

Testimony of Les Hardesty
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House Committee on Agriculture
Cheyenne, WY
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Mr. Chairman, distinguished members of the committee, I appreciate the opportunity to testify before you today on the future of dairy policy. My name is Les Hardesty. My wife and I milk 650 cows and farm 300 acres of forage crops in Greeley, CO. Besides my duties on the farm, I also serve on the Executive Committee of Dairy Farmers of America's (DFA) Board of Directors, as well as several other DFA committees. I also am Chairman of the National Dairy Board and a member of the board of the National Milk Producers Federation (NMPF). In addition, I am a member of the U.S. Meat Export Federation, the National Cattlemen's Beef Association and the Future Farmers of America Agriculture Advisory Council.

The past eighteen months have been very difficult for dairy producers across the nation. The depressed milk prices, brought on by a supply/demand imbalance, coupled with high input costs, a collapse of our financial structure and an international recession has led to an economic situation not witnessed for generations within the dairy industry.

I want to thank Members of the Committee for acknowledging the severe distress dairy producers have been weathering and express appreciation for all your support over the last year. With your help, we succeeded in securing action from the United States Department of Agriculture (USDA). We asked them to use the tools available to them to bring some relief to dairy producers. Working together, we succeeded in securing a temporary increase the Dairy Product Price Support Program (DPPSP) which resulted in increased purchase prices for cheese and nonfat dry milk (NFDM), while boosting farm level income for dairy farmers. Together we succeeded in securing the reactivate of the Dairy Export Incentive Program (DEIP) for the 2009-2010 year which resulted in the transfer of significant volumes of NFDM, butter, and cheese to international customers. Additionally, we reminded USDA of the needs of those struggling to afford nutritious food for their families and USDA transferred 200 million pounds of NFDM to Food and Nutrition Services (FNS) for use in domestic feeding programs. Lastly, Congress passed an appropriations measure which contained \$350 million and direct support to the dairy industry. On behalf of the nearly 18,000 member-owners of DFA, I thank you.

Mr. Chairman, as you know, extreme volatility in the industry during the past 18 months has resulted in drastic swings in the price dairy farmers are paid for their milk and their costs of production. Recovery has come much slower than expected, and producers are low on equity and heavy with debt. While, in general, lenders have been patient - waiting for the rebound in prices, the starts and fits we have witnessed in price recovery

this year has many of them in a state of increased concern and with a decreased appetite for lending. The situation, for many dairy producers, will surely get worse before it gets better because of this additional pressure.

Mr. Chairman, as the committee considers future dairy policy, it is important the committee identifies and develops policy that addresses the real concern of this nation's dairymen and women – extreme volatility. In the last decade, we have seen dramatic volatility in dairy prices. The upward spikes have been higher, the depressed prices have been lower and the time in between has been shortened with little allowance for recovery. Current federal dairy policy fails to provide an adequate safety net, is inflexible and provides few tools for producers to access in times of low prices or extreme volatility. We must identify the tools necessary to decrease and mitigate such extreme swings if we are to sustain a vibrant domestic dairy industry.

In May of 2009, DFA began evaluating current dairy policy and considering future options when the Board of Directors established a Price Stabilization Study Committee. The purpose of this committee was to provide guidance in the development of, and support for, a future dairy policy that met the following principles:

- Be market oriented to allow for growth both domestically and globally
- Be responsive to quickly changing market conditions
- Have 100 percent financial participation by producers
- Be global in nature to consider the impact of imports and exports
- Be national in scope with the ability to implement regionally

Following much consideration and with these principles in mind, DFA's Board of Directors adopted a growth management concept called the Dairy Growth Management Initiative (DGMI). DFA's primary goal with DGMI has been to identify policy that would reduce price volatility and provide additional tools to assist producers in times of low prices, including the ability to spur demand and enhance exports. DGMI was meant to bring new ideas to the table that could be used to build consensus in the industry.

DFA, other dairy cooperatives and industry organizations like NMPF then began working together in an effort to build that consensus for future national dairy policy – a policy that allows for growth in the industry while addressing price volatility. These efforts at collaboration are proving successful, and I am pleased to see that several of the DGMI concepts for addressing volatility are now being integrated in the proposal NMPF is developing.

NMPF's policy proposal is being developed by the organization's Strategic Planning Task Force, of which DFA is an active participant. The proposal recommends changes to national dairy policy in an effort to assist dairy producers in times of low prices by:

- Revamping the DPPSP and Milk Income Loss Contract programs
- Creating a program that sends a direct economic signal to each individual producer to manage production in a manner that allows the producer to remain in business while addressing supply/demand imbalances

- Creating a new dairy producer income insurance program
- Reforming Federal Milk Marketing Orders

DFA is supportive of NMPF's policy direction and is pleased to see a focus on policy proposals that address volatility as well as provides other tools. We look forward to working in a collaborative fashion with NMPF, its member cooperatives and other organizations interested in the success and longevity of the U.S. dairy sector.

Mr. Chairman, just a personal note as I conclude. While I understand and appreciate the timeline you have outlined for farm bill policy development, I want to stress that the idea of waiting until 2012 to reform dairy policy leaves many of us concerned. 2009 was a disaster. The expected recovery of 2010 is slow in coming and likely will not be enough. Many of my neighbors are wondering if they will make it to 2011. Keep that in mind as you continue your discussions. Dairy leaders are working hard to develop consensus within the industry yet this year. Dairy producers will be anxious for its implementation.

Again, thank you for allowing me to provide testimony before you today. I appreciate all your efforts and look forward to working with you in the months to come.