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Country Dairy Inc. · 3476 S 80th Ave. · New Era, MI 49446-9776
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March 16, 2009

Cindy Smith
Acting Under Secretary for Marketing and Regulatory Programs
United States Department of Agriculture
400 Independence Ave., SW
Washington, DC 20250-0225

Dave Shipman
Acting Administrator, Agricultural Marketing Service
United States Department of Agriculture
400 Independence Ave., SW
Washington, DC 20250-0225

Re: Request for Denial of IDFA/NMPF Proposals to Eliminate Producer-Handler Exemption and Further Information Collection

Dear Under-Secretary Smith and Administrator Shipman:

Our family requests your consideration of our arguments against the above proposal and the specific implications the proposal would have on the livelihoods of us and others like us across the nation.

IDFA/NMPF essentially argue in their proposal that the producer-handler status causes disruption in the milk market by giving producer-handlers an unfair economic advantage and, when conducted on a large scale, can disrupt the orderly marketing of milk. Perhaps stated another way, the proposal asserts that producer-handlers have an unfair, competitive advantage. However, we look at this proposal and see intent to further eliminate competition. The dairy industry has undergone significant consolidation during the last decade, resulting in fewer processors, fewer cooperatives and less competition in the industry overall. Eliminating the producer-handler status brings the processing and cooperative conglomerates that much closer to singular, primary control of the nation's milk supply, and ultimately, to control of the price the consumer will pay. The consolidation of the dairy industry would appear far more imposing and disruptive to the marketing of milk on national scale than retaining the producer-handler status.

The IDFA/NMPF proposal asserts that the producer-handler status provides a six to fifteen cent price advantage to the producer-handler. While this specific "price advantage" is based on a snapshot of the market at a specific point in time, we would acknowledge that our processing plant adds value to our product and that it should. That is exactly why it exists. However, they would have you believe that the producer handler provision has enough financial incentive to place the larger cooperatives and processors at a disadvantage. For Country Dairy, the real truth is that our milk and other dairy products must be sold at premium prices in order for us to be successful. The larger producers and processors who have brought this proposal could easily do in a day what Country Dairy does in a week. Country Dairy would have to achieve comparable production and processing efficiencies of the larger producers and processors before we could ever realize the price advantage that the proposal asserts.



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My father-in-law started bottling milk in our on-farm dairy plant twenty-six years ago with the production from eighty head of Holsteins based on the expected benefit of processing his own milk – not with grandiose ideas of becoming a mega-producer or a mega-processor. He hoped to receive more for his milk by marketing it himself than he was receiving from his cooperative, but he faced price *disadvantages* long before he realized any price advantages. His step was calculated, but nonetheless, quite risky. He risked being able to find market for his milk, because his cooperative would no longer buy what he could not bottle, and another processor was only obligated to pay the lowest class value for his milk – if they would even buy it! He risked a few hundred thousand dollars to build the plant – a lot of money today and at the time – that would be unusable, if he could not market his milk effectively.

So for more than a quarter of a century, he has worked to market his milk by building a reputation for high quality products that taste fresher and last longer. As the next generation joined him in the business, we expanded our focus on reaching future generations of milk drinkers. We host thousands of guests and customers each year in our own retail store and share with them life on a dairy farm in our “Moo School”. While they spend the day with us, they can see the equipment that harvests the feed, the cows that produce the milk, and the plant that packages the very dairy products they buy. Our existence brings the consumer back to the source of their food, reminding them that American farmers are needed to feed America and the world.

My father-in-law’s move to vertically integrate his company by processing and distributing his own milk was an entrepreneurial move that states across the nation are seeking to encourage more farmers to pursue. Indeed, value-added grants have been a significant part of hundreds of thousands of dollars doled out by the USDA for several years. Yet, ironically, a present-day entrepreneur should beware that if they obtain these grants, invest significant amounts of time and dollars into their value-added enterprise, and become highly successful, they run the risk of having their success cut short by the larger industry. At least, this is how it seems from our perspective. The goal of this proposal excoriates the heart of the American dream for entrepreneurs like my father-in-law and dozens of other like him who worked hard to build an operation that successfully provided for his family and the families of his employees, not to mention the investment into the economy of their local communities.

As the fourth-generation voice of this specific producer-handler, I and my family hope you will not take away the very basis of our business by removing the producer-handler status from the Federal Market Order. Scores of families have legitimately built businesses that are dependent on the status of producer-handler, taking risks to do so, and have all the while worked within the guidelines of the Federal Market Order. We have acted in good faith, believing that the rules would not be changed because our investment, risk and hard work brought about success.

Please deny the proposal you have received to eliminate the producer-handler status.

Sincerely,

Paul D. Arkema
President/Treasurer/Fourth generation producer-handler
Country Dairy Inc.