TESTIMONY PRESENTED BY RANDY JASPER
Wisconsin Farmer
National Family Farm Coalition
Senate Agriculture Committee Hearing on:
Economic Challenges and Opportunities Facing American Agriculture Producers Today

106 Dirksen Senate Office Building
April 24, 2007

My name is Randy Jasper. Along with my son Kevin, I milk 100 cows and raise 2,000 acres of corn and soybeans along with 200 acres of hay in Muscoda, Wisconsin.

We are members of the American Raw Milk Producers Pricing Association, who is a member of the National Family Farm Coalition. I am pleased to submit this statement for consideration by the Senate Agriculture Committee on behalf of the Dairy Subcommittee of the National Family Farm Coalition.

As the 2007 Farm Bill is being written, please keep in mind dairy farmers are not looking to Washington for handouts. We simply want to be paid, from the market, a price which yields a return on our investment greater than our cost of producing raw milk.

The policy recommendations I present today have been crafted over the years by real dairy farmers, the voice rarely heard on Capitol Hill. We do not have the lobbying money of corporate agribusiness or the dairy industry which contributed over $3 million in campaign contributions in 2006.

Our nation needs a fair and effective system that will ensure a regional, dispersed, safe and resilient milk supply serving as the backbone of our nation's food security and rural economy.

Dairy producers throughout the country need:

? Public policy that results in dairy farmers receiving cost of production plus a return on investment;
? Access to affordable credit with fair terms;
? Competition restored to a non-competitive dairy market;
? Protection from predatory practices of the largest corporations including the largest co-ops;
? Protection of the integrity of dairy products meaning no support for domestic Milk Protein Concentrate (MPC) or for any MPC used in our food supply;
? Prohibition on forward contracting;
? Promotion of smaller co-ops and increase oversight of co-op management to ensure interests of producers are met.

My milk goes to a co-op, Scenic Central Milk Producers. There are 250 farmers in the co-op that market 19 million pounds of milk a month with a 98% return to farmers on gross sales of milk. ARMPPA gets one penny per cwt for services rendered. This co-op is independent and it works.

A crisis has befallen dairy farmers, large and small, throughout America in the past year as dairy farmers saw a steep rise in fuel and fuel surcharges, feed grain prices and costs to produce our own feeds. When these rising costs of production are combined with weather related disasters and continued low milk prices, how do you expect us to stay in business? I literally can not work any longer hours.

In real dollars, it was the worst year ever for dairy farmers, including the years encompassing the Great Depression. We sit on conference calls late into the night after 16 hour work days, talking with fellow dairy farmers across 20 plus states, sorting out what changes we need in dairy policy.

We have developed a milk pricing proposal entitled the Federal Milk Marketing Improvement Act of 2007 that includes:

1) All milk produced in the United States will be priced based on the national average cost of production.

2) All milk used for manufacturing purposes will be classified as Class II milk.

3) The value of Class I milk will be the same across the United States.

4) The Class II price will be the Basic Formula Price for all markets in the United States.

5) Dairy farmers' prices will be adjusted four (4) times a year.

6) All federal and state orders will determine the amount of adjustments for pricing butterfat, etc.

7) The proposal allows the USDA to implement a supply management program. This can be implemented only when the value of exported dairy products equals the value of imported dairy products.

8) This proposal does not allow any hauling costs to be charged to dairy farmers

9) This proposal does not allow any make allowance cost to be charged to dairy farmers.

The proposal, if in place today, would provide a Blend Price of $18.65 in Federal Order 1. (see Appendix I)

The National Family Farm Coalition has also proposed changes to the Class III and IV pricing system through recent Federal Order Hearings. We were disappointed to learn the U.S. Department of Agriculture had decided to remove our proposal from consideration along with many others that raised the issue of cost of production.

On February 20, 2007, NFFC delivered a letter to USDA Inspector General Phyllis Fong identifying problems with inaccurate price reporting in the NASS Survey. This situation is costing dairy farmers millions of dollars a month. Our understanding is that the Inspector General is currently involved in an investigation of the situation.

America's dairy farmers are suffering a perfect storm. However, no action has been taken to alleviate their dire straits, despite the fact they are the ones who lack the ability to achieve any recourse from the marketplace. The root cause of the problem is not the increased grain prices, but the inability of the current dairy pricing system to reflect the cost of production and receive market signals from producer to consumer and vice versa.

We will continue to demand a pricing system that allows family dairy farmers the dignity of a fair price through the current Class III and IV hearings and with our legislative proposals for the 2007 Farm Bill, the Food from Family Farms Act. The solution is a fair price; a fair price for dairy farmers and for farmers who raise program crops based on a non-recourse loan program with a price floor that reflects a farmers' cost of production, farmer-owned, humanitarian and strategic reserves, incentives for participation in conservation programs, and international cooperation on supply management. Years of depressed grain prices have fueled the expansion of mega-dairies and forced thousands of dairy farmers and other diversified family farm operations out of business.

The problems associated with achieving a price for raw milk that dairy farmers can function with are threefold:

? Pricing system
? Production expansion
? Imports

Problem #1 Pricing:

Congress, cooperatives, producers and private firms share the blame on this one, as massive consolidations of milk cooperatives and private enterprises have left the dairy industry's marketing and pricing strategies in the hands of a few entities. Larger co-ops have vested interests with private firms causing collusion, corruption and manipulation of our pricing system, beginning at the Chicago Mercantile Exchange. Farmer members are so removed from the inner workings of the management of our co-ops that they do not have the means or the will to demand accountability of their co-ops' leaders. With market consolidation and antitrust violations gone way too far, competition has been nearly eliminated. Near-monopoly structures leave farmers in many parts of the country without an alternative place to sell their milk.

