



International Dairy Foods Association

Milk Industry Foundation

National Cheese Institute

International Ice Cream Association

September 4, 2009

The Honorable David Obey
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you begin the conference for the 2010 Agriculture Appropriations bill, we urge you to use the additional funding from the Sanders amendment to assist dairy farmers more directly, not by increasing the cost of milk and dairy products.

Senator Sanders added \$350 million to the Senate bill to enable the United States Department of Agriculture (USDA) to increase the dairy product price support program beyond the levels announced by Secretary Vilsack on July 31st. If the conferees accept that approach for assisting dairy farmers, federal feeding and nutrition programs will serve fewer participants and consumers across the country will pay higher prices for milk at a time when millions of families are struggling.

We are opposed to the use of these funds to increase dairy price levels because of the many negative impacts this would have on dairy markets. There are other ways to provide assistance that are considerably less problematic for the dairy industry. For example, payments this calendar year under the Milk Income Loss Contract (MILC) program are expected to exceed \$1 billion and have not significantly distorted dairy markets.

IDFA represents our nation's milk, cheese and ice cream companies. We recognize that many of our nation's roughly 60,000 dairy farmers are facing very difficult financial circumstances. We appreciate that Congress has already responded by providing significant financial support for dairy farmers. However, Senator Sanders's proposal to increase milk costs has many negative consequences for our nation's dairy farmers, dairy processors and dairy consumers. Consider the following:

- Raising the price of milk and dairy products using this program will adversely impact your efforts elsewhere in the agriculture appropriations bill to provide adequate funding for WIC and other nutrition programs at a time when demand for that assistance is rapidly expanding. Because increased spending under the milk price support program will raise the price of milk, funds for other programs that buy milk will not stretch as far as hoped or intended.

- IDFA calculates that raising price supports from the levels set in the 2008 Farm Bill to levels promoted by Senator Sanders will cost our nation's consumers nearly \$1 billion over the next three months. Given these difficult economic times, it seems counterproductive to increase the financial burdens of raising a family by adding to the cost of milk and other dairy products. Children under the age of 18 consume nearly half of all dairy products.
- USDA has already spent nearly \$300 million this fiscal year to purchase and store over 270 million pounds of nonfat dry milk, and nearly 5 million pounds of butter, under the milk price support program. In late July, the USDA announced that it was increasing the support levels and will purchase another \$243 million worth of nonfat dry milk and cheddar cheese.
- Raising the price support levels to those contemplated by Senator Sanders will encourage farmers to produce more milk at a time when there is too much milk. Doing so prolongs the underlying problem and will over time add significant costs as the government continues to buy dairy products and to provide MILC payments.

While we oppose the Sanders amendment to raise milk costs, we support short-term, targeted assistance to help dairy farmers get through this difficult time. We have, however, stressed that the short-term assistance must be tied to a commitment to long-term reform of our current milk pricing and dairy support policies. Everyone surely agrees that we must not find ourselves in the same situation in a few years, or hopefully ever again.

There are many better ways to support our nation's dairy farmers. Rather than using \$350 million for the milk price support program, IDFA urges you to consider using those funds for the following:

1. Make more milk available to school students by increasing the funding for USDA's Special Milk Program. This program subsidizes the cost of milk in the a la carte line in school cafeterias, making milk an affordable and healthy choice for all students. Instead of purchasing nonfat dry milk powder, the government can make nutritious milk more available for our schoolchildren.
2. Make temporary, emergency, direct payments to dairy farmers using USDA's economic disaster authorities. To help prevent the current situation from reoccurring, this assistance should be conditional upon producers enrolling in one of USDA's revenue insurance programs.
3. Provide funding for the USDA to subsidize risk management programs, such as the livestock gross margin insurance program, for dairy farmers. This program and other USDA risk management programs are grossly underutilized by dairy farmers. Risk management tools are effectively and routinely used by farmers for all other commodities. Dairy farmers should be encouraged to use such tools as a way to smooth the peaks and valleys of milk prices.
4. Include yogurt in the WIC package as an eligible dairy product, as recommended by the Institutes of Medicine. When USDA revised and updated the WIC food packages, they rejected the inclusion of yogurt because of increased costs. At that time, USDA estimated that it would cost an average of \$82 million annually to include yogurt in WIC.

All of the above options will either help dairy farmers directly or help them indirectly by increasing demand for the milk they produce. Each is much less disruptive to the dairy industry

and friendlier to consumers than artificially distorting dairy prices using the milk price support program.

Our current dairy support programs, of which the dairy product price support program is only one component, have failed to sustain dairy farmer's incomes, have actually worked to speed the decline of smaller dairy farms, and have made our nation's dairy industry less competitive. Aggressively using the price support program at this time compounds each of those problems.

IDFA's members know and appreciate that their businesses are dependent upon a steady, reliable supply of high-quality milk from our nation's dairy farmers. Although we believe it's time to say "no" to further government intervention that increases dairy prices, we look forward to working with you to provide short-term responses but also to help develop longer term reforms to our dairy programs.

Sincerely,



Connie Tipton
President & CEO
International Dairy Foods Association

CC: Speaker of the House Nancy Pelosi
Republican Leader John Boehner
Majority Leader Steny Hoyer
House Agriculture Subcommittee on Livestock, Dairy and Poultry
House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug
Administration, and Related Agencies
House Dairy Caucus