



Testimony of Gordon M. Cook, Jr.
Dairy Producer from Hadley, Massachusetts,
And Member of Board of Directors
Holstein Association USA, Inc.

Submitted to the House Committee on Agriculture
Subcommittee on Livestock, Dairy, and Poultry

For a hearing to discuss
"The Economic Conditions Facing the Dairy Industry"

July 28, 2009

House Agriculture Committee Room
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Washington, D.C.

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Thank you Chairman Peterson, Chairman Scott, Ranking Member Lucas, and Ranking Member Neugebauer for inviting me to testify. I am a dairy farmer from Hadley, Massachusetts who milks 65 cows, and I am here representing the 30,000 members of the Holstein Association USA, Inc., a non-profit dairy organization that is headquartered in Brattleboro, Vermont. I am here to talk about our Dairy Price Stabilization Program which we believe will be able to stabilize the peaks and valleys of milk prices.

The crisis facing America's dairy farmers is well documented. You are aware that basically every dairyman in the country is losing money on every pound of milk they sell.

What has led us to this crisis? The landscape of the dairy industry has changed significantly since our current milk pricing system was established. Sometimes there is a disconnect between the producer and processor which generally is not beneficial to the dairy farmer.

For example, for one gallon of milk that the consumer pays \$2.99 at the grocery store, the dairy farmer who produced that milk gets just 91 cents. The bulk of the \$2.08 – the difference between what the consumer pays and the farmer receives – goes to the dairy processor, and retailer.

We have seen changes in the quantities of dairy ingredients and products being imported to the United States from other countries. In general, as dairy imports increase, the price paid to U.S. dairy farmers decreases.

A third change is the development of sexed semen and the effect it is having, and will have, on the amount of milk produced in the United States. This year we expect 63,000 extra heifers to enter the national dairy herd, and in 2010, that number is expected to increase to 161,000.

Historically, the U.S. milk pricing system has encouraged dairymen to produce all the milk they can, which has led to instability in prices paid to farmers. In the last four years, we have seen the U.S. All Milk Price average fluctuate between \$20.50 and \$11.50.

Milk is perishable, unlike other agriculture commodities such as corn, soybeans, and others that can be stored for days, or months until the market reaches an acceptable level. It is time for our industry to change its mindset and start producing milk for the market, instead of hoping we can market all the milk we produce.

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The basic objectives of the Holstein Association's Dairy Price Stabilization Program are:

- To prevent severely depressed producer milk prices that result in low and negative returns over feed costs to dairy producers.
- To reduce the volatility of milk prices to dairy producers and thereby reduce the price risk to dairy producers, dairy processors, and consumers of milk and dairy products.
- To complement, and not replace, other existing dairy programs such as the federal dairy price support program and the Milk Income Loss Contract Program. In fact, our program may reduce the federal government cost of both of these two programs.

Here is an overview of the program, and further details have been submitted to the Committee in writing. Let me stress, this Program will not require the Farm Bill to be opened.

The Dairy Price Stabilization Program removes the incentive to produce milk beyond the levels our market demands. It rewards producers who stay in line with market needs.

The U.S. Secretary of Agriculture would administer the program with an advisory Board. The Board will forecast the 12-month domestic and export market demands for fluid milk and manufactured dairy products.

With consideration of the current level of milk production, a determination will be made to the needed change in milk production to fulfill the market needs for each quarter of the next 12 months and return a profitable price to dairymen. This is referred to as the "allowable milk marketings".

Dairy producers who maintain their milk marketings by quarter within the allowable milk marketings will not have to pay market access fees.

Dairy producers who expand their operation and exceed their allowable milk marketings will be assessed a market access fee per hundredweight on total milk marketings. Initially, we would expect the fee to be between \$2.00 to \$3.00 per hundredweight on all milk marketed as determined by the U.S. Secretary of Agriculture and the Board.

The fees collected from producers paying the market access fee would be distributed as a bonus to the dairy producers who stayed within their allowable milk marketings.

Producers will receive their base by filing their history of milk production and monthly marketings to their area USDA Farm Service Agency (FSA) office. The FSA office will notify the producer's milk plant or dairy cooperative to deduct the market access fee, if the producer exceeded their allowable milk marketings.

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The cost of the program to taxpayers is nothing. We would expect an assessment of less than two cents per hundredweight to producers on all milk marketings to cover administrative costs of the program.

We are certain that there will need to be some sort of short term fix, such as a temporary 6-12 month raise in price support or some other quick remedy. However, the dairy industry can not keep coming back to Washington for continued bailouts. The Dairy Price Stabilization Program provides a long-term solution.

In closing, the Holstein Association's membership of 30,000 dairy producers of all sizes from coast to coast appreciate the study you are doing on the U.S. dairy crisis. Something needs to be done now to stop the volatile producer milk price roller coaster ride our nation's dairy farmers continue to experience.

The Dairy Price Stabilization Program was developed for dairy producers by dairy producers and is a long-term solution to the problem of milk price volatility. This Program will be beneficial to dairy farmers, milk cooperatives, processors, and consumers.

Thank you very much.