

United States Senate

WASHINGTON, DC 20510

April 27, 2009

Secretary Tom Vilsack
United States Department of Agriculture
212A Whitten Building
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack,

We write to express our serious concern regarding proposals to eliminate the long standing producer- handler exemption (for pricing and pooling) in Federal Milk Marketing Order regulations. It is our understanding that your Department has been asked to expedite consideration of such a proposal.

First, and foremost, we believe that the current exemption should remain in place. The exemption has been in place for decades, and provided consumers with high quality products. It has also allowed for great innovation in the industry, and provided thousands of jobs in states across the nation.

Second, as you consider requests to remove the exemption, we urge you to proceed with considerable caution. There is little doubt that the dairy industry in particular and the agricultural economy in general, faces great challenges in the tough economic times ahead. To place this at the feet of producers-handlers is unfair, and ignores serious faults in the milk marketing order framework.

Much of proposal rests on the premise that producer-handlers are creating "disorderly marketing" conditions. We disagree. Producer-handlers are producing and marketing their product to meet the demands of their customers, and have every incentive to produce exactly what the market is demanding. If anything, producer-handlers have brought greater transparency to the marketplace by providing a more accurate estimate of consumer needs and economic trends.

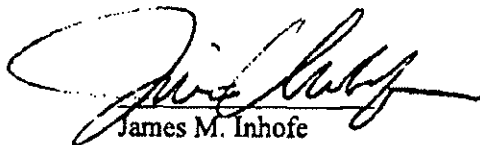
Supporters of removing the exemption also imply that producer-handlers enjoy an advantage in the purchase of raw milk, and therefore do not bear the true costs of production and delivery. By their very nature, producer-handlers bear the true and total costs of production, and have every reason to ensure the accuracy of these costs. Furthermore, if they are able to gain efficiencies by properly responding to input costs, especially in an era of high feedstock and fuel costs, why should they be punished? Any industry that fails to consider the new reality, itself is destined to fail.

Finally, as you approach the request to expedite removal of the producer-handler exemption, we encourage you to examine the larger problems facing the dairy industry and the federal milk marketing order framework. Rather than isolating producer-handlers, the time is ripe for a comprehensive review and study to determine the best interests of all dairy farmers and consumers in the 21st Century. In particular, the industry and the milk marketing order regulations must become more transparent so that future discussions on this and other dairy issues are fully informed by the facts. Whether this review comes via the Section 1509 commission established under the Farm Bill, or through other efforts, we would encourage the Administration to consider the results of a more thorough analysis before embarking on this latest request.

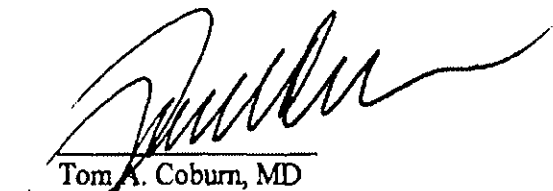
Producer-handlers should not be punished for economic factors and a regulatory framework far beyond their control. They have acted in good faith with regulators, and followed the extensive reporting rules required of them. Rather than looking for scapegoats, it is our hope the Department will take a more comprehensive viewpoint of the very real challenges facing the dairy industry.

We thank you in advance for your efforts, and stand ready to answer any questions you may have.

Sincerely,



James M. Inhofe
United States Senator



Tom A. Coburn, MD
United States Senator