Mike Durkin, President & CEO, Leprino Foods Company
Written Testimony for a Hearing regarding
"A 2022 Review of the Farm Bill: Dairy Provisions"
House Committee on Agriculture
Wednesday, June 22, 2022

Good morning, Chairman Scott, Ranking Member Thompson, and members of the House Committee on Agriculture. My name is Mike Durkin. I am President and CEO of Leprino Foods Company, and I am here to testify on behalf of the International Dairy Foods Association and our company. As a member of IDFA, I serve as Vice Chair of the Cheese Board and as a member of the Ingredients Board and IDFA Executive Council.

IDFA represents the United States' dairy manufacturing and marketing industry, which supports more than 3.3 million jobs that generate $41.6 billion in direct wages and $753 billion in overall economic impact for the U.S. economy. IDFA's diverse membership ranges from multinational dairy organizations to single-plant companies and small businesses. IDFA members include dairy companies with familiar branded products and companies that co-pack for other brands and private-label products. IDFA members also range from farmer-owned cooperatives and independent processors to food retailers and suppliers. Together, IDFA members represent 90 percent of the milk, cheese, ice cream, yogurt and cultured products, and dairy ingredients produced and marketed in the United States and sold throughout the world.

Leprino Foods, a family-owned and privately held company, is headquartered in Denver, Colorado and has over 4,500 employees in the U.S. in six states including California, Colorado, New Mexico, Michigan, Pennsylvania, and New York. We will soon begin building an additional plant in Texas. Leprino is the largest buyer of milk in the United States supporting over 1,000 dairy farms. Our critical business partners include Dairy Farmers of America and Michigan Milk Producers Association. We are the world's largest producer of mozzarella cheese, and a leading supplier of dairy nutrition products, including lactose and whey. Leprino exports 26% of our milk equivalent volume to over 55 countries, well above the industry average of 16%. I testified in front of this Committee in November on the impact of supply chain challenges on our company and the dairy industry. I can tell you that those challenges persist today coupled with rising inflation and a continued shortage of workers throughout the dairy supply chain.

State of the U.S. Dairy Industry

Taken together, 2020 and 2021 were two of the strongest years on record for dairy sales and among the most challenging in terms of having a workforce to operate.

We are experiencing strong demand domestically across all segments and surging demand around the world for American dairy products.

Domestic demand remains very strong. In 2020 according to USDA data, the average American consumed 655 pounds of dairy in milk, cheese, yogurt, ice cream, butter, and other wholesome and nutritious dairy foods, demonstrating a resilient and growing love for all things dairy. The 2020 figure represents an increase of 3 pounds per person over the previous year and set a new consumption record. Ice cream continued to rebound and grew by 4% year-over-year in 2020. Meanwhile, yogurt consumption jumped 3% and butter notched a 2% increase. Milk and cheese remained resilient throughout 2020 despite the closure of restaurants, cafes, schools, and other institutions that drive demand. Since USDA began tracking dairy consumption in 1975, per capita consumption has grown 22%.

Americans now consume more dairy food products than dairy beverage products. We include dairy in more meal occasions as well as for fitness and recovery, to live a healthy life, and to celebrate special moments. With a greater focus on healthy and sustainable foods, U.S. dairy product consumption could continue growing well into the future.

Nutrition, Health & Wellness

On the whole, dairy foods remain a good buy for the American consumer when compared to other categories including meat and fish, fruits and vegetables, and baked goods. Good nutrition is the foundation of health and wellness, and dairy is a crucial part of a healthy diet beginning at a very young age. In fact, no other type of food or beverage provides the range and density of nutrients that dairy contributes to the American diet. Cow's milk alone has been found to rehydrate the body better than water and delivers 13 essential nutrients that everyone needs to stay healthy. Overall, dairy provides numerous health benefits, including better bone health along with a lower risk of type 2 diabetes and cardiovascular disease. Dairy products also play an important role in the diet of children, where dairy is the top source of calcium, potassium, and vitamin D in kids ages 2-18. The 2020-2025 Dietary Guidelines for Americans affirmed the unrivaled contribution made by dairy foods and reminded Americans that a healthy diet includes three daily servings of low-fat and fat-free dairy. However, the DGAs also found that 90% of Americans do not consume the recommended amount of dairy, including school-aged children. Dairy products play a critical role in the diet of children, where milk is the top source of calcium, potassium, phosphorus, and vitamin D in kids ages 2-18. Case in point: 73% of the calcium available in the food supply is provided by milk and milk products; and milk is the number one source of protein in the diets of children ages 2 to 11. It is therefore important that this Committee do everything it can to develop laws and support agency policies that promote greater consumption of milk and dairy foods to fulfill critical nutrition gaps in our population.

