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DAIRY CENTER TESTIFIES BEFORE US HOUSE AGRICULTURE COMMITTEE, SAYS NEGATIVE MARGINS REQUIRE RELIEF

HARRISBURG – John Frey, executive director of the Center for Dairy Excellence, Agriculture Secretary Russell Redding and four Pennsylvania dairy farmers recently testified before the U.S. House of Representatives Agriculture Committee to ask Congress for low-interest financing to help producers weather an unprecedented downturn, while instituting policy changes that will inject fairness into the market and enable producers to earn full value for their product.

The dairy policy hearing was held at the Pennsylvania Farm Show Complex & Expo Center.

“Clearly we are in uncharted waters that could forever change the landscape of dairy farming,” Frey said. “The difference between the 2009 average all-milk price and the average breakeven milk price in the Northeast reflects a negative margin of \$2.63 per hundredweight. For short-term immediate relief, I recommend Congress explore opportunities for low-interest and additional guaranteed funds to be made available through the Farm Service Agency.”

Frey added that long term needs are more complex for the industry and outlined key priorities identified by both the center and the Pennsylvania Department of Agriculture in a document entitled “Growth and Opportunity for the U.S. Dairy Industry” developed in 2006. Two key points in the document included:

- Improved systems of price discovery and market transparency were identified as fundamental to any new dairy policy. “It is my observation that U.S. dairy producers are eagerly anticipating improvements in a system that lacks transparency and the ability to deliver real-time reflections of product value,” Frey said.
- The need to explore whether current dairy risk management tools are adequate, accessible and affordable. “It is estimated that only 5 percent of U.S. dairy producers utilize fundamental risk management tools,” Frey stated. “This is due to the lack of comprehensive and transparent data upon which to base risk management decisions. Improving LGM for Dairy, providing subsidies as is done by other commodity protection programs, and re-launching the Dairy Options Pilot Program would be extremely helpful.”



Frey also highlighted the work of the Northeast Dairy Leadership Team coordinated by the center. “The team is reviewing U.S. policy and pricing proposals and has committed to fund a comprehensive analysis of specific program options intended to reduce dairy price volatility,” Frey said, adding that the analysis will be completed by Dr. Chuck Nicholson of Cal Poly San Luis Obispo and Dr. Mark Stephenson of Cornell University.

Frey concluded his testimony by explaining the dairy industry has long been based on incentive, growth and opportunity. “Farmers have been fortunate to be able to begin each day with incentive to compete, to improve their dairy business and to reap rewards from their efforts,” Frey said. “Communities have benefited from the infrastructure established, in large part, to serve agriculture and the dairy industry.

“However, the situation we face today will not remedy itself on its own, and change is not optional,” he said. “The viability of this industry is at stake.”

To read Frey’s complete testimony, go to www.centerfordairyexcellence.org and click on “Read John Frey’s Testimony.” For more information, call the Center for Dairy Excellence at 717-346-0849.

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The Center for Dairy Excellence is an initiative of the Department of Agriculture and was launched in January 2004 by Governor Edward G. Rendell. Bringing together people from more than 40 different dairy organizations in Pennsylvania, the Center’s mission is to enhance the profitability of the dairy industry by empowering people, creating partnerships, and increasing the availability and use of resources. Learn more about the Center at www.centerfordairyexcellence.org.