

Department of Animal Science

COVID-19 AND THE DAIRY INDUSTRY: THE ROAD SO FAR

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Since COVID-19 hit the U.S., a lot has changed. Business as usual is now working from home, wearing a mask to go to the grocery store and meeting online. All the changes that come along with shelter-in-place orders and social distancing have had major impacts on the agriculture industry and the dairy industry. We will continue to update the [UT Dairy website](#) with resources and share information through our email lists.

Exports

- The dairy industry exports cheese, non-fat dry milk and other products to offset supply that is not used domestically. Since COVID-19, exports have dropped dramatically. One of our major importers is China, and COVID-19 has been a major blow to our exports.

Food Service

- The food service industry accounts for roughly 50 percent of our domestic dairy demand. Many, if not most, restaurants around the country are moving to delivery/take-out options. Many schools are also closed or conducting classes remotely, so school lunches no longer exist as they did. As shelter-in-place orders continue to roll out, those businesses that usually consume cheeses, milk, butter and other dairy products do not have the same demand.

Retail

- With shelter-in-place orders, more people are buying materials at the store that they would usually consume at restaurants or schools, creating an unprecedented demand for retail dairy products.

Processing

What does this do to the processing plants? Processing plants that are focused on bulk products (exports, restaurants, schools, etc.) do not have the same demand, while plants focused on retail are on overdrive. Fifty percent of the market was set up for food service and is currently trying to shift to retail. That means those plants or processing lines are not in single-serving or single-family volumes, the legal labeling requirements are different, and those products cannot go directly to the grocery store. This has created a shift in where raw milk products go. Raw milk that would usually go to a processing plant that creates large tubs of cheese for commercial

pizzas or cheese blocks sliced in commercial delis now needs somewhere to go with excess raw product. That raw milk is moving toward retail processors.

Other raw products may be limited for processing as well. Things like plastic to create bottles, tubs or bags, or the tubs and bags themselves may not be as available. Paper goods, labels, etc., are all in limited supply as well. Even if we have the milk, if there is nothing to put it in we cannot process that product. Trucks to haul raw and finished products are also reduced, creating more ripples along the supply chain.

Cows do not stop producing milk during a crisis, so our national supply is staying the same. Our national supply is estimated to be roughly 10 percent greater than our current demand. This is creating an oversupply at retail plants, such as the fluid plants we have in Tennessee. Because of this, some producers have been asked to dump milk because the plants physically cannot store any more raw product. We do not know how long this will last, but some industry experts project this could last nationwide until June. Our plants in Tennessee are heavily focused on retail, so that may not be true for our state. We simply do not know yet.

Employees

Employees on the farm side, the processing side and the transportation side are all impacted by COVID-19. Dairy industry employees have the same difficulties we all do during COVID-19. Numbers of workers in an area at a particular time have been reduced. Parents have kids without daycare or school. People have also gotten sick with COVID-19, which may lead to partial closures or further reductions. This means the entire supply chain, from the cow, to the packaging, to the truck, to the bottler or filler at a plant has been hit by COVID-19. The industry is pulling together during this crisis, and the employees working to continue providing food to our nation should be celebrated. Alltech created a publication in [English](#) and [Spanish](#) addressing agriculture employee safety during COVID-19 that may be helpful.

Farms

Dairy farmers are continuing like they always have through many crises. The cows keep producing and the farmers keep milking, harvesting hay, planting corn and feeding calves. Some farmers have been asked to dump their milk because the plants are at capacity. These farmers may still receive payment for that milk. States that do not have as many retail or fluid plants, like Wisconsin, were hit first with needing to dump their milk. This issue is not localized to Tennessee or even the United States. Farmers in Canada, Europe and other countries have had to dump milk as well. As the processing and transportation section of the industry adapts to new demands, dairy farmers may need to find alternative strategies to handle their milk. This can include feeding milk to calves, land applying milk as fertilizer, or even feeding milk in the lactating cow ration. The publication [*D 98 Disposal of Emergency Dump Milk During COVID-19 Crisis*](#) provides information on these strategies and contact information for assistance.

