

Senate Energy and Natural Resources Committee

Griffin Roberge 271-2878

SB 10-FN, relative to dairy farmer relief.

Hearing Date: January 24, 2017

Time Opened: 11:00 a.m.

Time Closed: 12:04 p.m.

Members of the Committee Present: Senators Feltes, Fuller Clark, Bradley and Avard.

Members of the Committee Absent : Senator Innis.

Bill Analysis: This bill creates a program to repay licensed milk producers from losses they may have incurred during the 2016 drought.

Sponsors:

Sen. Bradley
Sen. Morse

Sen. D'Allesandro
Rep. Hinch

Sen. Fuller Clark
Rep. Umberger

Who supports the bill: Senator Bradley (District 3), Senator D'Allesandro (District 20), Senator Fuller Clark (District 21), Senator Morse (District 22), Rep. Richard Hinch (Hillsborough – District 21), Rep. Karen Umberger (Carroll – District 2), Rep. John T. O'Connor (Rockingham – District 6), Rep. Shawn Jasper (Hillsborough – District 37), Denis Ward (NH Farm Bureau), Sarah Laeng-Gilliatt (Hancock), Steve Crawford (NH Department of Agriculture), Robert Johnson (NH Farm Bureau), Stuart Adams (Westmoreland), Jay Phinizy (Acworth).

Who opposes the bill: Greg Moore (AFP-NH).

Who is neutral on the bill: Michael McPhail (Farm Credit East).

Summary of testimony presented in support:

Senator Jeb Bradley
Senate District 3

- Senator Bradley was one of three senators along with Senators Sanborn and Fuller Clark that were on a task force that examined the impact of the 2015/2016 drought on dairy farmers in the state.
- NH dairy farmers were adversely impacted by the drought. Additionally, federal milk pricing undermined state dairy farmers to withstand pressure of the drought.

- The commission came up with SB 10-FN, written largely by Rep. Kurk. Upon further review, the bill was too cumbersome. Along with Rep. Umberger, they would like to introduce an amendment that would replace the text of SB 10-FN. It appropriates \$2 million in the Fiscal Year ending 2017 to milk producers licensed by the state for relief from the drought. They will get a share of the \$2 million in proportion to the production harmed by the drought. Distribution of the funds would be administered by Milk Producers Emergency Relief Fund. If a milk producer who receives monies from this appropriation goes out of business by a certain time period, they must repay the money.
- The purpose of the amendment is to expedite the process to ensure farmers do not slaughter their herd waiting on the legislation to appropriate the money.
- Senator Feltes stated that there are a number of dairy farmers in District 15 who needed help before the winter. Why was this not brought forward in the fall, and would the amendment be expedited? Senator Bradley said Governor Hassan did not call for a special session. The task force could have called itself back into session, but by the time the task force had heard from the public and looked at the parameters of the bill, time essentially ran out. The reason he asked the committee to expedite it is to get relief to those farmers immediately. Should other amendments be needed, members of the Senate Finance Committee can consider them.

Rep. Karen Umberger

Carroll County, District 2

- She represents a fair amount of farmers. She believed the original bill was filled with a lot of stumbling blocks to get relief out to dairy farmers quickly. The relief should have been out last fall instead of now.
- The amendment will help the dairy farmers going into next year.
- In many cases, these farmers have loans they need to repay, as well as fertilizer and seed to help them move forward into the 2017 season.

Senator Martha Fuller Clark

Senate District 21

- Senator Fuller Clark served as a member on the task force that addressed how the drought affected NH dairy farmers.
- During the task force, Senator Fuller Clark learned that farmers did not have the opportunity to raise the price of their milk. The price of milk is set by federal pricing standards. Therefore, in an economic downturn, NH dairy farmers are in a bind.
- Additionally, there is very little aid from the federal government for dairy farmers in New England due to changing funding eligibility at the federal level.
- Other neighboring states have set aside monies that help farmers in similar situations. NH does not.
- The various factors of low milk prices, no opportunity for federal relief, no ability to respond to the drought at the state level, and the high cost of feed has led to this crisis for NH farmers. This can result in additional farmers going out of business and loss of herd in the state.

- New Hampshire should do more to provide relief funding to NH farmers rather than importing milk from Midwestern states in times of crisis.
- Senator Fuller Clark paraphrased Senator Morse's comments: that dairy farmers play a significant role in the economy, the character, and the quality of life in the state of New Hampshire.
- Senator Fuller Clark supports the amendment. Many would have liked to have seen it passed sooner, but there was not full support from members of the task force. This is one reason why the task force was forced to bring it through the regular legislative process.

