

June 26, 2008

**The Honorable Patrick Leahy
Chair, Senate Judiciary Committee
U.S. Senate
Washington, D.C. 20510**

Dear Senator Leahy,

Recent revelations by the *New York Times* (May 18, 2008), *Wall Street Journal* (May 19, 2008) and *Kansas City Star* (May 20, 2008) highlight the urgent need for major public hearings that we, the undersigned organizations, are requesting that the Senate Judiciary Committee conduct concerning corruption and antitrust issues in the dairy industry, specifically pertaining to the anti-market behavior of Dairy Farmers of America (DFA), the largest US dairy co-operative.

On May 8, 2008, DFA's leadership wrote members a shocking letter that stated, "In 2001, DFA's former CEO, Gary Hanman, played a role in the unauthorized transfer of money, to be paid through a DFA affiliate, to the former DFA Board Chairman Herman Brubaker." That secret payment totaled \$1 million.

The *Journal* and *Star* articles highlight corruption and price fixing by DFA, now being investigated by the Commodity Futures Trading Commission (CFTC), and point out past US Department of Justice (DOJ) investigation of DFA, National Dairy Holdings, a DFA affiliate, and Dean Foods, the largest US fluid milk processor.

Our federal agencies, including US Department of Agriculture (USDA), DOJ, and CFTC, need to do whatever is necessary to fulfill their obligation to protect the public interest, which is served by honest competition in the pricing and sale of farm milk and dairy products. DOJ failed to take appropriate action in August 2006 against DFA and Dean Foods at the conclusion of their Antitrust Division's two-year investigation. This was possibly the worst failure by the federal government to act in the public's interest but it also exemplifies the lack of significant oversight of dairy cooperatives in general, and DFA specifically. Furthermore, we are particularly concerned about the following DFA actions:

- DFA exerts virtual veto power of the Federal Milk Market Order
- DFA has continued to violate consent decree agreements beginning with their predecessor organization Mid-America Dairymen (United States v. Mid-America Dairymen, Inc., 1977)
- DFA controls vastly more milk than might be apparent by way of "pooling" requirements
- Full supply contracts reduce farm milk prices.

DFA's corruption and control of the dairy industry cannot be allowed to cause further direct harm to our nation's dairy farmers, consumers, rural economy and future dairy food supply. Earnest pleas from constituents from Maine to California about the repeated coercive actions by DFA (and others) against fair marketing of farmers' milk have been ignored for too long. Not only has this corruption encouraged the loss of half of US dairy farmers since 1994 and subsequent demise of many rural communities, but market concentration has not provided more and better rural jobs or lower consumer prices.

As welcome as the CFTC and DOJ investigations are, they do not capture the scope of DFA's stranglehold on the dairy industry. What is needed is a sense of the nature and extent of DFA's

control which can be provided only through the hearing process. Clearly, the Senate Judiciary Committee is best suited to conduct a hearing examining DFA. Andrew Martin's *New York Times* (May 18, 2008) article titled "Yes, It's a Cooperative, But for Whom?" powerfully emphasizes the need for the Senate Judiciary Committee hearing that we are requesting, "...If you have bought milk any time in the last year, you know that consumers aren't benefiting from the new dairy landscape."

The public interest warrants an investigation by the Senate Judiciary Committee into DFA's corruption. Justice for both dairy farmers and consumers will not be served until this is accomplished.

Sincerely,

American Agriculture Movement
American Corn Growers Association
American Raw Milk Producers Pricing Association
Ashtabula Geauga Lake Counties Farmers Union
California Dairy Women's Association
The Cornucopia Institute
Family Farm Defenders
Federation of Southern Cooperatives
Food & Water Watch
Georgia Poultry Justice Alliance
Heamour Farm
Idaho Rural Council
LaRaysville Cheese Factory
Mississippi Association of Cooperatives
Missouri Rural Crisis Center
National Catholic Rural Life Conference
National Family Farm Coalition
New Hope Ministries
Ohio Farmers Union
Organization for Competitive Markets
Pennsylvania Farmers Union
Progressive Agriculture
R-CALF United Stockgrowers of America
United North Country Bargaining Co-op N.Y.
Western Organization of Resource Councils

CC: Senate Agriculture Committee Members

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