

**Statement of Dana Coale, Deputy Administrator for Dairy Programs
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U.S. Department of Agriculture**

**Before the
Subcommittee on Livestock, Dairy, and Poultry
House Agriculture Committee**

September 8, 2011

Chairman Rooney, Ranking Member Cardoza, and members of the Subcommittee, thank you for inviting me to appear before you today to review the dairy programs administered by the U.S. Department of Agriculture (USDA) and to provide a comprehensive picture of the dairy activities authorized in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). It is our hope that this examination of these dairy provisions will prove helpful as you begin work on the next farm bill.

The Commodity Title (Title I) of the 2008 Farm Bill covered a wide range of dairy issues. USDA's Agricultural Marketing Service (AMS) and the Farm Service Agency (FSA) are the primary agencies with responsibility for implementing Title I. Mr. Garcia of FSA is here with me today to discuss their activities.

The economic vitality and quality of life in rural America, as well as the U.S. economy at large, depend on a competitive, efficient, and productive agricultural system. To increase prosperity and sustainability in our Nation's agricultural system and rural communities, AMS conducts oversight activities to protect producers from unfair business practices. To assist producers in management and marketing, AMS develops and oversees national standards for the production and handling of agricultural products. AMS also supports producers by providing market information and marketing tools that serve as the eyes and ears of American agriculture to cover numerous commodities on a daily basis and provides information that impacts billions of dollars in agricultural trading each year.

Federal Milk Marketing Orders

Federal milk marketing orders (FMMO) are authorized by the Agricultural Marketing Agreement Act of 1937, as amended. There are currently ten FMMO areas, impacting about 65 percent of all milk marketed in the U.S. These ten orders are administered by eight market administrators.

The objectives of the FMMO system are to stabilize market conditions, to benefit producers and consumers by establishing and maintaining orderly marketing conditions, and to assure consumers of adequate supplies of pure and wholesome milk at all times. The FMMO program guarantees dairy farmers a minimum price for their milk while assuring that consumers have an adequate supply of milk to meet their needs throughout the year.

FMMOs are initiated and amended based on industry requests that are addressed through the formal rulemaking process. This involves hearings, briefings, recommended decisions, public comments, final decisions, farmer votes, and, ultimately, implementation by USDA. Changes in FMMOs are approved by an affirmative vote of two-thirds of the eligible dairy farmers.

The 2008 Farm Bill had three provisions related to FMMOs. The first directed USDA to establish supplemental rules to define guidelines and timeframes to improve the timeliness of the Federal milk order hearing process. AMS published this final rule on August 20, 2008.

Secondly, the 2008 Farm Bill directed AMS to establish a Dairy Forward Pricing Program to allow milk producers and cooperative associations to voluntarily enter into forward price contracts with milk handlers for milk used for non-fluid purposes. The program exempts handlers regulated under the Federal milk order program from paying producers and cooperative associations the minimum Federal order price for milk under forward contract. AMS published this final rule on October 31, 2008.

Thirdly, the 2008 Farm Bill authorized the Secretary to create a Commission to conduct a comprehensive review and evaluation of the current Federal milk marketing order system and the other non-federal milk marketing order systems such as California. As no funding was provided, the commission was not established. However, on January 6, 2010, USDA announced the selection of 17 members to the Dairy Industry Advisory Committee (DIAC). The activities of the DIAC will be discussed by FSA.

Research and Promotion

Authorized by Federal legislation, research and promotion programs, often referred to as “checkoffs”, are designed to strengthen the position of the industry in the marketplace and to maintain and expand domestic and foreign markets. The programs are funded by industry assessments. Board members are nominated by the industry and appointed by the Secretary of Agriculture. AMS oversees the activities of the boards and approves their budgets in order to assure compliance with the legislation.

Dairy Programs oversees two dairy promotion and research programs. The Fluid Milk Promotion Act of 1990, as amended (Fluid Milk Act) (7 U.S.C. 6401 et seq.), authorized the establishment of a national fluid milk processor promotion program to develop and finance generic advertising programs designed to maintain and expand markets and uses for fluid milk products produced in the contiguous 48 States and the District of Columbia. The Fluid Milk Order became effective December 10, 1993. The Secretary appointed the initial National Fluid Milk Processor Promotion Board (Fluid Milk Board) on June 6, 1994. Processors administer the Fluid Milk Processor Promotion Program through the Fluid Milk Board.

