

TESTIMONY OF ARDEN TEWKSBURY, Manager of Pro-Ag

Albany, NY August 13, 2018

Progressive Agriculture Organization
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To: Mr. Robert Wellington, Chairman

Mr. Chairman,

I want to thank you and the Agri-Mark Dairy Cooperative for conducting this very important session today.

I hope our elected officials in Washington DC will pay attention to this event and start to have important hearings to address the financial crisis facing the majority of dairy farmers all across the United States.

Mr. Chairman, in addition to representing the Progressive Agriculture Organization (Pro-Ag), located at 1300 Rattlesnake Hill Rd., Meshoppen, Pennsylvania, I am also representing the National Family Farm Coalition (NFFC), located in Washington DC.

Nearly thirty organizations similar to Pro-Ag make up the membership of NFFC.

Mr. Chairman, dairy farmers cannot wait any longer. As I said before, the majority of dairy farmers are in a crisis. This crisis is having a devastating effect on the rural economy in many areas of the United States. Translating the cost of production figures issued by the Economic Research Service, a division of the USDA, into the real cost of operating a dairy farm, we determined the national average cost of production on an average dairy farm for 2017 was between \$21.39 and \$21.59 per cwt. (hundredweight). Using these figures, we determined that the dairy farmers in Pennsylvania collectively were underpaid in 2017 over 500 million dollars, and the dairy farmers collectively in New York State were underpaid over 600 million dollars. However, using these same cost of production figures, we determined that collectively, the dairy farmers all across the United States were underpaid approximately 11 billion dollars in 2017. Using a multiplier of five, a conservative figure, we determined that the infrastructure in rural America suffered a devastating loss of at least 55 billion dollars.

When the final figures for 2018 are available, I'm sure the dairy farmers' loss and the devastating loss to rural America, could be greater than the loss in 2017.

When the prices paid to dairy farmers are announced today (the 13th), we will see nearly a 50 cent per cwt. drop in pay prices compared to June prices to Federal Order #1 producers, which will be slightly over \$16 per cwt. However, with the drop in Class I price in Federal Order #1 of \$1.21 per cwt. for August produced milk, the pay price for August milk could plummet down to \$15.50 per cwt. level.

Mr. Chairman, these figures are unacceptable, and I would say, these figures are unpatriotic. Therefore, the NFFC and Pro-Ag are urging a \$20 per cwt. floor price be established under all milk that is used to manufacture dairy products. We expect this price be paid by both proprietary milk handlers and cooperatives that manufacture dairy products.

While it appears that it is acceptable in some quarters to allow dairy farmers' prices to decline by several dollars per cwt in a short period of time, therefore we realize that we would hear many complaints if the prices paid to dairy farmers would escalate by the same amount. Therefore, we would recommend that the value of milk used to manufacture dairy products be done in \$2 per cwt. increments every two months until the floor price reaches \$20 per cwt. Of course, the Class I price would tag along with the new floor price.

Earlier this year, NFFC, along with Pro-Ag, constructed a letter signed by the members of NFFC, along with several state organizations of the Farmers' Union. In addition, many other organizations signed the letter. Nearly sixty organizations signed on to the letter. This letter comprised the same philosophy we are promoting today.

- 1) All of these organizations supported a \$20 per cwt. floor price be placed under all milk used to manufacture dairy products. Again, this should be done in increments as suggested here today.
- 2) We urge the Ag Committees of both the US Senate and US House to have immediate hearings across the nation to allow dairy farmers to participate.
- 3) Contrary to what some people think, we do support a feasible, workable supply management program. This program should be similar to what is contained in the Federal Milk Marketing Improvement Act (S-1640) which is also known as the Casey bill. This bill has been introduced in the past by the late Senator Arlen Specter and current Senator Robert P. Casey, Jr., both from Pennsylvania. A milk supply management program should be implemented when needed. Our proposal would not be a quota program, but should be a three-year average base program, and to be used when necessary. The program would be implemented by the Secretary of Agriculture when he felt there was too much milk being produced to be marketed in a normal fashion. If the Secretary determines that the program should be implemented, then any dairy farmer producing over their base would be penalized only on the over-production over their base, but he would receive the full price for his base milk. The Secretary would implement the program, but no taxpayer money would be used to subsidize the program. Any money collected on over-base milk would be used to buy dairy products across the country, to be donated to our schools or our needy people. This program is not complicated. Simply, we want to establish a fair price for the value of our milk, and we want our dairy farmers to receive a price for their milk that covers the national average cost of producing milk. For instance, if a dairy farmer does not produce over their base, then he would get full payment for his milk. It would be up to the Secretary to determine what price would be paid for the over-base milk.
- 4) Now for our final statement. This question is being asked by many dairy farmers across the United States. Is the usage of milk protein concentrate, whey protein concentrate, and other milk derivatives helping to create a false reading that dairy farmers are severely over-producing milk in the USA? Maybe only God knows the answer. Figures that have been made available to me lately would indicate that these milk derivatives are helping to create a false impression that dairy farmers are the guilty ones. These figures which I have seen, would indicate that an over-production of milk in this country is not necessarily the fault of our dairy farmers. Mr. Chairman, I believe it's high time that an investigation be conducted that establishes the real facts of this potential problem. And while we are at it, why can't our Market Administrators report the amount of these derivatives being used in each Federal Order? In closing, I urge everyone today to get behind HR 5640, introduced in the United States House of Representatives by Congressmen Marino and Thompson of Pennsylvania. This bill would allow

whole milk back into all of our schools in the US. We should no longer be driving our school children away from being the next generation of milk drinkers.

Mr. Chairman, the majority of these items I have discussed today are adequately contained in the Federal Milk Marketing Improvement Act. We need a new pricing formula for dairy farmers that allows them a chance to cover their cost of operation. We need milk hearings for our dairy farmers. We need a feasible supply management program for our dairy farmers. And now, we are asking for an investigation into what these milk derivatives are doing to our dairy farmers' prices.

Many people have talked about it, but I want to have this brought out into the open.

Thank you for the opportunity for appearing here today.
