

House Ag Committee- Farm Bill Markup

*Dairy Policy (Amendment Debate)*

May 15, 2013

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Note: This is an unofficial transcript of a portion of the House Ag. Comm. 2013 Farm Bill Markup.



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**Rep. Garamendi:** Thank you, Mr. Chairman. I do support the bill as written, and the work that you and the ranking member have done on this bill. There's an old saying, at least in California politics, that some of my friends support this, some of my friends oppose it, and I support my friends. However, we're going to have to make a decision here, and my decision is to support the bill as written and to oppose the amendment. I yield back my remaining time to Mr. Peterson, the ranking member.

**Rep. Peterson:** I thank the gentleman. And I just want to talk about the economics of the dairy industry a little bit more. A 2% oversupply in milk will collapse the system. We've seen that. That's all it takes, is 2%. It means we can't sell it in the U.S. and we can't export it in the world market. If you get into that kind of a situation, the bottom falls out.

And generally it's been caused by farmers overproducing, which has, to some extent, been caused because of other factors, including us subsidizing corn for 20 years. When corn was \$1.85 and \$2.00 a bushel, nobody could grow it for that. The reason they grew corn at all was because the government subsidized it and we, by doing that, encouraged a livestock industry that was bigger than really should have been there, had people paid the market price of what it cost to grow corn.

That's basically what you're trying to do here now with dairy, is set up a system where we're going to insulate from the marketplace like we did with corn. That's not smart long-term. So you've got the situation where a 2% will collapse the market.

And dairy is different. You know, you talk about corn and soybeans, and Mr. Goodlatte talked about that. They don't rot. You can store corn and soybeans for quite a while. That's why it's different than fresh fruits and vegetables, and kind of dairy is in the middle. We're going to have to milk those cows every day. We're not going to dump that milk. So what do we do? We put it in butter and powder so we

can store it until we get rid of it. And so what we're trying to do here is have a system to deal with an oversupply.

Now, back in '09 that problem was caused, to some extent, by the financial collapse and what happened within the economy at the time, and demand for dairy, for a lot of different things, went down, including dairy products. So we had an increase in production and we had a decrease in demand; it collapsed the market. And as Mr. Costa said, we had I don't know how many bankruptcies. I don't know how much equity was lost. It was a disaster. And if we get into that situation again, we're going to lose 25% of the dairy farmers in this country. That's what's going to happen, because there is no margin left to fall back on.

So what we're trying to do here is have a way to manage this system that isn't really getting in the way, long-term, of what the industry needs to do to keep up with the marketplace. But this idea that somehow or another we're just going to give people insurance and they're -- you know, so they're going to be able to, for 60, 70 cents a hundredweight, they're going to be able to buy insurance that's seven dollars above the cost of feed, you know, and so what do they care? They've got \$18 milk locked in, what do they care if it goes to ten bucks?

You know what happens if you get into the situation we did in '09, you know who pays the difference? The government. And what we're talking about, the farmers are the ones that are going to pay that difference to get this thing back into balance. And it'll get back within a month or two months if you have this system in place because people aren't going to want to do that.

The other thing that goes on in dairy that's different is if you've got these cows come on for a while, I mean, you've got...now you have same sex semen and you have heifers coming in quicker than we use to have in the past, but still you just don't move cows in and out in one month. It takes a while to sort through the system. And that's a difference that dairy has from all the other parts of agriculture.

So do I like the fact that we need this stabilization system? No, I don't. I'd just as soon we didn't have it. But I've been around this game for 30 some years. I've seen what's happened. I know how this actually works. And the Goodlatte-Scott amendment will not work. This amendment will work. And that's why the industry came to this conclusion after four years of work.

**Chairman Lucas:** The gentleman's time has expired. Seeing any other recognition requests? The gentleman from Texas, Mr. Neugebauer.

**Rep. Neugebauer:** I thank the chairman. I want to rise in support of the Goodlatte—

**Chairman Lucas:** Moves to strike the last work and is recognized for five minutes.

**Rep. Neugebauer:** Thank you. I rise in support of the Goodlatte amendment. I think it's good policy. And with that, I would yield to the gentleman from Virginia for such time as he may consume.

**Rep. Goodlatte:** I thank the gentleman for yielding. I just want to respond to the point made by the ranking member that fresh fruits and vegetables have the same kind of perishable status that milk does. It's a good point. But obviously fresh fruits and vegetables have no supply management program, and if they had a supply management program, it would not be good for the economy of California, the world's largest producer of fresh fruits and vegetables, or Michigan, or Virginia, or Florida, or places where we produce these in abundance.