Before the pandemic, approximately 100,000 schools served nearly 30 million students as part of the federal school meals programs. School meals offer the most important opportunity of the day for children to get the essential nutrients they need, and dairy foods—including milk, yogurt, and cheese—are critical building blocks for a child's health and development. At present, USDA is developing updated school meal standards consistent with the DGAs, and we can only hope that USDA will follow its own dietary guidance and continue to make dairy central to child nutrition. An overall decline in school milk consumption has been identified in recent years, particularly after whole milk and low-fat flavored milk options were removed from school meals 10 years ago. USDA can begin to reverse the trend by providing options that kids want to consume while maintaining alignment with the DGAs. More varieties of milk, including low-fat flavored milks, help to increase overall meal consumption and thereby ensure students are getting the nutrients they need, including calcium, vitamin D and potassium.

IDFA and dairy processors greatly appreciate the broad, bipartisan support among Members of Congress for maintaining low-fat flavored milk as a school meal option. This support has been demonstrated through sign-on letters to USDA, co-sponsorship of the School Milk Nutrition Act (H.R. 4635) and the

Whole Milk for Healthy Kids Act (H.R. 1861) and adoption of Agriculture Appropriations protections of low-fat, flavored milk in the FY21 Omnibus Appropriations Act and in both the House and Senate FY22 Agriculture Appropriations bills leading up to USDA's "Bridge Rule" which was released in February 2022.

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) provides nutritious foods to supplement the diets of low-income women who are pregnant, postpartum, and breastfeeding, as well as children up to age five who are at nutritional risk. As Congress and USDA consider updates to WIC, we would like to see an update to WIC's Supplemental Food Package that maintains the quantities of milk and other dairy foods but includes flexibility in the varieties of milk and in package-sizing, such as yogurt, within the current allowed food categories that reflect WIC participants' preferences and market availability and allow WIC families to maximize benefit redemption.

The Supplemental Nutrition Assistance Program (SNAP) is the nation's most important anti-hunger program, reaching 38 million people nationwide in 2019. According to USDA SNAP purchase data published in 2016, 5 of the top 20 products purchased with SNAP benefits are dairy products. The Healthy Fluid Milk Incentives Projects, established in the 2018 Farm Bill is allowing participants to buy more milk and help them to make nutritious choices that support a healthy lifestyle. We appreciate the Committee recognizing dairy nutrition in SNAP through incentives, and we would like to see this program reauthorized and expanded to additional milk and nutritious dairy products in the next Farm Bill and will provide further detail on that later in my remarks.

Dairy products also play an important role at America's food banks, meeting food and nutrition needs for millions of Americans each week. In those settings, fresh fluid milk, cheeses, yogurt, and other dairy products are in high demand. While USDA has made changes to include more refrigerated dairy products procured for food banks and improved the procurement process, additional investments must be made to ensure adequate cold storage and refrigeration to protect perishable food is available to food banks throughout the country—especially in rural areas.

Trade & Global Competitiveness

As the world population grows by another 2 billion people by 2050 and continues to develop economically, the demand for protein and improved diets will increase the demand for dairy products. Dairy foods are uniquely positioned to meet the nutritional needs of a growing world with more disposable income and an appetite for higher-protein products. This will mean increased opportunities for global trade in dairy.

Recent estimates show that the United States now exports more dairy production than we consume in the form of fluid milk. There has never been a time when trade was more important to the U.S. dairy industry than it is today. Companies (including producer-owned cooperatives) in the U.S. dairy exporting community are committed to doing as much as possible as efficiently as possible to support our long-term global business relationships and maintain our presence in global markets. We recognize that once lost, our market share will quickly go to competitors in producing countries such as those in Europe or New Zealand and is unlikely to be regained given their preferential tariff advantage over the US. Looking ahead, with the potential to continually increase production, we believe that global U.S. dairy opportunities abound if we can develop strong trade deals that level the tariff and market access playing field with our international competitors. Given the abundant resources and tremendous ingenuity and efficiency of American agriculture, USDA predicts an additional 25 billion pounds of milk could be produced in the United States by 2030. Based on current consumption trends, we would need to export 40% of that increase in production for dairy farming and processing to remain economically viable. If we do not build our globally competitive market access now through reduced tariffs, competitive prices, and consistent shipping, our producers will be unable to grow. There is hardly a more critical priority for the U.S. dairy industry than trade.

