

I appreciate the committee's invitation for me to come here today and present my views on dairy in regards to the 2007 Farm Bill. My name is Bruce Brockshus and I'm a dairy producer from Ocheyedan, Iowa, representing the more than 4,000 dairy farmer members of Associated Milk Producers Inc.

When preparing my remarks for you today I thought of the movie Field of Dreams, a movie that oftentimes illustrates Iowa for those outside of our borders. In that movie actor Kevin Costner is consumed with possibility, envisioning a ballpark carved out of a cornfield. In northwest Iowa where my family and I operate a dairy farm, we also see that possibility--in the form of cows rather than corn.

My wife Sue and I, along with our sons Jason and Travis, incrementally expanded our dairy to 325 cows. Growing with us is AMPI, the cooperative in which we are stakeholders. With four manufacturing plants in Iowa and a total of 13 across the Midwest, dairy farm families such as mine have made a long-term investment in the infrastructure of this industry.

Together, AMPI members are producing more than 5 billion pounds of milk with sales annually exceeding \$1 billion. And for more than 35 years we've been marketing much of that milk in consumer-ready packaging, offering a complete line of dairy products to the retail, food service and food ingredient markets. We believe that by building and operating modern production and manufacturing facilities, using current technology and benefiting from economies of scale, we can compete with the very best throughout the nation.

But as members of this Committee, you understand the challenges faced by Upper Midwest dairy producers. There are fewer cows, fewer dairy producers and fewer manufacturing plants. This region has lost market share to our western counterparts.

To reverse the overall trend we must follow Mr. Costner's lead and establish both a strong backstop and a level playing field. That's what I want to talk to you about today.

Let's begin with a strong backstop. Just as a baseball field needs a fence to prevent the ball from being thrown outside of the playing area, dairy producers need the dairy price support system. It keeps us in the game. That's AMPI's top dairy policy priority for the 2007 Farm Bill. Let me share four ways to strengthen the existing program.

First, we must increase the support price. The current \$9.90 support price is inadequate, unchanged since the 1980s.

Second, we must make the support price system work as Congress intended. The USDA's Commodity Credit Corporation (CCC) must increase the milk price equivalent it is paying to remove dairy products from the open market. Because of increased manufacturing costs, the manufacturing make allowance in the support program yields about \$1 dollar less than Congress intended when enacting the support program.

Third, we must provide a countercyclical payment. AMPI and the Midwest Dairy Coalition believe the Milk Income Loss Contract (MILC) is needed to further complete the backstop and keep us in the game. The dairy price support program alone is inadequate. When combining the

MILC program with the dairy price support program, producers have a better chance of surviving a market collapse--at least on their first 2.4 million pounds of milk as allowed under the MILC guidelines.

Finally, we must manage imported dairy products to make price supports effective. Products such as butter, cheese and milk powder have been subject to tariffs for as long as we've had price supports. The problem is dairy proteins which are entering the United States through trade loopholes, displacing domestically produced milk. AMPI has worked closely with the Midwest Dairy Coalition and the National Milk Producers Federation to close those loopholes through legislative action. The CCC should not be buying the world's milk surplus under our dairy price support system.

As you consider those four points, know that we are not asking for a dairy price support system that enhances prices and is a catalyst for increased production. The system should prevent the collapse of milk prices to a level that cannot financially sustain an average dairy farm. It should provide long-term stability and minimum price assurance for a product that is perishable and demands a long-term investment to produce.

As an Upper Midwest dairy producer I do not expect special treatment. I just want a fair chance to stay in the game. In addition to that backstop, a level playing field is needed. Right now we do not have that.

Just as the USDA is not adequately administering the dairy price support program, it is not responding to the dairy producers' plea for updated manufacturing make allowances in the federal milk marketing order system. This lack of administration puts all producers whose milk is used for manufacturing--that's nearly the entire Midwest dairy industry--at a disadvantage. Let me explain.

The current make allowances are based on industry manufacturing cost data from the late 1990s. If the costs of making such products as cheese and butter are not accurately reflected in the federal order system, dairy farmers and their manufacturing plants are at risk. With more than 85 percent of this regions' manufacturing infrastructure owned by dairy farmers, this is a big deal.

AMPI was one of several cooperatives that requested the January 2006 hearing to review make allowances in the federal order Class III and IV formulas. Testimony presented at the hearing overwhelmingly supported the need for emergency action on this issue. The USDA, however, recently announced plans to reconvene the public hearing sometime after September 2006 in order to collect more data.

Given the complexity of this subject, this timetable will not allow for the implementation of a new make allowance until well into 2007. Such a delay will have a negative, long-term impact on the Midwest dairy industry. The pace at which we lose farmers and plants will quicken.

We ask you to urge USDA to immediately adopt, on an interim basis, updated make allowances based on the data submitted at the January 2006 hearing. This is not an extraordinary request as the USDA has frequently implemented milk order amendments on an

interim basis.

As a dairy farmers and cooperative member, the points I've raised today are tightly intertwined. Both involve asking the USDA to update manufacturing make allowances that will make the dairy price support and federal order system more realistic and effective.

I hope this hearing will be a significant step in engaging policy makers and industry stakeholders in a discussion focused on building a strong dairy backstop and leveling the playing field. The challenge will be transforming our words into ideas into action.

I want to thank the Committee for having this series of field hearings. I will be happy to answer any questions, or provide any additional information you might want.