Since August 2002, processors marketing more than 3 million pounds of fluid milk per month, excluding those fluid milk products delivered to the residence of a consumer, fund this program through a 20-cent per hundredweight assessment on fluid milk processed and marketed in consumer-type packages in the contiguous 48 States and the District of Columbia.

The second dairy promotion and research program, authorized by the Dairy Production Stabilization Act of 1983, is a national producer program for dairy product promotion, research, and nutrition education to increase human consumption of milk and dairy products. This self-help program was funded by a mandatory 15-cent-per-hundredweight assessment on all milk produced in the contiguous 48 States and marketed commercially by dairy farmers and administered by the National Dairy Promotion and Research Board (Dairy Board).

For this National Dairy Promotion and Research program, the 2008 Farm Bill required that dairy promotion and research assessments apply to all States, the District of Columbia, the Commonwealth of Puerto Rico and dairy product importers. The assessment rate was set at 15 cents per hundredweight for domestic milk and 7.5 cents per hundredweight for imported dairy products. A final rule implementing this provision was published March 18, 2011. All provisions became effective April 1, 2011, except provisions regarding dairy importer assessments which were effective August 1, 2011.

Market News

AMS' Dairy Market News provides dairy farmers and their cooperatives, processors, buyers and sellers of dairy products, and others with timely and accurate market information on milk and dairy products that will help them in making current buying and selling decisions and in future planning. This information is released through reports issued daily, weekly, monthly and annually. These reports are available free of charge and the information is easily accessible.

In collecting market information, reporters cover multiple markets that results in over 65 reports by constantly interviewing buyers, sellers, and brokers of fluid milk, cream, butter, cheese, condensed milk, and dried milk products. Currently, the industry voluntarily provides the information.

AMS and the National Agricultural Statistics Service (NASS) also administer a Dairy Product Mandatory Reporting Program, which requires persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of certain dairy products sold by the manufacturer. The program also requires persons storing dairy products to report information on the quantity of dairy products stored.

Currently, NASS collects information for the program and AMS provides verification and enforcement functions for dairy product price information. NASS publishes sales information for block cheddar cheese, barrel cheese, butter, dry whey, and nonfat dry

milk on a weekly basis. Any manufacturer that markets less than 1 million pounds of these dairy products per year is exempt from the price reporting requirements.

The 2008 Farm Bill directed USDA to establish an electronic reporting system for price reporting of these dairy commodities. As no funding was provided, AMS did not implement this provision. However, in September 2010, Congress passed the Mandatory Price Reporting Act of 2010, mandating the establishment of this electronic reporting system (again without funding) while directing AMS to publish the information obtained for the preceding week not later than 3:00 p.m. Eastern Time on Wednesday of each week, rather than on Friday.

On June 10, 2011, USDA issued a proposed rule to implement the provisions contained in the Mandatory Price Reporting Act of 2010. Under the proposed rule, AMS would develop the electronic system and collect the data. The comment period closed August 9, 2011, and AMS is currently reviewing the seven comments received.

Other AMS Dairy Activities

AMS undertakes a number of other activities not referenced in the 2008 Farm Bill that are of great importance to the dairy industry. AMS grading services assist the dairy industry in marketing high-quality dairy products by providing buyers and sellers with an impartial appraisal of product quality and to provide the consumer confidence in buying.

AMS also provides certification services to assist in the export of dairy and related products. These certificates are issued to eligible plants which include those dairy plants listed in the Interstate Milk Shippers list (IMS list), the Food and Drug Administration maintained European Union Dairy Plant Reference list (EU list), and Dairy Plants Surveyed and Approved for USDA Grading Service (USDA Approved Plant list).

Conclusion

AMS undertakes numerous activities to facilitate the competitive and efficient marketing of U.S. agricultural products. These efforts support the overall mission of USDA, which is to protect and promote food, agriculture, natural resources and related issues. I hope that this testimony and the subsequent questions and answers will prove useful to the Subcommittee as you undertake your work on the next farm bill.