Statement of
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Mr. Chairman, Ranking Member and members of the Committee, I appreciate the opportunity to testify today. I am Eugene Robertson from Pine Grove, Louisiana. My son and I operate a 150 cow dairy. In addition, my son has a separate dairy operation as well. I'm a member of Dairy Farmers of America cooperative.

As you well know, the business of dairy farming has been made much more difficult in the last few years due to the wide fluctuation we have seen in farm milk prices. Although milk prices are improving in 2007, much of the gain in better prices has been offset by higher fuel and feed costs. It seems that these swings in milk prices come more frequently and the troughs are much deeper. Our dairy industry in Louisiana, of course, was severely impacted by Hurricane Katrina in August, 2005. Disruption of power, loss of crops and interruption of feed supplies were just a few of the hurdles we had to overcome in order to stay in business. Therefore I am very pleased to have the opportunity to discuss with the Committee today the issue of Milk Income Loss Contract (MILC) payments that dairy producers in my state have received over the last six years and the value of federal dairy payments in general.

It is important for the Committee to note that Louisiana is a milk deficit state which means that we do not produce enough fluid milk to satisfy consumer needs and consequently milk from other states has to be shipped in at various times to meet demand. Maintaining as much milk production as possible from the existing dairy operations in the state is critical!

I would like to place the context of my comments on the MILC program on some history that led Congress down the road toward the development of MILC in the 2002 Farm Bill. Our state along with others in the South had been working on ideas that would help dairy farmers get through those periods of time when farm milk prices were low. We needed a counter-cyclical payment program that would help offset reduced blend prices and keep us financially solvent. That is one reason Louisiana passed enabling legislation to join a Southern Dairy Compact region. However, since the legislation to ratify the Compact was not passed by Congress, the MILC program was put forward as an alternative measure. From 2002 through February of 2007, Louisiana dairy producers have received $9,977,000 in MILC payments. Our state now has about 250 dairy producers according to USDA statistics and between 2005 and 2006 we lost almost 11 percent of our dairy operations. This trend of dairy farmers exiting the business has continued over the last several years but it, of course, accelerated as the result of damages caused by Katrina. The MILC program has helped although I believe it can be improved. The trigger price of $16.94 per hundredweight based on the Class I price in Boston is too low and does not reflect higher feed and energy costs. The payment rate of 34% based on Class I utilization does not come close to reflecting our fluid utilization rate here in the South. So I would hope that your Committee takes these factors into account when you prepare the dairy title for the 2007 Farm Bill.

MILC payments could fall in the Amber Box under WTO rules. In terms of direct payments to dairy farmers that the Committee will be considering during preparation of the Farm Bill, I would like to point out that National Milk Producers Federation is proposing a direct payment to dairy farmers that would offer a solution to the WTO requirements. In their proposal the direct payments would be Green Box compliant with WTO requirements.

There are a number of other issues that are very important to us in the South as well and I would like to briefly touch on them. We are part of the Southeast Federal Milk Marketing Order Area. The federal orders needed to have some significant changes if they are to work effectively for producers in the future.

One of the main purposes of the federal milk marketing orders is to guarantee a fresh supply of milk for our consumers. However, in practice the federal orders do not always accomplish this goal of assuring a fresh supply of milk and at the same time adequately reflecting a price to dairy farmers for example that takes into account increased fuel and feed prices. Also, the process for getting a decision made through the federal order system is slow and cumbersome. The orders must be modified to reflect changing marketing conditions and advances in technology. We need timely decisions from USDA on changes requested to the federal marketing orders.

As the Committee moves forward in developing a dairy title for the 2007 Farm Bill, you will be considering a number of proposals for improving future dairy policy. You will need to evaluate all the proposals being put forth from a federal budgetary standpoint as well. However, the most important aspect of your deliberations is how any program can most effectively help our dairy farmers in the South and the rest of the country. We need to have a payment program in the 2007 Farm Bill.

Again, I appreciate the opportunity to testify and would be pleased to answer any questions.