We applaud the U.S. Government's announcement that it will once again initiate consultations, the first step in a formal dispute settlement case, over Canada's continued manipulation of dairy tariff rate quotas (TRQs) in violation of Canada's commitments under the United States-Mexico-Canada Agreement (USMCA). Our government must stay the course and hold Canada accountable.

We would also like to see the current Administration take immediate action to improve our commercial relationship with China by removing retaliatory tariffs and committing to maintain the gains made for U.S. dairy exporters under Phase One of the U.S.-China Agreement. Becoming the dairy exporter of choice to China and it is 1.4 billion citizens remains in America's long-term interest.

In addition to needing a rules-based system of trade and fair flow of goods with trading partners, U.S. dairy urges the reauthorization of Trade Promotion Authority (TPA) in Congress as soon as possible. TPA will allow the current administration to pursue trade deals and preferential market access for our exporters, benefitting U.S. producers, workers, and our economy.

Supply Chain Challenges

I mentioned record exports for U.S. dairy to meet rising demand around the world. Today, congestion at U.S. ports is starting to ease. In April, container volume at the ports of Los Angeles and Oakland declined 6% and 15% year over year, respectively, though activity in the Port of Long Beach ticked up 10%. The number of ships moored at port has fallen from nearly 100 at the beginning of the year to below 30 today, close to the pre-pandemic average. On the other hand, East Coast ports are seeing much more traffic than usual as retailers try to diversify their supply chains. We are still seeing high volumes of empty containers leaving our ports, however. In Los Angeles, 36% of containers leaving the port are empties, compared to 28% before the pandemic. We are pleased to see USDA offering cash compensation in the Port of Oakland to shipping companies willing to fill empty containers with U.S. agricultural products and move them to destinations offshore. One company, CMA CGM, a French ocean carrier, has been proactively working on solutions with the industry along with the Port of LA. Altogether, these new efforts are making a difference.

An alliance between the Port of Los Angeles, CMA CGM, and IDFA members has led to improved movement of U.S. dairy exports through the Port of LA. This partnership has led to additional space and equipment allocated to IDFA members through the Port of Los Angeles as well as the prioritization of U.S. dairy exports for shipment to destinations in East and Southeast Asia, especially China, Vietnam, Thailand, and South Korea.

I want to thank Congress for its recent bipartisan passage of the Ocean Shipping Reform Act (OSRA), demonstrating that Congress can indeed work together to provide important tools to address supply chain bottlenecks plaguing U.S. dairy and food exports. The Ocean Shipping Reform Act will provide real, long-term solutions for the myriad issues congesting U.S. ports and slowing U.S. dairy exports. The bill places limits on ocean carriers' ability to decline export cargo and when demurrage can be charged, helping to get U.S. dairy exports on the water in a timelier manner. It also strengthens the oversight authority of the Federal Maritime Commission over ocean carriers, the majority of which are foreign owned.

Workforce & Immigration

At the end of the day, many of our production and supply chain challenges rest upon the worker shortage plaguing our nation's economy, which underscores the continuing need for comprehensive immigration reform. Today, the number of job openings is greater than the number of unemployed. We have nearly 5.4 million more jobs than unemployed Americans. The number of job openings hit 11.4 million in April. For the past few months, 4.4 million Americans have quit their jobs each month. The U.S. cannot meet demand for seasonal workers either, although the government has made available an additional 35,000 H-2B visas for temporary nonagricultural workers through the remainder of fiscal 2022—nearly twice the cap for this program. American employers had 127,000 seasonal employment opportunities they could not fill according to the most recent data. Further, as dairy is a 24/7 year-round enterprise, seasonal worker programs fail to serve as a source of labor for our industry.

By one calculation[1], the U.S. workforce today has 2 million fewer immigrants than it would have if immigration had continued at pre-pandemic levels. That is bad news for U.S. agriculture, where immigrants make up three-quarters of the workforce. We need an immigration system that works for all sectors of our economy, that responds to our worsening workforce challenges, and treats people fairly and equitably. One solution would be to pass legislation to fix America's broken immigration system and create a guestworker program that works for the broader food industry, including non-seasonal commodities like dairy. In addition, it is critical that any immigration legislation include processing jobs to prevent disruptions along the supply chain from the farm to the plant. I know this Committee can help lead the charge on comprehensive immigration reform—you will have a partner in U.S. agriculture and food production—and I encourage you to continue to work to advance this important policy priority.