And yes, the prices fluctuate. Farmers have to deal with that and consumers have to deal with that. They make the decision whether they're going to be consuming something or not consuming it based on the price. If you consistently attempt to fix the price based upon controlling the supply of the herd, it hurts farmers because they will not be able to grow, they will not be able to plan, they will not be able to tell new markets that they can consistently supply those markets, and it hurts consumers.

And that's why I think we have a good alliance here between Mr. Scott and myself to protect the interests of farmers and the dairy industry, to make sure that we do not go in a direction with supply management where this country does not need to go and where we have attempted this in the past and failed miserably.

**Male Voice:** Could the gentleman from Texas yield me a minute?

**Male Voice:** I would yield to the gentleman from Georgia.

**Rep. Scott:** Thank you very much. I've listened to this, and I want to make a couple of points clear on the pricing. The CBO clearly states that under the language of the supply management program the price of milk will go up. And when you calculate in inflation, it could go up, over the next period of time before we get back to the next farm bill, just this cost for the supply management, up to 50 cents.

Now, all you have to do is take a look at what did the gallon of milk cost five years ago. Clearly that price has risen. The whole point is prices are going to go up. But because of the supply management—and every single authority will tell you the price is going to go up. So I wanted to make sure, the gentleman from Connecticut, that I responded to that.

And as far as the Northeastern Dairy Association, this is not me talking. Let me tell you what they said. The Northeast Dairy Producers Association said this, that the dairy supply management program, as proposed in the Peterson bill, would limit farm growth during a time when farms have a demand for our product to meet the needs of our dairy processing plants. Those are their words, not mine.

And on the other point, this whole process has more than just the dairy producers and processors. There are other elements to this, very important elements. The retailers, who have to package and market these products, and consumers, who have to buy them. All I'm simply saying is let's bring all of these people to the table on this to make sure we have a safety net and to make sure that we're not artificially raising these prices. All I'm asking for is the American way. Let the free market itself work. Let it work to determine the prices. Thank you, sir.

**Chairman Lucas:** The gentleman yields back. The chair now recognizes himself to strike the last word for a concluding five minutes and then we'll proceed to vote on this amendment. And I would address my comments to the members of the committee who, perhaps this is your first time in farm bill markup to deal with these issues. And you've listened to a very spirited debate from both perspectives here. I thank both of the gentlemen, both of whom are my predecessors as chairman, for this very spirited debate.

I will not deny for a moment that I would have preferred this amendment be held until we reach the floor. But I understand my colleague, and as I said, former chairman's desire and his right to use this opportunity to effect policy change. But remember, members, dairy has never been an easy issue. As you have noted today, the differences between regions, the differences between processors, the differences between producers of different size have constantly interfered or caused us great difficulty in trying to achieve some kind of a national consensus of policy.

Now, despite the fact that we don't have unanimity within the dairy industry, I do think the recent challenges facing the dairy sector have to be considered today in this committee. While most commodity groups and most sectors of production agriculture, setting weather aside, have had a pretty decent decade, the dairy industry has not. It's been a roller coaster, more down than up.

The package before us, worked on for the last four years by the ranking member, in good faith, represents an effort to try and achieve some kind of a balance between regions and operations and industry sectors. Not everybody's happy. That's not surprising to anyone that's been in this process. I know all of my friends understand that the industry wants to move forward, and I am in favor of that.

I would say this. In all respect, you have to vote your conscience, of course. But a farm bill is like a giant jigsaw puzzle. You have many pieces that have to fit together in order to create that final product. I am in good faith opposing one friend's amendment and sustaining another friend's work. I have to move that puzzle forward.

I believe the base text is the best opportunity to complete that. Vote your conscience, but remember, we have to have a farm bill when all this is over with. Now, the question before the committee is will the amendment by the gentleman from Virginia, Mr. Goodlatte, No. 56, be passed. All in favor signify by saying aye.

**Group:** Aye.

**Chairman Lucas:** All signify by saying no.

**Group:** No.

**Chairman Lucas:** It would appear that the nos have it. It would appear the nos have it.

**Male Voice:** Mr. Chairman, on that I would ask for a recorded vote.

**Chairman Lucas:** The gentleman asks for a recorded vote. The clerk will call the roll on Amendment No. 56.

*[Break in Transcription].*

**Chairman Lucas:** Have all members seeking to vote had an opportunity to vote?  
Seeing no additional requests to vote from members, the clerk will report the results in writing.

**Clerk:** The vote is 20 yeas to 26 nays. Thank you, Mr. Chairman.

**Chairman Lucas:** Thank you. The amendment [fails].

*[End of Recording].*