



**International Dairy Foods Association**

Milk Industry Foundation

National Cheese Institute

International Ice Cream Association

August 7, 2009

The Honorable Herb Kohl  
U.S. Senate  
Washington, DC 20510

Dear Senator Kohl,

Earlier this week, the Senate voted to add \$350 million to the overall funding for the Farm Service Agency as included in the 2010 Agriculture Appropriations bill. Although the amendment was silent as to how the funds are to be used, its sponsor, Senator Sanders, explained that the funds are intended to enable the United States Department of Agriculture (USDA) to increase price support levels for purchases of dairy products beyond the increased levels announced by Secretary Vilsack on August 1st.

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. Direct 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.

Because our industry depends upon dairy farmers, IDFA has not opposed the recent short-term efforts made by USDA to provide assistance to weather this storm. 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.

But, with the Senate's recent vote to add funding to support additional government purchases of nonfat dry milk and cheddar cheese, we have reached a point where it is time to speak out against a program that has so 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 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 220 million pounds of nonfat dry milk, and nearly 5 million pounds of butter, under the milk price support program. Just last week, the USDA announced that it was increasing the support levels and will purchase another \$243 million worth of nonfat dry milk and cheddar cheese. It is very inefficient to store and dispose of these giant piles of dairy products as their value declines rapidly and reprocessing costs are significant.

- 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.

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:

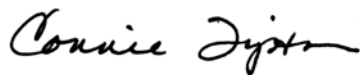
1. Make more milk available to school students by increasing the funding for USDA's Special Milk Program. This program subsidizes the cost of milk in the a la carte line in school cafeterias, making milk an affordable and healthy choice for all students. Instead of purchasing nonfat dry milk powder, the government can make nutritious milk more available for our schoolchildren.
2. Make temporary, emergency, direct payments to small 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 milk 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 efforts to increase dairy prices through government commodity purchases, 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