

Via E-Mail Only to dana.coale@ams.usda.gov

May 18, 2016

Dana H. Coale
Deputy Administrator, USDA Dairy Programs
1400 Independence Ave, SW
Washington, DC 20250-0225

Re: Organic Trade Association FMMO Proposal

Dear Ms. Coale:

Dairy Producers of New Mexico (DPNM) opposes the Organic Trade Association (OTA) proposal and urges the Department to exercise its discretion to not hold a hearing on this proposal. In reaching this position, DPNM has carefully considered the entirety of the OTA proposal, the data compiled by Dairy Programs, the statements submitted by other interested parties, and the impacts that the proposal would have on the dairy farmer members of DPNM.

It is important to note that DPNM counts among its members several excellent organic dairy producers, and we have contemplated the possible positive impacts that the OTA proposal might have upon them, along with the possible detrimental effects that the OTA proposal might have upon conventional producers.

On balance, DPNM opposes the OTA proposal because of the unwarranted blend price dilution the proposal is nearly certain to impose upon New Mexico producers. Data provided by USDA estimates the blend price reduction in Order 126 could reach as high as \$0.059 per hundredweight. The aggregate impact on producers in New Mexico alone would approach \$3.2 million per year, which amounts to about \$23,000 per year for a typical New Mexico dairy.

We are also unable to ascertain any concrete benefit that the OTA proposal would confer upon our organic members. The proposed exemption from Class I obligations that would be provided to organic handlers will not find its way back to organic dairy farmers, nor is there anything more than a speculative hope that these savings would be passed through to consumers.

The only guaranteed beneficiaries of the OTA proposal are organic Class I handlers, and the guaranteed losers are pooled dairy farmers. This is a scenario that no producer organization could legitimately countenance.

While the direct economic effects of the OTA proposal alone are sufficient to deny the request for hearing, the proposal also opens a veritable Pandora's Box for the federal milk marketing order program. As new and innovative Class I products are introduced at premium prices to satisfy consumer desires (grass-fed milks, A2

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milk, high-protein milk, to name a few), it is not difficult to imagine the queue of potential special interests seeking an exemption from minimum price requirements.

This type of differentiation and segmentation is beneficial to consumers and beneficial to the industry as a whole to the extent that it provides consumer choice and increases fluid milk demand. But these benefits must come with the attendant responsibilities of handlers to meet their Class I pool obligations lest the entirety of the FMMO system be placed at risk.

Accordingly, we urge the Department to deny the request for a hearing.

Very truly yours,



Ryan K. Miltner
Counsel for Dairy Producers of New Mexico

cc: Undersecretary Edward Avalos (ed.avalos@osec.usda.gov)
Erin Taylor, Acting Director, Order Formulation (erin.taylor@ams.usda.gov)
Cary Hunter, Southwest Market Administrator (cary.hunter@dallasma.com)