Sustainability

Collectively, the U.S. dairy industry has committed significant resources to achieve ambitious environmental stewardship goals, including greenhouse gas neutrality, optimized water use, and improved water quality by 2050. In fact, dairy companies and processors that have voluntarily signed onto the U.S. dairy industry's Stewardship Commitment represent 75% of U.S. milk production. As an industry, U.S. dairy produces twice as much milk with half as many cows on half as much land as it did 50 years ago. Over that time, water usage decreased by 65% and dairy's carbon footprint shrunk by 63%. Since this data was gathered in 2007, U.S. dairy has continued to reduce water usage and carbon and methane emissions throughout its supply chain. When writing the next Farm Bill, this Committee should ensure U.S. dairy remains part of the solution to mitigating and reversing climate change by continuing to have access to voluntary, incentive-based funding opportunities that generate streams of revenue for producers while caring for the environment.

Farm Bill Priorities

As the Committee begins to discuss how the next Farm Bill can help the U.S. dairy industry grow and prosper, we would like to put forward three policy recommendations for the Committee's

[1] https://econofact.org/labor-shortages-and-the-immigration-shortfall

consideration. These recommendations were developed by IDFA's economic policy committee after several months of careful review and deliberation. Just last month, the association's boards of directors, which include both proprietary processors as well as dairy cooperative leaders, voted unanimously to support each of these recommendations.

Authorize USDA to Conduct Regular Cost of Processing Studies

Since 2000, USDA's Agricultural Marketing Service (AMS) has twice commissioned a university to survey U.S. dairy processors to estimate the average cost of manufacturing a pound of the four dairy commodity products (cheddar cheese, butter, dry whey, and nonfat dry milk) used in Federal Milk Marketing Order price formulas. The results of the cost surveys typically serve as the basis for changing make allowances pursuant to a federal order hearing. The first cost study was completed in support of a milk price hearing held in 2006 and 2007, whose results were implemented in October 2008. The milk price formulas established at that time are the formulas that remain in place today. The costs in that formula dramatically understate today's cost of manufacturing and have resulted in distortions to the dairy manufacturing sector which have constrained capacity to process producer milk. This was manifested in an extended period of milk production surpassing local processing capacity in the Northeast and Michigan, high transport costs to move milk out of those regions for processing, and, in the extreme, dumped milk that was only solved when dairy cooperatives constrained their members' production and invested in additional manufacturing capacity themselves.

The current *ad hoc* cost study program and price formula updating mechanism does not serve the needs of today's U.S. dairy industry. In the first place, cost studies are conducted very infrequently at the federal level. As stated above, there have only been two national cost studies since 2000, the one for the mid-2000's hearing and a recently completed survey in 2021 that is already out-of-date because the data is based 2018-2020 costs, before the supply chain issues and inflationary surge that has occurred in 2021 and 2022. As a result, the 15-year-old make allowances do not reflect the cost of manufacturing today's finished dairy products.

Secondly, because participation in these cost studies is currently voluntary, just over a third of the plants eligible to submit data for the most recent cost survey chose to do so.[2] That means the cost information collected may not accurately reflect the true cost of producing products at different size plants and in various regions of the country. Increasing the participation rate in future studies will yield data that better reflects current economic conditions and has more credibility among various industry stakeholders.

Congress can improve the current situation by directing USDA to conduct regular cost of processing studies to enable regular make allowance updates. (These studies could be similar to the state-wide studies conducted by the California State Department of Food and Agriculture before California entered the federal order system in 2018.) In addition, Congress should direct USDA to collect cost information from any dairy processing plant that already provides pricing data under the Dairy Product Mandatory Reporting Program for the four products contained in current pricing formulas. This will ensure the resulting cost information reflects plants of different sizes and in different regions of the country.

---

[2] A total of 153 dairy plants were invited to submit data for the most recent USDA cost of processing study. Ultimately, data was provided by 10 cheddar cheese plants; 8 dry whey plants; 27 nonfat dry milk plants; and 12 butter plants for a total of 57 plants.

Given the regulated pricing system, regular cost of processing updates will provide the dairy industry with valuable information to enable regular make allowance updates, remain viable and be positioned to grow in-line with market opportunities in the U.S. and around the world.

