

Legislative Responses to the Dairy Crisis: Reforming the Pricing Structure
Robin Denniston-Keller Dairy Farmer
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Hello, my name is Robin Denniston-Keller and I am a proud American Dairy Farmer. My husband and I milk 100 Jersey cows and take care of another 100 young stock on our farm 10 minutes northeast of here in Byron, New York. It's a privilege and honor to be asked to speak today. I'm not an economist, or an expert, but I do feel I have common sense and a strong work ethic, which has served me well so far in life. I milk my own cows every day, and being up to my elbows in the results of lactation and excretion (generally not at the same time!) gives me a certain sense of reality!

I also feel it's important to volunteer. While my work life is full, I enjoy getting off the farm between chores to meet with fellow dairy farmers locally and nationally. My role as the Genesee County Farm Bureau President has opened my eyes to the legislative lobbying world as well as shown me the power of grassroots advocacy for agriculture. As the New York State Director for the American Jersey Cattle Association, I have had great opportunities to share my part of the world with Jersey dairymen from around the globe; we hosted 50 international Jersey enthusiasts at the farm this summer as a tour stop on the World Jersey Cattle Bureau world tour. I don't mention these activities to brag, but to indicate my voluntary support of ag organizations working towards a stronger future for American agriculture.

Getting back to the financial basics- our "producer blend price" for our milk produced in July 2009 was \$12.89 per hundredweight. Put in consumer terms, \$1.11 a gallon. I could spend my next three minutes ranting about the injustice of this, but that's not constructive and you can figure out on your own how I do the math to be able to pay for our own health insurance, our groceries, feed for the cows and calves, fuel for the tractors, hauling and fuel surcharge costs to send the milk to the processor, and the numerous other bills staring me in the face each month!

Our 100-cow dairy benefits from the MILC program. We are at the perfect size to maximize our usage of the program. Our MILC government payments are currently a little more than 10% of our monthly income. My fellow dairymen in western New York generally milk more cows, and thus have maxed out their "production caps" for the MILC program, and don't receive the full benefits of the MILC program, however they do have economies of scale on their side in the purchasing of inputs and the costs of production, such as volume premiums.

Solutions to milk pricing issues

Please remember, as I said before, I'm not an economist, or an expert!
Time heals all wounds-however- how do we staunch the bleeding now?

1. Increase solids-non-fat fluid milk standards. I like to call this the "No more blue skim milk" suggestion. Since 1962, California has had higher minimum standards for nonfat solids in fluid milk than the rest of the United States. Raising the United States standards to match the California standards will accomplish the following:

- Improve the nutrition benefits of milk. For example, California 2% milk has 21% more calcium than does 2% milk in other states. In addition, higher solids result in better tasting milk.
 - Utilize more milk solids in consumer products and reduce the amount of nonfat dry milk produced for CCC purchase. This June, Dairy Farmers of America estimated that if the California standards had been in effect for the rest of the U.S. during 2008, an additional 300 million pounds of milk solids would have been included in fluid milk sales. This represents more milk solids than were in all the CCC nonfat dry milk purchases through July 2009.
 - California retail milk prices have remained competitive with, not higher than, the rest of the U.S.
2. Urge Agriculture Secretary Vilsack to have USDA purchase cheese for nutrition programs. On July 23, Western United Dairymen wrote to Secretary Vilsack requesting that USDA make a large purchase of cheddar cheese. This single action would accomplish several goals.
- Help to bolster milk prices and ease the current crisis faced by many dairy producers across the country.
 - Reduce outlays in dairy safety net programs (MILC payments and CCC purchases).
 - By donating the purchased cheese to food banks and other charitable organizations, USDA would be providing humanitarian nutrition services.

Cheese inventories are poised to be much higher than normal heading into fall. This supply is weighing on the market and suppressing prices. A purchase of 100 million pounds of cheese would bring inventories more in line with their 2004-2008 levels and would bolster farm milk prices. Even a modest rise in milk prices will provide relief for dairy producers; reduce MILC expenditures, and lower CCC purchases of cheese. Also, the nation's food banks and other nutrition programs are severely stressed due to the continuing recession. An influx of cheese to these providers will help to reduce hunger and improve the health and nutrition of families across the country.

