

The United States dairy industry is constantly undergoing change. During the Great Depression of the 1930's, Congress enacted Federal Milk Marketing Orders in an attempt to ensure a stable supply of milk and provide for the orderly marketing of milk. These orders have experienced great change over the years as we continually attempt to make them more responsive to market forces. From these noble intentions, we have progressed into a network of dairy programs intended to assist the producer when prices are low, ensure a supply of milk for American consumers, assist the industry in exporting product, and ensure a uniform price for producers. This network of programs is complex and often can have different effects on different regions of the country. Over the years, dairy policy has included dairy compacts, base-excess plans, state regulations, voluntary supply controls, the Milk Production Termination Program, and the list goes on and on.

Understanding the complexity of the dairy issue, the Committee on Agriculture has attempted to assemble a group of witnesses today that represent various parts of the country and whose views may differ from program to program. Despite our best attempts, we are mindful that the witness list does not necessarily accommodate all of the regional interests in dairy policy. As such, the Committee is also conducting farm bill field hearings throughout the country. Each of these hearings will provide dairy producers an opportunity to relate to the Committee their unique positions on dairy policy. We are confident that this hearing today, supplemented by the testimony of producers throughout the country, will provide the Committee with a comprehensive view of dairy programs and their effects on all of the nation's dairy producers. This record will provide us with valuable information as we look to writing a farm bill in 2007.

Many of the issues of concern in the dairy industry are seen through a regional lens. For example, as I have traveled the country and discussed dairy programs such as the milk income loss contract (MILC) program, I knew that no matter what my position on this issue may have been - at least half of the room would agree with me. This is often the case with many dairy programs, as their intended consequences can often affect producers based on where the producer's operation is located or how large or small their operation may be. As we continue to "tweak" dairy programs to ensure that all stakeholders are able to participate, we must be mindful of the potential impacts on the entire marketplace so that we do not unintentionally stagnate growth, innovation, or negatively affect the competitiveness of the U.S. dairy industry in the international marketplace.

As we meet here today, we are all aware of the cyclical nature of milk production in the United States. The summer months create a tremendous challenge to millions of dairy farmers as they attempt to keep dairy cattle cool and happy. Technological advancements have provided producers with increasing opportunities to meet the demands for milk during these warm months and the steady increase in cow numbers and milk output per cow, particularly in the Western United States, has continually increased national milk production volumes. According to USDA, current 2006 milk production continues to outpace demand resulting in higher stock levels of dairy products and lower prices for milk and dairy products. In addition, high energy costs have affected the dairy industry as they have every other participant in agriculture. It is in this climate of falling milk prices and rising production costs that we conduct this hearing, but again, we must all be mindful of the cyclical nature of milk production and prices.

Today's hearing will provide Members of this Committee with valuable information on how the current dairy programs at the USDA have affected processors, producers, and other dairy industry participants. Later this year, this Committee will conduct another hearing on dairy that will focus on how we should approach this critical segment of the agricultural complex in the 2007 farm bill. It is our hope that this oversight hearing today, coupled with the more forward-looking hearing on dairy later this year and the direct regional producer input we are receiving at the field hearings, will provide the Members of this Committee with the tools and information needed to provide an ample safety net for dairy producers in the next farm bill, while minimizing any potential disruptions in the marketplace.