



National Family Farm Coalition

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April 8, 2011

The Honorable Frank Lucas
Chairman, House Agriculture Committee
2311 Rayburn House Office Building
Washington, DC 20515

The Honorable Debbie Stabenow
Chairwoman, Senate Agriculture Committee
133 Hart Senate Office Building
Washington, DC 20510

The Honorable Collin Peterson
Ranking Member, House Agriculture Committee
2211 Rayburn House Office Building
Washington, DC 20515

The Honorable Pat Roberts
Ranking Member, Senate Agriculture Committee
109 Hart Senate Office Building
Washington, DC 20510

Dear Honorable Member of Congress,

In the past few weeks, there has been press surrounding the release of a proposal developed by the National Milk Producers Federation (NMPF), ironically called the "Foundation For the Future".

As organizations representing hard-working dairy farmers, we have serious concerns with the NMPF proposal. We feel that it will further destroy not only our future as dairy farmers but also our dairy farming communities and our ability to provide fresh, local milk and dairy products to consumers.

NMPF claims their proposal will terminate "end product pricing" as the method to determine the price that dairy farmers receive for their milk and will discontinue the unfair practice of "make allowance", but that is not the case at all. The actual cost of operating a plant that manufactures dairy products is now being deducted in the milk pricing formula before dairy farmers are paid, thus shorting all dairy farmers' pay price by approximately \$2.00 per cwt (hundred pounds). Our concern is that the so-called "make allowance" for manufacturers' costs will be concealed in the pay price these dairy manufacturers pay dairy farmers under NMPF's plan.

This NMPF proposal retains the control over pricing at the processor level, not at the farmer level, and it makes the situation even worse by NMPF's dependence on "margin insurance" in their proposal, which would be partially financed by U.S. taxpayers. As dairy farmers and those representing dairy farmers, we strongly oppose a privatized insurance program as a method to pay dairy farmers for their milk.

We call on NMPF to tell the full and complete story behind its proposal. Under their proposal the value of milk will be determined by a "competitive pricing system," whereby several processing plants will be surveyed to determine what the processors

choose to pay dairy farmers for milk used for manufacturing dairy products. However, there is no proof that this system will pay producers any more or maybe even as much as end product pricing will pay dairy farmers. We want real competition in the markets. This would be based on a fair farm-gate milk price for farmers and a break-up of the monopolistic control held by cooperatives not acting in the best interest of their farmer members or consumers.

Our organizations support a much better way to solve the inequities facing dairy farmers: the re-introduction of the "Federal Milk Marketing Improvement Act" (S.1645 in the 111th Congress) which enables dairy farmers to receive a milk price based on the National Average Cost of Production. The adjustments should allow processors to recover their cost in the marketplace, not in taking unfair advantage of dairy farmers.

The milk supply management program in the Federal Milk Marketing Improvement Act will allow dairy farmers to manage their production of milk. Dairy farmers would pay for this program, which would be contingent upon all dairy farmers receiving a fair price for their milk. This proposal does not tell dairy farmers how much milk to produce, but there must be markets for their milk.

The proposed legislation does not allow for supply management during times in which US imports of dairy products exceed exports of dairy products in terms of either milk displaced or dollar value. These figures will include all forms of milk protein concentrate (MPC) and casein, which are sometimes excluded in dairy import calculations. USDA must track the use of these products to ensure that our dairy farmers do not suffer financial loss through these globally traded products.

These provisions in the Federal Milk Marketing Improvement Act must be enacted and implemented to help build a stable basis for a genuinely positive and sustainable future for all dairy farmers. This should be based on farmers and their families receiving a fair price for their milk that not only reflects their production costs, but also enables them to thrive and profit. Retaining dairy farmers on their farms translates into increased jobs and wealth in our nation's rural communities and a more secure domestic food supply.

We urge your support for a new policy based on these principles – not a processor-driven proposal such as NMPF's Foundation for the Future.

Sincerely,



Paul Rozwadowski
Chair, Dairy Subcommittee
Wisconsin dairy farmer

CC: Members of House and Senate Agriculture Committees