Reauthorize and Expand the Healthy Fluid Milk Incentives Projects (HFMIP)

Congress adopted a Healthy Fluid Milk Incentives Projects in the 2018 Farm Bill authorizing USDA to test different methodologies to encourage participants in the Supplemental Nutrition Assistance Program (SNAP) to increase their purchases of fluid milk products as recommended by the Dietary Guidelines for Americans (DGAs).[3] Approximately 90 percent of all Americans do not meet current U.S. recommendations for dairy consumption and only 65 percent of young children, 34 percent of adolescents, and about 20 percent of adults drink milk daily.[4] As discussed earlier in my testimony, under-consumption of dairy products can contribute to negative health outcomes for Americans in all life stages, including SNAP beneficiaries.

Purchase incentive programs, like the HFMIP, can help combat this trend by providing SNAP participants with financial encouragement to purchase healthy food for their families. Similar to the Gus Schumacher Nutrition Incentive Program (GusNIP) for fruits and vegetables, the HFMIP provides SNAP households with financial incentives when they purchase qualifying fluid milk at authorized retailers. For example, when a SNAP beneficiary uses his/her benefits to purchase qualifying fluid milk, they receive a dollar-for-dollar coupon or point of sale credit that can be used to purchase another fluid milk or qualifying dairy product.

The Baylor Collaborative on Hunger and Poverty has been selected by USDA to administer the HFMIP program. The initial 4 pilots were launched in Texas in May 2021 with another pilot added in September 2021. 9 more pilots were initiated earlier this month (8 in New Jersey and 1 in Texas) and another expansion of the program, which would include 33 additional retail outlets, is scheduled to begin in January 2023. In addition, USDA is expected to award additional funding by October that should allow approximately 250 new pilot projects targeting more regions of the country and different types of retailers, including convenience stores, rural retail chains and urban bodegas that are licensed to participate in SNAP.

USDA will be providing Congress with a report on this program by the end of 2022 but based on what we have observed in the initial pilots, our industry believes that the program should be reauthorized with dedicated funding, and that the program should be expanded to include other nutritious dairy products, like cheese and yogurt. Expanding the program would help more SNAP families achieve positive health outcomes due to increased dairy consumption. In addition, we would urge Congress to expand the definition of qualifying fluid milk products to include 2 percent and whole milk varieties given that more than 80 percent of American consumers choose these varieties in the grocery store. Dairy products of all fat levels add important and under-consumed nutrients to the diet, while an increasing number of peer-

[3] Section 4208 of Public Law 115-334, the Agriculture Improvement Act of 2018, December 20, 2018
[4] Dietary Guidelines for Americans, 2020-2025, p. 33

reviewed research shows that higher fat dairy products do not have a negative effect on risk of obesity, cardiovascular disease or cardiometabolic risk markers.[5,6,7]

Permanently Authorize the Dairy Forward Pricing Program

Congress originally authorized the Dairy Forward Pricing Program in the 2008 Farm Bill, and it has been reauthorized in every Farm Bill since then. This program allows producers to voluntarily enter into forward price contracts with handlers for pooled milk used to manufacture Class II, III, or IV products. Current authority for this program expires on September 30, 2023. This means that no forward price contracts may be entered into under the program after that date, and no forward contracts under the program may be extended beyond September 30, 2026.

Making this program permanent could facilitate additional industry utilization of this risk management tool because it would mitigate concerns from potential parties regarding forward contracts with shorter durations due to a pending program expiration date. Failure to extend the program will remove a valuable risk management tool which is now available to producers and processors. Given that this program has nearly universal support among producers and handlers (buyers), we would recommend that Congress make this program permanent to make it an even more attractive risk management tool for our industry.

Dairy Donation Program

Mr. Chairman, we would also like to express our support for the Dairy Donation Program that was authorized as part of the Consolidated Appropriations Act of 2021. The purpose of this program is to facilitate the timely donation of eligible dairy products to food insecure families and to prevent and minimize food waste. The Act provided $400 million to fund this program.

Since the start of the COVID-19 pandemic, U.S. dairy producers and dairy foods companies have led efforts to feed the hungry and support struggling communities. The Dairy Donation Program has provided our industry with one more tool to reach Americans in need. The dairy industry welcomes the opportunity to continue to partner with non-profits, charities, and other organizations working to combat hunger and nutrition insecurity. The Dairy Donation Program helps to ensure high-quality, nutritious products like milk, cheese, yogurt and more will get to those who need them most, while ensuring dairy foods processors receive a fair market value for their healthy products.

