



**National Milk Producers Federation**  
2101 Wilson Blvd.  
Arlington, VA 22201  
703-243-6111



**International Dairy Foods Association**  
Milk Industry Foundation  
National Cheese Institute  
International Ice Cream Association

**International Dairy Foods Association**  
1250 H Street, NW, Suite 900  
Washington, DC 20005  
(202) 737-4332

October 10, 2007

Charles F. Conner, Acting Secretary of Agriculture  
United States Department of Agriculture  
1400 Independence Avenue, SW  
Washington, DC 20250

RE: Dairy Product Price Reporting

Mr. Secretary,

The National Milk Producers Federation (NMPF) consists of 31 member dairy farmer cooperative associations, representing nearly two-thirds of the nation's 60,000 commercial dairy farmers. As the voice of America's dairy producers in Washington, NMPF pursues action that advances the well-being of dairy producers and the cooperatives they own, including the operators of many of the manufacturing plants that are responsible for reporting dairy product prices to USDA.

The International Dairy Foods Association (IDFA) represents the nation's dairy manufacturing and marketing industries and their suppliers, with a membership of 530 companies representing a \$90-billion a year industry. IDFA's three constituent organizations, Milk Industry Foundation (MIF), National Cheese Institute (NCI), and International Ice Cream Association (IICA), include 220 dairy processing members operating more than 600 plant operations ranging from large multi-national organizations to single-plant companies. Together they represent more than 85% of the milk, cultured products, cheese and frozen desserts produced and marketed in the United States

In 2000, NMPF and IDFA worked with Congress to pass legislation directing USDA to establish mandatory dairy product price and inventory reporting. This was a crucial response to USDA's adoption of Federal order class price formulas using surveys of dairy product prices. Mandatory price reporting absolutely must be effective to ensure the integrity of the Federal order price formulas. NMPF and IDFA have both called for this legislation to be made effective by means including a regular audit program. USDA's Agricultural Marketing Service (AMS) has recently documented some of the inequities caused by the lack of such a program. (USDA/AMS, Dairy Programs. *Impacts of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Federal Order Prices*, June 28, 2007) The entire industry has been disadvantaged by years of delay in putting mandatory dairy product reporting into effect. We are now strongly encouraged that USDA has put an interim rule into effect, and supports the interim rule as a first step toward effective mandatory price reporting.

NMPF and IDFA believe, for reasons outlined below, that the **Agricultural Marketing Service should be given full responsibility for mandatory dairy product reporting**, with such assistance as needed from NASS during the transition. We urge you to make this change.

First, substantial delays have attended efforts to establish this rule, due in part to the National Agricultural Statistics Service's inexperience with mandatory surveys and its reluctance to "regulate" survey participants through a meaningful audit program. AMS, in contrast, is a regulatory agency, as well as a market information agency; and its extensive mandatory livestock reporting program is a strong model for mandatory dairy product reporting, including accelerated electronic reporting.

Second, AMS staff should be better suited to collect and verify accurate and consistent data from dairy plants. The NASS dairy products price survey is now collected by NASS field office employees. These employees generally have limited dairy expertise. Their supervision by the headquarters staff responsible for the survey is indirect. More importantly, NASS employees are regularly rotated among offices and responsibilities, so institutional memory regarding complex dairy statistics is regularly lost, both in the field offices and even in Washington. By contrast, AMS Dairy Programs employees are consistently involved with, and have a deeper understanding of, the dairy industry. Their longer tenures within the Federal market administrator offices and in dairy-specific jobs in Washington allow them to maintain a focus on the dairy industry and allow AMS to better retain institutional memory on dairy issues.

Third, it makes sense that AMS should conduct the survey its staff will later audit. NASS now conducts the dairy product prices survey according to AMS specifications. If AMS had full responsibility, it could better coordinate the functions of design, administration, and audit. This would allow lessons from audit to be more directly applied to design and administration.

For these reasons, NMPF and IDFA believe that AMS should take full responsibility for the mandatory dairy product reporting program.

Further, given AMS' success with rapid electronic reporting under the mandatory livestock reporting program, NMPF and IDFA urge USDA to **establish electronic reporting for dairy product prices**. Electronic reporting would allow the release of the previous week's average prices to be moved from Friday morning to Monday afternoon. The resulting Federal order minimum prices would be nearly 4 days more current upon their release. This would provide timelier and more market-oriented price signals to Federal order milk markets.

Weekly electronic reporting of dairy product prices and inventories would not increase the reporting burden of plants. USDA has developed software and established audit procedures for electronic livestock reporting and could apply many of the same practices developed for mandatory livestock reporting to dairy product reporting.

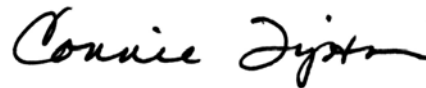
We thank you for your attention to this issue and would both be happy to offer any desired assistance in its prompt and effective resolution.

Sincerely,



Jerry Kozak  
President & CEO  
National Milk Producers Federation

Sincerely,



Constance E. Tipton  
President & CEO  
International Dairy Foods Association

cc: Bruce Knight, Undersecretary for Marketing and Regulatory Services  
Lloyd C. Day, Administrator, Agricultural Marketing Service  
Dana Coale, Associate Administrator, AMS Dairy Programs