RFS Electricity Pathway**
 - Pathway would enable electricity used to power electric vehicles to generate a Renewable Identification Number under RFS
 - RFS allows electricity produced with on-farm biogas to qualify when used for transportation
- **Pathway would incentivize dairy to expand biogas capacity**
- Opposition from traditional RFS users and some enviro. groups
- NMPF engaging directly with EPA and White House and leveraging important congressional support