



International Dairy Foods Association
Milk Industry Foundation
National Cheese Institute
International Ice Cream Association

Statement of Jon Davis, President and CEO, Davisco Foods International

(Washington, D.C. – April 24, 2012) "Let me first introduce my family's business to you and then I'd like to explain why large exporters of dairy products believe that the Farm Bill, as proposed by Senate Agriculture Committee Chairwoman Debbie Stabenow (D-MI), will be a disaster for the entire dairy industry, producers and processors alike.

"Davisco started in 1943 when my grandfather bought the St. Peter's Creamery in Minnesota. We now have plants in Minnesota, Idaho and South Dakota, offices in Minneapolis, Geneva, Shanghai and worldwide strategic partners in the Middle East, Japan and Africa. We produce 370 million pounds of cheddar cheese annually and are one of the largest suppliers to Kraft Foods. In addition, our family currently owns and operates two dairy farms in Southern Minnesota.

"We are a family business that both produces and buys a whole lot of milk. The Dairy Security Act intends to limit the production of that milk in order to try and manipulate the price of milk. In doing so, the act will limit our ability to increase our sales opportunities all around the world.

"Our U.S. dairy industry has spent millions of dollars over the course of the past 30 years to become a relevant dairy supplier to the world. We have finally become the supplier of choice among buyers of dairy products, and now the Senate Agriculture Committee is proposing a policy that would effectively shut down our supply of milk with which to produce these dairy products. That does not make sense, and, in my view, it will set our industry back for years to come and have repercussions we may never be able to overcome.

"My fellow Minnesotan, Rep. Collin Peterson (D) introduced the Dairy Security Act pretty much word for word from the Foundation for the Future plan of the National Milk Producers Federation, the trade association representing dairy farmer cooperatives. That bill includes a new program to provide margin protection to dairy farmers, but I'm not here to object to that proposal.

"In my view, the heart of the Peterson dairy bill is a new program called Dairy Market Stabilization. This is a totally new government program that will use the power of government to limit the milk supply in order to control milk prices, regardless of what the marketplace is saying. I am concerned about the new regulations that will be imposed on dairy food businesses under the stabilization program. It is being described as voluntary, but dairy manufacturers will have no choice but to participate in this program. We will be forced to periodically penalize our farm suppliers if they are

enrolled in the margin protection program, even if, at the same time, they want to increase milk shipments that we need for our plants.

"I'm equally concerned about having a new government program that will take away my company's ability to compete for exports on world markets. Davisco invested more than \$100 million dollars in our factories largely because of export growth and because of our belief that we are in a good position to do more business internationally. The world is looking for quality American dairy products. Over the last five years, our dairy industry has gone from importing more than we export to having a trade surplus last year of \$2.4 billion. In 2011, U.S. dairy exports reached record highs, and the industry exports the equivalent of 13 percent of our milk. If we play our cards right, and have the right government policies, there is no doubt this trend will continue.

"This is a remarkable success story and fits right into Agriculture Secretary Tom Vilsack's goal of doubling American agriculture exports over the next five years. Growing our export surplus is not only good for Davisco, it's good for our employees and particularly good for our suppliers, dairy farmers, who also are provided an opportunity to expand their businesses. Overall milk production has been increasing over the last few years largely because of growth in exports and the demand it creates for more milk. Nearly two-thirds of our country's recent increase in milk production is due to the growth in export markets.

"The whole point of the so-called stabilization program is to impact U.S. prices for milk. If it does what it is designed to do, it will decouple U.S. milk prices from international prices, making Davisco and other exporters less competitive. When we are finally seeing some success in dairy exports, Congress is going in the wrong direction with a proposal that would impede this growth.

"The U.S. Department of Agriculture has said that every \$1 billion in trade surplus creates over 8,000 jobs in this country. There are thousands of people who are now employed in the U.S. dairy industry, but they wouldn't be if it were not for the success story that is the growth of U.S. dairy exports.

"If Congress wants to help dairy farmers, why not do it with insurance or other risk management programs that are used by other commodities like corn or wheat. Those industries recognized long ago that exports were critical, so they moved away from programs that attempted to have government manage supplies and prices. The United States has less than five percent of the world's population – this legislation would effectively eliminate 95 percent of the dairy industry's potential customers.

"That's bad policy anytime but especially now, after all of the positive strides our industry has made by becoming a supplier of choice to dairy consumers throughout the world. What the Dairy Security Act proposes – adding regulations, making it difficult to compete in global markets, limiting jobs and expansion – is the exact opposite of what our industry needs at this critical juncture. "

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