Denis Ward & Rob Johnson

President, New Hampshire Farm Bureau

Policy Director, New Hampshire Farm Bureau

- Provided a petition from farmers supporting SB 10-FN, as well as suggestions to amend the bill.
- NH dairy farmers are not the problem. They are not overproducing. They are stuck with a federal pricing system throughout the nation. The dairy farmers take the price of milk and do what they can.
- A few years ago, milk prices rose, and were able to expand – pay debt, investments in their business. Once a drop in prices occurs, it impacts dairy farmers in NH. They cannot change prices as they are fixed in the federal pricing system.
- It is a very expensive and capital intensive industry. Dairy farming cannot be compared to any other business. The animals are their livelihood. The product is perishable. They have a huge economic impact on this state.
- This bill is good, but whether it be \$2 million in Senator Bradley's amendment or the \$3.6 million previously discussed, it will not make the farmers whole. It will certainly provide aid, but they would like to see some relief for other industries like vegetable growers.
- They will continue working at the federal level to enact changes, but for the moment, SB 10-FN will provide that immediate relief.
- Senator Avard asked if the federal government has any aid available for this industry at all, and if the NH federal delegation has tried anything. Mr. Ward said the delegation tried to get into the farm bill to alter the MPP, but there was no stomach for addressing it at the federal level.
- Mr. Johnson spoke about changes he would like to see to SB 10-FN. He hopes these changes can be used as a template to administer the bill.
- Mr. Johnson also summarized some changes he would like to see to Senator Bradley's amendment:
 - Line 5: Money should be expended by April 15, 2017 rather than March 15, 2017 because it would give time for the funds to be allocated.
 - Line 6: Change the "2015/2016 drought" to "2016 drought" to avoid any confusion. This will be an immense clarification.
 - Line 10: There is mention of "bovine milk producers." There are goat milk producers in the state and feel they should be included as they were as directly affected by the drought. They would like to change the language

- to “license inspected milk producers” to broaden the language.
 - Line 13: They look for clarification on “his or her production of feed.” They would move to make it “his or her homegrown production of feed.”
 - Line 14: Alter “his or her purchased feed” to “his or her purchased forage feed.”
 - Line 19-21: Period of time for the reimbursement. That is a long time and rather lengthy. Furthermore, the language is broad and does not detail any collection process.
- Senator Feltes stated that in earlier testimony, Mr. Moore stated the federal government could serve the milk needs of the state should local dairy farmer fail to produce in an ice storm. Senator Feltes looked for comment to see if that would occur. Mr. Ward stated that milk can be moved pretty easily. However, if mad cow disease started in another state, that would mean milk from a diseased location gets quarantined. That would mean milk from that location is not moved. Mr. Ward called for a strengthened local milk industry to address this issue rather than relying on others. Bringing enough milk in from other areas would be a monumental task.

Rep. Shawn Jasper & Rep. Dick Hinch

Speaker of the House, Hillsborough – District 37

House Majority Leader, Hillsborough – District 21

- Mr. Jasper stated he is a former poultry farmer.
- Mr. Jasper believes the drought is a disaster relief. It is needed to help businesses. It is not an attempt to subsidize failing businesses. He believes this bill will help an industry that directly affects the state’s economy.
- Mr. Hinch stated that he was the chair of the drought relief task force. The task force held hearings for a month and a half, listening to input from NH dairy farmers. He agrees with the comments from Mr. Jasper. He fully supports the amendment.
- Mr. Hinch believes this is a onetime solution to a natural occurrence. The state needs to act appropriately and move forward to help NH’s dairy farmers.

Jay Phinizy

Acworth, NH

- He was a member of the NH House and sat on the House Environment and Agriculture committee, as well as being its chair. He also worked with the Department of Agriculture for the Farm Service Agency.
- He supports the changes made by Mr. Johnson. He calls on the committee to not confuse the federal aid programs with the aid effort made by SB 10-FN.
- He objects to certain testimony calling SB 10-FN a subsidy program. This is disaster relief just as other industries are helped in disasters.
- This is an industry that does affect the state economy – it will affect local communities, local jobs, and milk production.

Stephen Crawford

NH Department of Agriculture, Markets and Food Department

- Provided written testimony.
- The department offered anything in order to help get the program implemented.
- Studies have found that each cow produces \$13,000 to \$24,000 to local communities and tax coffers. Mr. Crawford stated the \$2 million for support is a good number to help NH dairy farms.
- Mr. Crawford gave two comments on the amendment:
 - In terms of administration, using Milk Producers Emergency Relief Fund (MPERF) Board to administer these funds could be a problem. The most recent chair, Bob Haefner, is no longer a legislator and is no longer a part of the MPERF. Furthermore, current commissioner Merrill is a dairy farmer and is excluded from administering the funds per a conflict of interest. Statute does not allow the commissioner to designate those responsibilities to another. The department would like to insert additional language to RSA 184: 109 I (a) that reads, "The commissioner or designee..."
 - The other point is brought by Mr. Johnson, who said there is nothing in the statute that protects the data submitted by the dairy farmer looking for aid. He was wondering if the proprietary data should be protected in the statute.

