

Testimony

On Behalf of Dairy Institute of California

Presented at the

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AgVision Listening Session

My name is Rachel Kaldor. I am the Executive Director of Dairy Institute of California, a trade association representing dairy manufacturers located within our state. Dairy Institute represents the processors of approximately 80% of the fluid, cultured, and frozen dairy products and cheese manufactured in California.

Dairy is the largest agricultural commodity in our state, and California is the leading dairy production state in our nation. As farmers and processors look toward 2030, our state's industry has been greatly assisted in that effort by an in-depth report prepared for the California Milk Advisory Board by McKinsey & Company. Completed in spring 2006, the first part of this important document is titled "Foundations for a Consumer-Driven Dairy Growth Strategy." It sets forth the major challenges facing the California dairy industry. Those challenges include environmental stewardship, growth of milk supply, and lack of investment in innovation and processing capacity.

In spring 2007, the second part of the study, titled "Options for a Consumer-Driven Dairy Growth Strategy" was published. It suggests five groundwork steps the California dairy industry should begin taking: 1) minimize the costs of environmental mitigation, 2) continue investments in promotion and marketing, 3) invest in more production efficiency and product innovation, 4) suggest more efficient laws and regulations – at both the federal and state level, and 5) refinance quota.

This second installment also provides three pathways the industry can choose to follow going forward. While there has been some discussion about these pathways, opinions differ widely,

and change will be a challenge for this industry. But as the McKinsey study notes, no change is a choice and pathway as well.

The vision placed before our California dairy industry by the McKinsey study charges farmers and processors to set our sights high and imagine an innovative, efficient, environmentally sound, prosperous dairy industry, leading the world in meeting consumer demand.

California's dairy farmers invested several million dollars when they funded the McKinsey study. Some of the forecasts made in this document have already been borne out, as shown by our current milk supply and plant capacity imbalance. Dairy Institute would encourage our California agricultural leadership to utilize the Milk Advisory Board's timely and wise investment as you move forward with this important effort.