



National Milk Producers Federation

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"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"

June 25, 2009

Secretary Tom Vilsack
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack:

We would like to express our deep appreciation to this Administration and to you personally, Mr. Secretary, for the responsiveness shown to NMPF's recent recommendations and for all the steps this Department has taken to date to help address the severe economic crisis currently facing the nation's dairy producer community. These very useful measures have helped to blunt the impact on the unprecedented financial catastrophe currently facing U.S. dairy farmers.

During January through April this year, the U.S. average all-milk price reported by USDA/NASS has averaged \$4.80 per cwt. below the U.S. average cash cost of milk production, as reported by USDA/ERS. As a result, a significant amount of dairy producer equity has been lost during these four months. More recently, May's milk-feed index rate was at its lowest level since that calculation was created over two decades ago and milk prices have dipped further downward this month.

These dire conditions have caused many in our producer community to begin to cast about for various solutions to this problem. As a national organization, representing dairy producers throughout America, NMPF is keen to ensure that we spend our industry's and this Administration's valuable time and energy pursuing only realistic and rational proposals that would appropriately address the situation we are now facing.

Here at NMPF, we are doing our part to accomplish this goal through our Cooperatives Working Together (CWT) program, which aims to attack the current problem of excess milk production due to the sudden drop in demand directly at its roots, by removing dairy cows. Dairy producers are spending \$115 million of their own hard-earned money on our current herd retirement program, the largest one in CWT's history, and are prepared to spend up to \$160 million more in subsequent rounds of our program in the near future.

In addition to this short-term supply reduction measure, we have also convened a Strategic Planning Task Force to focus on additional short-term solutions and to establish an aggressive schedule for addressing longer-term solutions to the problem. However, given the magnitude of this situation, we need continued active involvement from this Administration to help see America's dairy farmers through this crisis in the

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Select Milk Producers, Inc.
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Jerry Kozak, President/Chief Executive Officer

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short-term so that our industry can make better and more sustainable plans for the future.

Towards that end, NMPF proposes that USDA temporarily increase the CCC purchase prices for cheese and nonfat dry milk under the Dairy Product Price Support Program and that USDA offer to purchase cheese that meets commercial standards (Chicago Mercantile Exchange or NASS reporting standards), which could be immediately used in food assistance programs.

Mindful of the budgetary pressures facing our nation, we propose that the higher CCC purchase prices be put in place for only three months and be set at the levels NMPF originally proposed for the DPPSP program: \$1.19 per pound for block cheese, \$1.16 per pound for barrel cheese, and \$0.84 per pound for nonfat dry milk. Such an action is expressly authorized by the 2008 Farm Bill which merely directs USDA to purchase those products at prices "not less than" those specified in the legislation. Congress clearly intended to provide USDA the leeway to set higher purchase levels if they were determined necessary.

If both the price increases and the equally important commercial cheese standard proposal were put in place during July through September, they would prevent the loss of approximately \$235 million in U.S. dairy producer income during that period. At the same time, our estimates show that CCC would not purchase significantly larger volumes of product. For cheese, we estimate that the additional purchases would total up to 25 million pounds. For nonfat dry milk, the requested increase in the support purchase price will increase the cost of product purchased under the DPPSP; however, it is not likely to result in substantially greater volume sales to CCC because it will not likely affect total demand for the product.

To help enhance the impact of these vital measures which would directly contribute to all dairy producers' viability, we urge that USDA build on the useful step taken in May to announce the FY 2008-2009 Dairy Export Incentive Program (DEIP) by immediately announcing on July 1st the opening of DEIP for FY 2009-2010. In addition, we applaud the steps that USDA has taken to use Food and Nutrition Service funds to purchase dairy commodities for use in the feeding programs so much in demand in these currently challenging economic times. Until Congress approves additional Section 32 funding, this is a useful tool to help provide much-needed support to dairy producers while also helping to feed the many hungry families throughout our country.

NMPF looks forward to continuing to work closely with this Administration to bring the help dairy producers need to make it through this historic economic catastrophe. We hope that through continued industry actions such as CWT, we can bolster the effectiveness of the tools USDA has at its disposal to jointly address the suffering in the dairy producer community. Thank you for your dedication to this effort.

Sincerely,



Jerry Kozak
President and CEO

cc: Under Secretary Jim Miller
Chairman Collin C. Peterson
Chairman Tom Harkin

Ranking Member Frank D. Lucas
Ranking Member Saxby Chambliss

Jerry Kozak, President/Chief Executive Officer

Randy Mooney, Chairman