National Crisis Programs

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law by President Trump on March 27, 2020. The CARES Act allocated \$349 billion to support small business owners and their workforce. Small businesses employ less than 500 employees and meet other guidelines. This act provides a Paycheck Protection Program (PPP), detailed in a [publication from the University of Tennessee Department of Agricultural and Resource](#)

Economics. Agriculture industries are eligible for this relief, and dairy farmers are encouraged to read this publication and reach out to loan officers for more information. Another publication was created addressing Title II of the CARES Act. This publication provides information on unemployment insurance provisions, business provisions and rebates and other individual provisions. Penn State Extension hosted an excellent webinar explaining potential benefits and frequently asked questions. They discussed the Paycheck Protection Program in detail and provided these key takeaways:

- Aid is in the form of loans that may be partially or completely forgiven to cover expenses like employee wages, rent, mortgage payments and utility payments.
- Farms are included as small businesses, which are defined as having less than 500 employees. Sole proprietors and self-employed individuals can also apply for the Paycheck Protection Program.
- The application is only two pages and can be completed in roughly an hour.
- The program is first come, first served, so don't delay in applying.
- Third party contractors, like veterinarians or hoof trimmers, cannot be covered.
- Cash-only payments or receipts cannot be covered unless you have valid paperwork like a W-2, bill, etc.
- Land payments should fall under the "rent" category as long as there is valid supporting documentation. Cash paid on verbal agreements with neighbors would not be eligible for the program.
- Institutions that are FDIC approved can process these loans, so reach out to your local lender or Farm Credit agent.
- You do not have to be previously turned down or need collateral or a personal guarantee.

Several organizations are pulling together to try to decrease the strain on the dairy industry and provide relief along the supply chain. The USDA Federal Milk Marketing Orders are prepared to take certain actions during changes in supply and demand from March to May as needed. The actions include:

- 1) USDA will provide flexibility for the disposal of milk and limit the financial impact to producers. Milk historically associated with an FMMO will be allowed to be dumped at the farm and still priced and pooled on the FMMO. The pooling handler will need to notify the FMMO of any dumped milk.
- 2) Some pooling provisions, shipping and/or diversion limits of individual orders may be adjusted to accommodate changes in supply/demand due to COVID-19 responses.
- 3) Some fully regulated plants are having difficulty meeting the increased demand at grocery stores and will be allowed to purchase milk from other sources such as partially regulated distributing plants, provided the additional milk is pooled and priced on an FMMO.
- 4) If a Producer-Handler loses their markets due to COVID-19, the FMMO will allow these entities to become fully regulated and then revert to their Producer-Handler status once the market returns to normal.
- 5) If a Producer-Handler has the capacity to process additional fluid milk for consumers, the FMMOs will lift the limit on the amount of outside milk the Producer-Handler can purchase as long as the milk is pooled and priced on an FMMO. The Producer-Handler must still remain under the 3 million-pound production threshold in order to keep its Producer-Handler status.

Farmers should direct their concerns to their local Market Administrator. The Market Administrator for Federal Orders 5-7 is [Harold Friedly](#).

The International Dairy Foods Association and National Milk Producers Federation submitted a [joint plan to USDA to support the dairy industry through COVID-19](#). This plan has not been accepted, and at this time we do not know if it will be accepted. It includes several initiatives for producers, processors, consumers, re-opening the Dairy Margin Coverage program and investigating moving food through exports.

Mental Health Resources

We recognize these are unprecedented times. None of us expected a global pandemic, especially after the last five years of milk prices. If you or someone you know needs assistance, please use any of the following resources.

- Tennessee Suicide Prevention Network created a website including warning signs, resources, and people to talk with at tspn.org/farmers-and-suicide-prevention.
- If you need someone to talk to, the following lines are open and free to use
 - Text “TN” to 741 741 – Suicide Prevention Text Hotline OR visit online at crisistextline.org.
 - 1-800-273-8255 – National Suicide Prevention Hotline
 - 1-855-274-7471 – Tennessee Crisis Hotline



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