The price of milk that farmers receive and the cash trading for cheese at the CME has had an almost perfect correlation. (See Chart 1). Daily trading of cheese at the CME happens most of the time with only two traders, one buyer and one seller, while butter trading lasts only a few minutes each day. Often there is no actual trade involved to change the price. All of this occurs with virtually no government oversight--that is not a functioning marketplace!

Farm milk price bears no relationship to U.S. milk production. Arguments about the market sorting out supply and demand are pure fiction. (See Chart 2).

It's not that federal policy can't have an effect on those structural changes that force out smaller farmers. It's not a given that the federal government has to stand by while agribusiness consolidates and consume larger and larger shares of the dairy market, by destroying competition. Under this administration, policy won't have a proper effect unless Congress demands enforcement of antitrust regulations that the USDA and the Department of Justice have failed to enforce. Without antitrust action we will continue to wonder why programs like MILC aren't working while ignoring the structural impacts of market consolidation. The status quo ultimately costs tax payers and farmers money because of lack of political will to address the problem.

Problem #2 Production Expansion:

Milk production has doubled since 1975. However, it is not an overproduction. For the last ten years, milk production in the US has not kept pace with consumption in the US. (See Chart 3).

The latest milk production figures for March 2007 show that 13 out of 23 top dairy states produced less milk in 2007 than they did in March of 2006. Most of the states producing additional milk are Western states. That additional milk from Western states is not the result of efficiency or market forces. Milk production in Western states is driven by California real estate values and the IRS tax code 1031.

The 1031 tax provision enables people selling their land to forgo paying any capital gains taxes if they reinvest in a like business. With land values in California ranging from $400,000 to $500,000 per acre, these dairy farmers can sell out to developers, then relocate and build new cow factories 5,10, or 20 times their original size with the money they save on taxes. Small to medium sized family farms in other parts of the country are forced to compete with the outcomes of this expansion.

The reality we face today tells us that milk is now located where the International Panel on Climate Change predicts will soon become a permanent dustbowl. Two dairy plants, one located in Clovis, New Mexico and the other in the Texas Panhandle, about 100 miles away, will soon be producing 40% of the nation's Cheddar cheese. Both the plants and the farms supplying those plants draw irreplaceable water from the Ogallala aquifer.

NFFC believes that the low price of milk tends to increase expansion more than a high price for milk. Farm milk price that is below the cost of production forces a decision by the farmer to change one's farming practice (a switch to organics or grazing for example), sell out, or expand to achieve the multiplier effect.

Family farmers are constantly told by processors, bankers, government, suppliers, and retailers, "If you want to make more money, you have to get bigger," or "Get bigger or get out." The truth is, getting bigger does not mean being more efficient. Smaller family farms are far more efficient in the long run than larger factory farms when factors such as culling percentage, death loss rates, breeding efficiencies, number of lactations and number of purchased replacements are weighed, as they must be.

Problem #3 Imports:

America imports dairy products from well over 100 countries, many of which have questionable sanitation. Most dairy imports drive the farm milk price down without any savings passed on to the public. Imports of milk protein concentrates should also be of great concern to Congress. MPCs are still untested and illegal by law to be used as a food ingredient in any capacity in the United States. Since when does a free market rule apply to illegal food ingredients with no scientific, safety, or nutritional tests? Virtually no other country in the world feeds this garbage to its people. The use of MPCs in cheese products creates poor quality and possibly unsafe products with short shelf life. These items are sold to unsuspecting consumers who think they are buying real dairy products, but they are really victims of uninformed consent. When this happens, we cheat the citizens of this country and insult American dairy farmers who strive to produce the highest quality milk in the world. (See Chart 4).

In conclusion, we ask the Senate Agriculture Committee to keep in mind that the original intent of the farm bill is to provide the nation with a safe and resilient food supply. We are not greedy people; we only want to provide a living for our families and a chance to improve our farming practices so that we can pass our farms down to the next generation. The MILC payment program has helped to supplement the loss of family income but is insignificant in paying monthly operating bills.

Agribusiness marketing and processing giants want to monopolize all the profits from every sector, wholesale and retail. Even government payments are merely subsidies passed to agribusiness through farmers. Of course, the dairy farmer has absolutely no means by which he can provide an income other than taking whatever milk procurers decide to pay. Today's price support at $9.90 is of little benefit to dairy farmers given the fact that the average cost of production (according to the USDA Economic Research Service) for 100 lbs. of milk for Wisconsin in February 2007 was $23.68. We need a realistic price support or floor price that reflects the true cost of production. Today we are receiving $14 to $15/cwt, which can keep no dairy farmer in business.

I appreciate this opportunity to submit a prepared statement. Dairy farmers need a fair price for their production. Our country deserves a program that will work for all family dairy farmers regardless of region and one that works for all of us in our role as farmers, consumers, and taxpayers.

Chart 1

Chart 2

Chart 3

Chart 4

Appendix I

Federal Milk Marketing Improvement Act of 2007
Price Analysis

ORDER
DESCRIPTION
**Class I Utilization
PRICE*

#1
Northeast (Massachusetts)
46.49%
$18.65

#5
Appalachia
(North Carolina)
66.3%
$19.42

#6
Florida
84.1%
$20.12

#7
Southeast
(Georgia)
59.3%
$19.15

#30
Upper Midwest (Chicago, IL)
16.9%
$17.51

#32
Central Missouri
31.4%
$18.07

#33
Mid-East

(Ohio)
38.4%
$18.34

#124
Pacific Northwest (Washington)
29.5%
$17.99

#126
Southwest
(Dallas, TX)
36.4%
$18.27

#131
Arizona
37.5%
$18.30

California
17%
$17.51
*Based on 2005 Cost of Production Figures
**Class I Utilization represents the average utilization for 2006 in each market.