Milk Pricing

While the of focus of this hearing is on dairy programs authorized in the Farm Bill, I would like to briefly discuss an important and increasingly urgent issue of shared interest for both dairy producers and their

---

[5] Vanderhout SM, Aglipay M, Torabi N, Jüni P, da Costa BR, Birken CS, O'Connor DL, Thorpe KE, and Maguire JL. Whole milk compared with reduced-fat milk and childhood overweight: a systematic review and meta-analysis. *Am J Clin Nutr* 2019;00:1–14.

[6] O'Sullivan TA, Schmidt KA, and Kratz M. Whole-Fat or Reduced-Fat Dairy Product Intake, Adiposity, and Cardiometabolic Health in Children: A Systematic Review. *Adv Nutr* 2020;00:1–23.

[7] Duarte C, Boccardi V, Amaro Andrade P, Souza Lopes AC, Jacques PF. Dairy versus other saturated fats source and cardiometabolic risk markers: Systematic review of randomized controlled trials. *Crit Rev Food Sci Nutr* 2021;61:450–61.

processor partners. To ensure our industry can continue to grow and prosper, regulated milk pricing formulas must be addressed.

Developed in the 1930s, USDA maintains the Federal Milk Marketing Order System that sets minimum milk prices that regulated processors must pay. Since 2000, formulas that back into minimum regulated milk prices based upon finished product values, have been used for some product groups. Specifically, milk used to produce the "market-clearing" products of cheese, whey, butter, and nonfat dry milk is priced based upon the net revenue as calculated by USDA. The key elements include: the average price received for those products nationally, the volume of those products assumed to be produced from a given volume of milk, and an assumed cost to convert raw milk into those products. Effectively, it is a system that directly transfers the market value of these products to dairy producers while allowing manufacturers of those products to retain only the assumed cost of manufacturing; this cost is commonly called a "make allowance".

Current make allowances are based on 2006 and 2007 costs which are now more than 15 years old, rendering the assumed milk processing costs woefully out-of-date. Coupled with recent inflationary pressures, the need to address this lag is now extremely urgent. While our proposal to authorize USDA to conduct regular cost surveys will eventually provide data to address this in the longer term, steps must be taken now to ensure adequate processing capacity remains.

Updating make allowances to reflect current costs will enable producer milk to have a home. As the out-of-date make allowances make it difficult for dairy processors to justify capital investments, industry growth is threatened. Further, without an update, farm-level resources will be underutilized and there will be less opportunity for longer-term job growth. This scenario also has the potential to price U.S. exports out of global markets and could even lead to increased imports of certain dairy products. Such a result would represent a major setback for the U.S. dairy industry given our decades-long focus and clear opportunity to become the world's dominant dairy supplier. Finally, if U.S. milk production is limited, prices for milk, cheese and other dairy products will increase, hurting consumers who are already paying more for food purchases due to ongoing inflationary pressures.

In addition, given that dairy producers and their cooperatives own a significant number of cheese/whey plants and especially butter/powder manufacturing facilities, producers who belong to a manufacturing cooperative will benefit from accurate make allowances, as well. Accurate make allowances would match cooperatively owned manufacturing costs and eliminate the need for those cooperatives to "re-blend" (withhold dollars from producer pay prices) to cover manufacturing losses. Updating make allowances to fully reflect today's manufacturing costs would put the farmer owners of manufacturing cooperatives back on even footing with producers who ship to marketing-only cooperatives (cooperatives that do not own processing facilities).

More broadly across dairy processing, additional issues exist, as well. Bankruptcies in the bottling (fluid milk) sector further illustrate updates are needed to ensure dairy processing remains healthy and viable for producers to have adequate outlets for their milk. Updates to the system will help ensure nutritious dairy remains affordably available to American consumers and for export markets beyond.

I am happy to report that discussions are currently underway within our industry to address this issue in the short term. Processors and dairy cooperatives are working to develop a proposal that can be considered as part of a federal order hearing as Secretary Vilsack has stated USDA will not convene a hearing unless processors and producers reach consensus on a proposed solution. While industry discussions are ongoing, we have not yet reached an agreement on a path forward. I urge Congress to allow this collaborative effort to continue and not to address any milk pricing issues legislatively unless they are supported by all segments of our industry. This type of intervention could have unintended consequences, including the creation of artificial price signals that could lead to over-production and allow for market manipulation. That said, prompt resolution to these issues via a hearing remains urgent for our dairy industry.

Thank you for the opportunity to appear before you today. I will be happy to answer any questions you may have.