

**January 29, 2009**

Dear Senator:

The Dairy Subcommittee of the National Family Farm Coalition, representing dairy farmers from across the country, has warned for over a year about the coming crisis in the dairy industry that is threatening the livelihoods of America's 60,000 remaining dairy farmers. **With Class I milk prices collapsing by \$5.02 for February down to \$13.97 per hundredweight (cwt) for the Boston market and as low as \$12.52 in Chicago, the dairy industry faces its most dire situation since the Great Depression.**

Already, stories of farmer suicides are being heard as a result of the looming catastrophe in many parts of farm country. California dairy farmers are looking at possibly \$9 cwt milk prices when cost of production is at least \$20 cwt in California and closer to \$30 cwt in many parts of the East. Contrary to popular belief, milk prices have little to do with supply and demand or overproduction. The milk pricing system is based on the deeply flawed Chicago Mercantile Exchange which NFFC has exposed as highly prone to corruption and manipulation. NFFC urges both emergency action to be taken in the economic stimulus package as a way to stabilize milk prices and rural economies while also pressing again for a long-term solution that will finally give farmers a cost of production for their milk.

NFFC urges that the stimulus package include:

- 1.) Emergency \$17.50 cwt Floor Price:** An emergency \$17.50 per cwt floor price under all milk used for manufactured dairy products. The USDA ERS data for 2007 cost of production figures are \$20.90 per cwt. Under the Section 608c(18) of the Agricultural Marketing Act of 1937 requires the Secretary of Agriculture to adjust farm milk prices within all federal milk orders to "reflect the price of feeds, the available supply of feeds, and other economic conditions which affect market supply and demand for milk or its products".
- 2.) Place at least a \$3.00 per cwt differential** on all Class I milk (bottled milk) produced in the United States. This is based on state efforts such as in Pennsylvania where there is currently a \$2.53/cwt differential.
- 3.) Inventory Management:** The United States needs to have a real inventory management program based on the concepts of S. 1722 which can be funded by a small assessment on all dairy farmers and not reliant on dubious cow-kill schemes. Despite the millions in funding for National Milk Producers Federation's Cooperatives Working Together (CWT) program, which pays for voluntary herd buyouts, the price of milk has still been extremely volatile over the last few years.

These are temporary measures that are needed to stabilize extremely volatile milk prices and help farmers grappling with high fuel, feed and transportation costs. Immediate action is essential before our dairy economy is completely overwhelmed by bankruptcy. The crisis is not only impacting farmers, but agribusinesses, processors, banks, veterinarians and others who make up rural economies.

## MILC Payments

If Congress fails to enact the emergency measures outlined above, then we request that immediate action be taken to provide dairy farmers' some of their lost income through an increase in the MILC payments. With the kind of catastrophic losses we are experiencing, farmers need a MILC payment that reflects 100% of the difference between USDA's national cost of production [\$20.90/2007] and the pay price dairy farmers are projected to receive for their milk. Dairy farmers have never liked the MILC program or relying on taxpayer subsidies when we believe the processors should be paying farmers a fair price based on cost of production for our quality product.

## Long Term Solutions

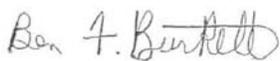
In the long-run, the milk pricing system must be reformed and decoupled from the Chicago Mercantile Exchange and begin to address rampant anti-competitive behavior on the part of the few cooperatives and processors who control most of the industry. The recent \$12 million fine by the Commodities Future Trading Commission (CFTC) against Dairy Farmers of America (DFA), the nation's largest dairy cooperative, for price fixing shows how easily manipulated the CME is by our dairy cooperatives, processors and food companies.

NFFC has urged the following reforms as a way to ensure Americans have access to local, fresh dairy products:

- 1) S. 1722 – Senators Bob Casey (D-PA) and Arlen Specter (R-PA) introduced this bill in 2007 to price milk based on a national average cost of production. An inventory management program would be included to deal with surplus production if necessary.
- 2) The Department of Justice (DOJ) must address the excessive control exerted by DFA whose price-fixing actions in 2004 cost farmers millions yet were penalized only by a \$12 million fine from the CFTC and a ban on trading at the Chicago Mercantile Exchange. We urge DOJ to complete the pending anti-trust investigation and take action that will provide fairness and transparency in dairy pricing to dairy farmers.

With the recent Chinese milk powder scandal, Americans now more than ever are demanding local, source-verified food. It is urgent for our nation's food security to ensure the survival of our 60,000 remaining dairy farmers. We hope that rural America and our nation's food supply are important enough for consideration in any stimulus package.

Sincerely,



Ben Burkett, President



Paul Rozwadowski, Dairy Subcommittee Chair

---

The National Family Farm Coalition (NFFC), founded in 1986, unites and strengthens the voices and actions of its diverse grassroots members to demand viable livelihoods for family farmers, safe and healthy food for everyone, and economically and environmentally sound rural communities. For further information about the organization, call 1-800-639-3276 or visit [www.nffc.net](http://www.nffc.net).