Stuart Adams

Windyhurst Farm Partnership, Westmoreland, NH

- Provided written testimony.
- As a dairy farmer, federal milk pricing has caused the industry to fall well below the poverty line and caused farms to run deficits or discontinue in the dairy industry.
- The combination of high feed costs and low milk prices, along with the drought, has made it impossible for farms to pay their bills.
- He is hopeful the committee approves SB 10-FN.

Summary of testimony presented in opposition:

Greg Moore

State Director, Americans for Prosperity (AFP)

- Mr. Moore believes the amendment is an improvement to the bill, but he is still opposing it.
- SB 10-FN does two things. It creates a taxpayer bailout for a private industry. If this is a disaster relief, it is inequitable as it does not help other industries that were affected. It singles out only one industry that gets assistance from the taxpayers. If SB 10-FN is addressing low milk prices, it is a bad policy for the state to subsidize an industry because of a failure of federal policy. The other objection is that SB 10-FN is a standalone appropriation in a budget year. SB 10-FN is not involved in the budget process. There is a finite amount of taxpayer dollars. These dollars could be better spent forwarding another policy, like addressing the opioid crisis. Addressing this matter should be

addressed through the regular budget process.

- Senator Feltes asked Mr. Moore to describe how federal dairy pricing impede NH dairy farmers. Mr. Moore said he would leave that question for others to address who are experts in that realm. Fundamentally, federal milk pricing is uniform and does not factor in some of the problems certain regions face. Milk production is abundant in the Midwest, but assistance is needed for a small amount of farmers in the state of NH. This is a market signal to NH farmers. SB 10-FN is blunting a market signal.
- Another problem with the amendment is asking people to stay in business until 2022. Some farmers may have no reason for staying open for another six years. There is no need for that requirement.
- Furthermore, there should be a repeal process at the end of the amendment to remove the appropriation in the RSAs.
- Senator Feltes asked Mr. Moore if he had done any economic study on the impact the drought had on New Hampshire's economy. Mr. Moore stated that he had not. There are other organizations that have studied it, and Mr. Moore referred Senator Feltes to ask them.
- Senator Feltes asked what AFP is and why they were testifying. AFP focuses on economic issues and looks for ways to expand economic freedom. His organization feels that state taxpayers should not be bailing out a private industry.
- Senator Fuller Clark stated that milk has been a protected and regulated commodity. It has been deemed an essential food for citizens. She asked if AFP was concerned that without bailing out dairy farmers, that it could ultimately led to the loss of the dairy farm industry in NH and create an over dependence on milk sources from elsewhere that may not be available in times of crisis. Mr. Moore stated that milk has always been within a federal policy structure. Milk pricing is not a state problem. It is a federal problem, and needs to be altered in Washington. All industries can claim they are unique and special to the economy. The process for bailing out one industry can set a standard for bailing out others.
- Senator Fuller Clark stated that milk is an essential commodity. She asked if Mr. Moore believed milk should be singled out because of its special character. Mr. Moore stated the dairy industry should not be singled out for any uniqueness or be immune to market signals.
- Senator Feltes stated that in ice storms, NH relies on local dairy farmers for milk. Senator Feltes asked what happens to NH if these milk producers fall on hard times in ice storms. Mr. Moore stated that the federal government has shown an ability to respond with relief, but the federal government is not always known for its speedy response. Mr. Moore replied that the market could respond and has shown a strong tendency to respond to economic demands.

Neutral Information Presented:

Michael McPhail

Loan Officer with Farm Credit East

- Farm Credit East is a major provider in agricultural lending. Mr. McPhail hopes to provide some perspective.
- Since 2014, dairy farmers have seen a price reduction (roughly 35-40%) in the milk, but production cost has remained constant. Drought came at an awful time. Main input cost for farmers is feed, and those costs have been rising.
- Federal aid programs have moved to an insurance program – it takes commodity projects and makes farms insure against those projections. The pricing system is clearly broken in this regard.
- Many milk producers are facing earnings deficits. Equity in farms is being eroded. As a loan officer, within the dairy sector alone, there are a wide array of business models. Most are wholesalers.
- In his opinion, NH dairy farmers are extremely hard working.
- Senator Avarad stated that on average, 115 cows exist on a farm. Senator Avarad was curious as to the cost to the state to run and operate just one farm of that size. Mr. McPhail stated that he had no data in front of him, but he believes the \$2 million outlined in SB 10-FN would be more than adequate to help all the dairy farms in the state.

Future Action: Ought to Pass with Amendment

gjr

Date Hearing Report completed: January 25, 2017