Statement of the American Farm Bureau Federation

To the Senate Subcommittee on Commodities, Risk Management and Trade

Pathways To Farming: Helping the Next Generation of Farmers

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Presented By:
Kevin Lussier, Chair, American Farm Bureau Federation Young Farmers & Ranchers Committee

600 Maryland Ave. SW | Suite 1000W | Washington, DC 20024 | p. 202.406.3600 | f. 202.406.3606 | www.fb.org

Chairwoman Smith, Ranking Member Hyde-Smith, and distinguished members of the Committee, my name is Kevin Lussier, and I am a third-generation dairy farmer from Hawthorne, Florida. I am here with my wife and partner in my operation, Shelby.

I am honored to be here today to share my experiences and to advocate for the programs that are vital to the survival and success of young farmers like me. I also want to make clear how imperative it is that Congress pass a bipartisan farm bill this year. Today's hearing focuses on helping the next generation of farmers. If we do not give young farmers the certainty of a five-year modernized safety net, young farmers will be less likely to go into the business of producing the food, fuel, and fiber that our country and national security depend on.

When I returned home from college in 2016, I stepped into the management of our family farm. In 2017, I was able to take advantage of the Farm Service Agency (FSA) young farmer program and purchase 100 dairy cattle and 35 acres of crop land.

With the dairy industry in the middle of its worst downturn in history, we decided we had to either grow or diversify if we were going to sustain our farm business. In 2019, we went back to the FSA and secured another loan to purchase 100 additional head of Jersey cattle and cheese-making equipment to help us begin our artisan creamery. We also utilized the Value-Added Producer Grant through USDA Rural Development to help market our cheese. We are now milking 300 head of Jersey cows.

Dairy farming is not just a job for me; it is a way of life, a heritage that I am proud to carry forward and one that I hope to pass on to my own children one day. However, the challenges facing young farmers today are daunting, and without adequate support and creativity from producers, the future of American dairy farming—and other small family farms like mine—is at risk.

Access to Credit

Access to credit is one of the most critical issues young and beginning farmers face. The dollar does not go as far as it used to. Inflation continues to raise supply costs and the price of agricultural land is skyrocketing. Starting and maintaining a dairy farm requires significant capital investment, from purchasing land and equipment to acquiring livestock and feed. Traditional lending institutions often view agriculture as a high-risk industry. When you combine that with the limited or zero credit history many young farmers and ranchers have, it makes it difficult for them to secure loans through private lending institutions on favorable terms. Programs like the FSA's Guaranteed and Direct Farm Ownership and Operating Loans have been invaluable to the success of our farm and to many other young farmers and ranchers. These programs provide not only the necessary capital but also the flexibility and understanding of the unique challenges we face in agriculture. Increasing the lending limits for these programs to more accurately reflect the costs of production agriculture in today's world would enable more young farmers to access the credit they need to start and sustain their operations.

Dairy Safety Net

Dairy farmers face unique challenges related to market volatility and pricing. Programs that offer price support and risk management tools, such as the Dairy Margin Coverage (DMC) program, administered by the FSA, provide a safety net that can make the difference between staying in business and shutting down. Strengthening and expanding the DMC program will help young dairy farmers, like myself, manage the inherent risks in agriculture and ensure a more stable, predictable income.

For young dairy farmers, like us, modifications to DMC will better allow our business to manage financial risk. Modifications the Committee should consider as it works towards a farm bill include increasing the cap on Tier 1 coverage for DMC above 5 million pounds. The House farm bill increased it to 6 million pounds but moving the cap closer to 10 million would allow for more producers to benefit. For example, our farm milks roughly 300 head of Jerseys, which is right near the current cap. Should we choose to grow our business by adding cows, we would exceed the 5-million-pound cap, leaving part of the business with no safety net.

Other positive enhancements that were included in the House farm bill include updating DMC production history, providing a premium discount for those producers who choose to enroll in DMC for the life of the farm bill, and restoring the “higher-of” formula for the class one mover. The market disruptions seen in the last five years due to the change in milk pricing formula have created huge losses to our dairy farmers. In fact, my family farm alone has lost more than $230,000 when you compare today’s pricing formula to the “higher-of.” We have continued to see losses in the first four months of 2024, and I believe this change is imperative when addressing the sustainability of the American dairy farmer.

Other than DMC, another risk management tool that we use is the Risk Management Agency’s Rainfall Index for Pasture, Rangeland and Forage. For example, we rely heavily on forage for our rations, and if we have no precipitation for any of the two-month intervals we select, our policy may trigger an indemnity. This tool is critical for us to offset the cost of replacing the forage we lost due to lack of precipitation.

Rural Development

While not in this subcommittee’s jurisdiction, I did want to mention rural development programs as an important part of risk management and giving farmers like us the opportunity to continue to do what we love. As I previously mentioned, in 2021, we applied for and secured a Value-Added Producer Grant through the USDA to start our creamery. The Value-Added Producer Grant program is an important tool that allows beginning farmers to diversify farm income and identify direct-to-consumer opportunities. It is critical to identify new markets in order to keep our business running and moving forward. For our farm the addition of the creamery and making cheese helps balance the impact of uncertain times in a challenging industry.

Farm Bureau members like me have expressed concern over the limited availability of childcare centers and the distance to get to a childcare facility. In order to keep young and beginning farmers on the farm, it is extremely important to have affordable childcare in rural areas. That’s why I want to thank Chairwoman Smith for her support of the Expanding Childcare in Rural America Act. I hope we can see this bill included in the next farm bill.

Conclusion

The future of American dairy farming depends on investment in the next generation. By increasing access to credit and enhancing risk management programs, we can ensure that the next generation of farmers have the tools and resources we need to thrive. I urge the committee to consider these vital programs and to take action to support young farmers across the country by passing a bipartisan farm bill this year. Young farmers like us cannot afford continued delays by Congress. Thank you for the opportunity to speak today, and I am happy to answer any questions you may have.