MIDWEST DAIRY COALITION

Testimony of Steve Etka

On behalf of
Midwest Dairy Coalition

Submitted to the

Committee on Agriculture
Subcommittee on Livestock, Dairy and Poultry
U.S. House of Representatives

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Chairman Rooney, Ranking Member Cardoza, and Members of the Subcommittee:

I am Steve Etka, Coordinator of the Midwest Dairy Coalition, an alliance of dairy cooperatives based in the Upper Midwest that collectively represents nearly 11,000 dairy farmers, or about 20 percent of the dairy farmers in the nation. On a regional basis, the Coalition's membership represents a majority of the Upper Midwest dairy farmers.

As you prepare to craft the provisions of the 2012 Farm Bill, I thank you for this opportunity to provide testimony. The Midwest Dairy Coalition greatly appreciates all this Committee has done over the last couple of years to work with the dairy industry. Along with your counterparts in the Senate, you put together a far-reaching package of dairy reforms to help the dairy sector better weather economic storms of the future, and to temper some of those storms. We particularly appreciate the tireless work of Congressman Collin Peterson in spearheading that effort and for the work of Congressmen Reid Ribble and Tim Walz for advocating for the needs of Upper Midwest dairy farmers throughout this process.

The Senate Agriculture Committee recently released its Farm Bill draft. I am pleased to share that the Midwest Dairy Coalition is supporting the Senate dairy provisions. It is my understanding that those provisions are the product of collaboration with the House Agriculture leadership, as well.

When Congressman Peterson introduced the Dairy Security Act in October of last year, we had some concerns. Without a doubt, the Coalition members felt the original DSA made many important dairy reforms to address the realities of higher input costs that dairy farmers are currently facing relative to 2008, when the last Farm Bill was enacted. However, we were concerned that the bill did not do enough to address the economic needs of the majority of dairy farmers in the Upper Midwest, or to provide an adequate safety net for producers transitioning from the Milk Income Loss Contract (MILC) Program. Further, we were concerned that the federal milk marketing order provisions of the bill would exacerbate existing regional inequities of the current system, making matters worse instead of better.

I am very pleased that the House and Senate Agriculture Committee leadership worked with us, and others, in the dairy industry in support of changes to the original DSA legislation to address our concerns.

Specifically, we requested that:

1) the federal milk marketing order provisions be removed, and the package remain free of any FMMO provisions that artificially deflate the value of milk used for manufactured dairy products;

2) a two-tier premium structure be added to the Supplemental Margin Protection Program provisions, whereby there would be lower premiums for the first 4 million pounds of a producer's annual production. Not only would this reduce the cost of margin insurance for all participating dairy farmers, it would be particularly helpful in encouraging Midwest dairy producers to buy up to adequate margin protection levels, to help in the transition from the Milk Income Loss Contract (MILC) Program, which is eliminated under the base DSA bill.

We were very pleased to find that others in the dairy industry agreed with our concerns, and these changes are now part of the dairy package that is included in the Senate Farm Bill draft. We recognize that even the Senate dairy package is a work in progress, and that efforts are still underway to address changes in feed-cost calculations made as a result of recent changes in CBO scoring parameters. We look forward to continuing to work with both Committees as you seek to address this dynamic in a way that continues to provide a credible safety net for the nation's dairy producers**.**

I would also like to mention the debate about the Stabilization provisions of the dairy package. The dairy industry in recent years has been plagued by milk price volatility. The wide swings in prices paid to dairy farmers have brutalized our producers. Under the leadership of National Milk Producers Federation, the industry came together to debate ways to address the volatility problem. The stabilization provisions that are included in the negotiated dairy package have been the source of much debate.

We have had very diverse opinions within the Midwest Dairy Coalition membership about growth management provisions. But like the rest of the dairy industry, the Coalition had to reach a compromise on the stabilization issue because of its importance within the overall reform package and the need to address price volatility. The voluntary nature of the current stabilization provisions, whereby producers who sign up for the subsidized margin protection program must also agree to participate in the stabilization program, helped forge a compromise. We are encouraged that the current dairy package reinforces that a producer's production base under the Dairy Market Stabilization Program would be a temporary, rolling base, and would not limit a producer's long-term production decisions and options. For a region like the Upper Midwest, where at times plant capacity exceeds our milk supply, this flexibility is critical.

We have also encouraged the inclusion of provisions to allow for a continued safety net for dairy producers in the interim period following passage of the new dairy legislation. This would allow time for USDA implementation. As a practical matter, the complexity of establishing an entirely new dairy program could result in delays in implementation. We are pleased that the Senate dairy provisions provide farmers the option of continuing under the MILC program, until the new program is up and running. This will help minimize disruption and confusion during this interim period.

Lastly, it is particularly critical for dairy farmers that Congress reauthorize the Farm Bill this year. Dairy is in a somewhat different position than other Farm Bill programs, in that the MILC program steps down to a significantly lower level of support on August 31, 2012, one month prior to the expiration date of the rest of the Farm Bill. If Congress is unable to meet the Farm Bill authorization deadline of September 30th of this year, there may be pressure to extend the Farm Bill by one year to allow more time for negotiations. But that outcome would be unacceptable to dairy producers, because a one-year extension of the stepped-down MILC program would be significant reduction in the safety net for dairy producers.

Therefore, we look forward to working with this Committee as you start drafting your version of the Farm Bill. We thank you for tireless work on needed dairy reforms, to date, and look forward to working with you toward a Farm Bill enactment this year.