3. Overhaul the dairy price discovery program. (I was pleased to see Dr. Novakovic on the list of speakers today. I sincerely wish I had been a more attentive student in his class on Dairy Markets and Policy, years ago at Cornell.)

I believe that our current milk pricing structure is based on the trading of cheese on the Chicago Mercantile Exchange. I'm also under the perception that 2% of the cheese in this country is traded on the CME. This small amount of cheese determines my mailbox price. Or in other words- what the check I get in the mail says I will be paid for the product I've spent the last month getting covered in manure and other fine things to harvest. This whole process goes directly against my good old common sense. We need a new set of tools in our milk pricing toolbox. My pessimistic side of my common sense questions whether there might be some manipulation of the market occurring? With the small 2% volume of cheese trading, and only a few buyers and sellers on this exchange, from my "out in Byron, New York" perspective and a healthy dose of reality, I wonder why I am in a business where I buy everything

retail and sell my product wholesale, and the pricing mechanism is based on what I would call a “house of cards”? Way of life, being my own boss, pride of ownership, producing good food for an expanding world; they’re all good reasons, but if I am not treated fairly, it’s time for me to wake up and find another life. I digress. Back to my suggestions.

4. Imports

Charge promotion fees on imports. United States dairymen contribute \$.15 for every hundredweight of milk we produce towards dairy promotion. I believe the new Farm Bill instructs USDA to charge importers \$.075 for every hundredweight of dairy products imported into the United States. Dairy promotion basically helps create a larger market for dairy products. Importers benefit from that increased demand for dairy that our domestic producers have paid for, so it only seems fair to have importers contribute into the promotion program. At issue here is the fact that USDA has not implemented this fee, and it discourages me to see the lack of timeliness on legislation implemented into law. Seven and a half cents is not much, but I think charging importers this fee (which is already legislated) would decrease the amount of imported dairy products flooding our domestic market. I believe in fair trade, and I feel this fee charged to importers would level the playing field, and I’m encouraged that this promotion fee works for WTO reasons as well. In regards to imports, I am a strong supporter of Senator Schumer’s bill to properly identify imported Milk Protein Concentrates (MPC’s) and charge a tariff on them as dairy products. This loophole may not affect a lot of MPC’s currently, but imports of MPC’s have gone up and down in the past, as they will in the future, and I for one don’t have a lot of trust that these imported dairy products are safe or healthy. Food sovereignty is the saying bandied around when people get scared about imports, I say it to myself, every time I put a Kraft “American” Cheese (processed cheese food?) single on a sandwich or make mac & cheese out of a box.

5. Proceed with Extreme Caution before implementing Growth Management or Supply Management Programs.

While some producers and organizations are promoting growth management or supply management plans as a long-term solution to the dairy economy problems, I have some issues with these plans. Again, not an expert, and applying my common sense, I’m concerned about the lack of any robust economic analysis of the potential impact of these plans. Without a solid knowledge of the impact of any such plans, I am not in favor of “jumping out of the frying pan and into the fire”. Supply management goes against all my gut instincts, and my belief in the efficiency and productivity of the American Dairy Farmer. Last year’s high milk prices at the farm level resulted from a booming export market for American dairy products. We live in a global economy, and putting handcuffs on the American dairy industry with mandatory supply management seems to me to set us up for future failure. We only have to look “across the pond” to see Europe struggling to get away from their quota system. Perhaps I’m a naïve humanitarian, and I have big goals, but I sure would like to produce safe American made dairy products for the babies in China or other milk deficient countries around the world. Perhaps I shouldn’t use that warm fuzzy feeling

of providing a safe and nutritious food for my fellow earthlings in regards to our business here in New York, but, with the price of milk we're currently getting, and the mountains of bills coming in each month, holding onto that warm fuzzy feeling gives me comfort in a time of need.

Speaking of a time of need, a sincere thank you to Senator Gillibrand and your staff for your efforts on increasing the MILC rates and indexing these payments for inflation. I am a proud American Dairy Farmer, and taking handouts does not please me, but this is truly a time of need for my fellow dairymen and me. Thank you for your efforts and your interest in the intricacies of dairy pricing.

Thank you for listening to my suggestions, and I'm looking forward to working together to resolve the dairy pricing issues we currently are facing and those in the future.