



May 26, 2009

Under Secretary James Miller  
Farm and Foreign Agricultural Service  
U.S. Department of Agriculture  
1400 Independence Ave, SW  
Washington, DC 20250

Dear Under Secretary Miller:

On behalf of America's dairy industry, the National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) would like to express their appreciation to USDA for opening the full allocations under the Dairy Export Incentive Program (DEIP) for the July 2008 - June 2009 year. NMPF is the national farm commodity organization that represents dairy farmers and the dairy cooperative marketing associations they own and operate throughout the United States. USDEC is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, dairy cooperatives, proprietary processors, and export traders. The Council's mission is to increase the volume and value of U.S. dairy product exports.

The decision to fully use DEIP to help address the imbalance currently plaguing the U.S. dairy market is one strongly welcomed by both NMPF's and USDEC's memberships. Now that this decision has been made, time is of the essence if the U.S. is to be able to best make use of this vital tool. We urge that the program now be implemented swiftly and with the intent of having the most extensive impact possible. USDEC and NMPF ask that USDA open the bidding process immediately with the broadest coverage in crafting the list of eligible countries. The only country which in our view would not be an appropriate target market for DEIP and that we therefore ask be excluded from the list of eligible countries is Mexico. Mexico's strategic importance due to the deep partnership made possible between our two industries resulting from NAFTA, as well as the strong competitive position our industry already enjoys there as a result, makes Mexico an undesirable market for DEIP eligibility from both a business and trade policy standpoint.

In determining which countries aside from Mexico should be eligible DEIP markets, USDA should target not only those regions impacted by the European Union's export subsidies, but also those areas hard hit by the distortions created by New Zealand's anti-competitive trading practices. The virtually monopolistic power held by the largest firm in New Zealand, which controls over 90% of the milk produced there, allows it to control more than forty percent of internationally traded dairy products. This tremendous control over the world market by one company, coupled with New Zealand's desperate need to dispose of product at whatever price it can given that 95% of its production is exported, creates tremendous distortions throughout the global dairy market. DEIP should be targeted to areas plagued by these challenges as well as those where the EU is deploying its export subsidies. In order to provide sufficient flexibility to U.S. exporters, we also ask that USDA permit lengthy shipping periods for its DEIP awards.



We look forward to working with you and your staff to continue to help provide information as to help to use the programs USDA has at its disposal most effectively in order to minimize the impact of the current crisis in the dairy industry and more swiftly bring about much-needed recovery.

Sincerely,

A handwritten signature in black ink that reads 'Jerry Kozak' in a cursive style.

Jerry Kozak  
President & CEO  
National Milk Producers Federation

A handwritten signature in black ink that reads 'Thomas M. Suber' in a cursive style.

Thomas M. Suber  
President  
U.S. Dairy Export Council

cc: Foreign Agriculture Service Administrator Michael Michener