

Assembly Joint Resolution

No. 21

Introduced by Assembly Member Gilmore

July 1, 2009

Assembly Joint Resolution No. 21—Relative to the Dairy Industry.

LEGISLATIVE COUNSEL'S DIGEST

AJR 21, as introduced, Gilmore. Dairy industry.

This measure would encourage the President, the Congress, and the Secretary of the U.S. Department of Agriculture to acknowledge the importance of the dairy industry nationwide as well as the unique aspects of the dairy industry region by region by enacting legislation or regulations that update the federal dairy product price support program to reflect today's cost of production, implement fair tariffs on unregulated imported dairy solids, mandate greater market transparency, and support a milk supply management program.

Fiscal committee: no.

- 1 WHEREAS, California has been the nation's leading dairy state
2 since 1993 and is ranked first in the U.S. in the production of total
3 dairy product, butter, ice cream, yogurt, nonfat dry dairy product,
4 and whey protein concentrate and is second in cheese production;
5 and
6 WHEREAS, Dairy products are the leading agricultural
7 commodity in California generating approximately \$7 billion in
8 revenue last year; and
9 WHEREAS, The California dairy industry generated more than
10 \$61 billion in economic activity and more than 434,000 full-time
11 jobs last year; and

1 WHEREAS, The California dairy industry provided an economic
2 impact of more than \$30,000 per cow last year, primarily in local
3 economies; and

4 WHEREAS, The absence of profitable prices in the dairy
5 industry for farmers, the lack of competition in dairy product
6 processing ownership, as well as an outdated price support program
7 are causing an economic crisis among California dairy producers;
8 and

9 WHEREAS, Since last year, the price that dairy farmers were
10 paid for their dairy product has dropped as much as 50 percent;
11 and

12 WHEREAS, The primary safety-net for California dairy
13 producers is the federal dairy product price support program of
14 \$9.90 per cwt; and

15 WHEREAS, The federal dairy product price support program
16 does not adequately provide a safety net due to the fact that it
17 reflects production costs from 30 years ago; and

18 WHEREAS, The federal government in 2006 implemented an
19 ethanol policy mandate that has increased all feed costs to dairy
20 producers in California; and

21 WHEREAS, The federal dairy product price support program
22 does not account for this new federal energy mandate; and

23 WHEREAS, The federal dairy product price support program
24 needs to be at an adequate level to ensure California dairy
25 producers have a viable, competitive and stable market; and

26 WHEREAS, The federal dairy product price support program
27 should maintain market prices near average operating costs in
28 order to be successful. This will ensure that efficient producers
29 are able to stay in business until prices recover; however, few
30 efficient producers will have the protection at the current price
31 support level; and

32 WHEREAS, California dairy product prices are set by the
33 Chicago Mercantile Exchange (CME) cash cheese exchange which,
34 according to a June 2007 General Accounting Office (GAO) report
35 on the CME, is thinly traded and not a very competitive market,
36 and which lacks transparency and is not an appropriate price
37 discovery mechanism; and

38 WHEREAS, The loss of a domestic supply of dairy products
39 will jeopardize the security of our nation by causing dependence

1 on foreign sources of products of lower quality and lower standards
2 of safety; and

3 WHEREAS, The dairy industry impacts related agricultural
4 products and industries, such as corn, silage, and other forages
5 used for feed as well as rendering facilities; and

6 WHEREAS, Concentrated dairy imports for January and
7 February of 2009 surged upward more than 70 percent compared
8 to 2008 despite record low producer prices; now, therefore, be it

9 *Resolved by the Assembly and the Senate of the State of*
10 *California, jointly,* That the Legislature of the State of California
11 strongly encourages the President, the Congress, and the Secretary
12 of the U.S. Department of Agriculture to acknowledge the
13 importance of the dairy industry nationwide as well as the unique
14 aspects of the dairy industry region by region by enacting
15 legislation or regulations to update the federal dairy product price
16 support program to reflect today's cost of production, implement
17 fair tariffs on unregulated imported dairy solids, mandate greater
18 market transparency, and support a milk supply management
19 program; and be it further

20 *Resolved,* That the Chief Clerk of the Assembly transmit copies
21 of this resolution to the President and Vice President of the United
22 States, to the Speaker of the House of Representatives, to the
23 Majority Leader of the Senate, to each Senator and Representative
24 from California in the Congress of the United States, and to the
25 Secretary of the U.S. Department of Agriculture.

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