



Statement of the New York Farm Bureau

**To the Senate Committee on Agriculture, Nutrition and Forestry
Subcommittee on Domestic and Foreign Marketing,
Inspection, and Plant and Animal Health**

“Responding to Low Dairy Prices: Exploring Avenues for Federal Action”

**Presented by Eric Ooms, Vice President; New York Farm Bureau
Tuesday, October 27, 2009**

Good afternoon, my name is Eric Ooms. I am the Vice President of New York Farm Bureau which represents nearly 30,000 farm families in the nation's third largest dairy state. My father, two brothers and I milk 425 cows in Chatham, NY. My family's lineage in the dairy industry traces back to at least 1525 in the Netherlands. It is part of who we are and we are very proud of this. Many generations of my family have had the awesome opportunity to follow our dad to the barn and learn the lessons that he has taught us. Part of my goal in life is that my son, Arend, and daughter, Grace, have the same opportunities that I have enjoyed so much. As my father imparted to me, if I choose to do something in life, it is imperative that I choose something I enjoy. I can with great certainty tell you that I have made the right choice to be a dairy farmer.

In addition to being a great place to raise a family, a dairy farm is a business. If the business is not successful, this is all academic and the theory of raising kids on a farm becomes some relic of a Norman Rockwell painting of days gone by. Northeast Farm Credit estimates that dairy farm income will be down over \$700 million in New York State alone in 2009. This coupled with recent increased costs of production is presenting us with a dilemma that my father assures me he has never seen in his 60 years in the dairy industry. I am actually surprised that there have not been more farms exiting the industry. I believe that the reason for this is the fact that the cows, land and just about everything else is undervalued, so a farmer's only choice is to proceed forward and hope for the best.

I would like to thank you for having this hearing today because we are here to address these issues that are driving our farmers to financial desperation. Rather than spending more time outlining the obvious economic challenges we are facing, I will outline some of the things that can help remedy the situation.

First and foremost, we need to keep in mind that we are in an all-encompassing economic downturn that has not only left the U.S. economy staggering, but has also brought the global economy to its knees. If global and domestic economic conditions were stronger, dairy product demand would be greater and we would not be facing such a historic dairy crisis.

Price Discovery/Federal Enhancement Programs

Essentially, the price of milk is set by the price of cheese on the Chicago Mercantile Exchange (CME). With so little milk trading on the CME, we feel very strongly that another method of price discovery must be devised. Unfortunately, I do not have a great remedy for the fiscal inequity presented by this price discovery method at this time, but this issue needs to be studied. We strongly support de-coupling the price of Class 1 or beverage class milk from the

CME, as fluid milk consumption is fairly inelastic and should not be tied to consumption of cheese or any other milk product for that matter. The Northeast Dairy Compact did this effectively for over three years; however, if there is another way to achieve this end, we would be supportive of that as well.

We fully support USDA Secretary Tom Vilsack's development of a Dairy Industry Advisory Committee and hope that it will come up with some positive ways to revamp the Federal Milk Marketing Orders. ANY plans that recommend eliminating or lowering the Class 1 differentials should be viewed very skeptically, if not outrightly opposed. With growing emphasis on the importance of regional food systems and local foods, it seems obvious to me that to steer federal policy away from Class 1 differentials is counterproductive. Industry-wide, there is support for a "national" pricing solution but when the ulterior motive of individuals or organizations is to eliminate differentials - that is not an acceptable federal policy move we can or will support.

We strongly support and appreciate the Milk Income Loss Contract Program and appreciate any and all efforts to increase the rate of payment and the production cap to accommodate multi-family farms. In addition, we greatly appreciate the addition of \$350 million to the FY 2010 Agricultural Appropriations Bill of which \$290 million is dedicated to direct payments for dairy farmers. We strongly urge that those payments be expedited. It is important to note that while these programs have not been enough to fill in the gulf that exists between farmers' paychecks and their bills this year, every penny of assistance has been spent in rural America and has helped prevent things from being worse.

Imports/Exports

Looking forward, we need to be certain that imported milk products are on a level playing field with domestic products. Imported products should be paying the same \$.15 per cwt promotion fee that every U.S. dairy farmer is paying. This is something that should not be delayed. We urge USDA Secretary Tom Vilsack to implement the rule that would allow the assessment of \$.075 per cwt on imported dairy products and ask that individual members of Congress demand this action be taken as it was mandated in the 2008 Farm Bill. In addition, we support S.1542 which would assure that imported Milk Protein Concentrates are paying tariffs that are consistent with our World Trade Organization commitments. There may be more that can and should be done, but let's stand and walk before we try to run.

Conversely, part of the favorable farm milk price we received in 2007 and 2008 was due to robust export opportunities for our products. We commend USDA Secretary Tom Vilsack for utilizing the Dairy Export Incentive Program (DEIP) earlier this year and encourage you to be

certain that this policy continues into the future as well, not just when we are facing a crisis. We need to continue to aggressively pursue export opportunities for our products as we are, for better or worse, in a global economy.

Being a successful player in the global economy requires that we not create an economic climate here that puts our producers at a competitive disadvantage. Farm Bureau is particularly concerned about some of the impacts that climate change and other environmental legislation will have on our ability to compete. I urge that Congress proceeds cautiously on these fronts and be certain that sound science is used when considering such legislation.

Competition

We support the U.S. Department of Justice investigating business concentrations in the dairy industry as we need to be certain that dairy farmers are able to compete in an equitable environment. However, it is important to note that we need to continue to maintain the Capper-Volstead Law as it empowers farmers to work together and improve economic situations we face. I mentioned the need for better price discovery earlier in my comments. I hope that if there are any anti-trust activities happening which are putting dairy farmers at a disadvantage, it will come to light and allow for more confidence in the entire market system.

Increasing Nutrients in Milk

For many years, California has had a level of non-fat milk solids that has been higher (8.7%) than the national requirement (8.25%). To meet this higher solids standard would require that milk be fortified with powdered milk or condensed milk to raise the protein and calcium levels of milk we consume. While some estimates show that this augmentation would require an additional 3.5 billion pounds of producer milk, that is not the primary benefit of doing this.

California reduced fat milk (2%) and lowfat milk (1%) have a 14% and 25% advantage in protein and calcium content. This type of fortified milk would better serve our nutrient deficient populations, particularly in underserved urban and rural areas. Results from a national study released this Monday by the American Academy of Pediatrics states that 90% of African American children and 80% of Hispanic children between the ages of 1 to 11 don't get enough vitamin D. Providing nutrient fortified milk which meets the higher solids standard to children in schools and families in their home communities is a practical and cost effective way to improve public health. In my immediate area, Stewart's shops have an award winning milk that is fortified similar to California milk, so it can and should be done nationally.

Supply Management

Currently, American Farm Bureau Federation has policy that opposes government run, mandatory supply management. This is probably consistent with industry feelings on the issue for quite some time. However, there is a great deal of dialogue in the dairy industry about this issue right now. The next few months will dictate if there is enough impetus to change our longstanding opposition to mandatory supply management.

Farm Bureau has been supportive of the voluntary Cooperatives Working Together (CWT) program and I suspect will continue to do so. CWT, in its current voluntary form, has removed over 200,000 cows from our national herd this year and is slated to remove an additional 100,000 cows shortly. I am proud to report that my family has been supporting this worthwhile program financially and will continue to do so.

Conclusion

Thank you again for having this hearing and inviting me to speak today. We are in an uncertain time and there is a great deal of trepidation throughout our industry. I remain optimistic that we have an industry that is worth fighting for and I look forward to partnering with you on all these endeavors.

Thank you.