



November 3, 2011

The Honorable Patricia Murray  
Chairwoman  
Joint Select Committee on Deficit Reduction  
448 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Jeb Hensarling  
Chairman  
Joint Select Committee on Deficit Reduction  
129 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairwoman Murray and Chairman Hensarling,

We are writing to express our concern and opposition to a pending milk supply control policy called the Dairy Market Stabilization Program that is being endorsed by the leadership of the House and Senate Agriculture committees for inclusion into the deficit reduction bill to be considered by Congress before the end of the year.

Our companies manufacture dairy products, primarily cheese and associated whey products, and we are proud to be leading a growing and successful effort to greatly expand dairy exports. Over the past decade, U.S. exports have grown by nearly \$3 billion and U.S. dairy manufacturers now export the equivalent of nearly 14% of the farm milk produced in our country in the form of dairy products like those we manufacture.

The Dairy Market Stabilization Program, found in H.R. 3062 as introduced by Representative Collin Peterson, puts this growth at risk. The program would give the U.S. Department of Agriculture new authority to regulate farm milk checks in order to reduce the U.S. milk supply under certain conditions. The sole purpose of this program is to raise domestic milk prices, when triggered by weak farm profits, regardless of the global supply and demand situation for dairy products. As a result, consumers will pay higher prices for dairy products.

Different economic analyses of the Dairy Market Stabilization Program have shown different estimated impacts on U.S. dairy exports. But, none of them consider how U.S. dairy companies like ours will change how we look at export opportunities. The very existence of a government supply control program for dairy will be a signal to our competitors and trading partners that the U.S. is not a serious and reliable long term supplier. The stabilization program will create significant market uncertainty and increase risk calculations for our businesses that will discourage future investment into new domestic facilities and new export markets.

Studies like the Bain Report have found that the U.S. is uniquely situated to expand its dairy exports. However, we need to have the right dairy policies in place in order to take advantage of this major opportunity for growth and job creation for our country.

We strongly believe that the Dairy Market Stabilization Program will have a negative impact on dairy exports, cannot be fixed by turning it off after exports start declining, and should not be part of a bill whose purpose is to reduce federal deficit spending.

We would be pleased to meet with you at your earliest convenience to discuss our concerns in greater detail.

Very truly yours,

Jon Davis  
COO  
Davisco Foods International, Inc.

Jeff Williams  
President and CEO  
Glanbia Foods

John Jeter  
CEO and President  
Hilmar Cheese Company

Terry Brockman  
President  
Saputo Cheese USA Inc.

Lou Gentine  
Chairman & CEO  
Sargento Foods Inc.

Robert D. Byrne, Ph.D.  
Director - Industry and Regulatory Affairs  
Schreiber Foods, Inc.

CC:  
Senator Max Baucus  
Representative Xavier Becerra  
Representative David Camp  
Representative James Clyburn  
Senator John Kerry  
Senator Jon Kyl  
Senator Robert Portman  
Senator Patrick Toomey  
Representative Fred Upton  
Representative Chris Van Hollen