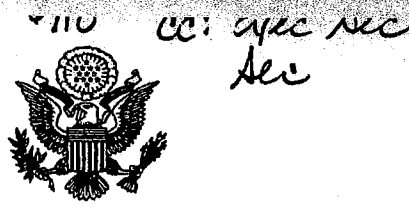


G. REICHERT
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Congress of the United States
House of Representatives
Washington, DC 20515-4708

June 10, 2005

Secretary Mike Johanns
United States Department of Agriculture
1400 Independence Avenue, SW
STOP 9200-Room 1083
Washington, DC 20250-9200

35-4282958
AMS

Dear Secretary Johanns:

I am writing in opposition to the proposed amendments to U.S. Department of Agriculture regulatory orders that would affect producer-handlers in the Pacific Northwest and Arizona-Las Vegas market areas. As a United States Representative from Washington State, I am particularly concerned about the impact the amendments would have on two family-owned dairies in my state, on their employees and distributors and on thousands of customers who currently depend on them for dairy products. In a larger sense, I believe the amendments would reduce competition, harm consumers and set bad precedents for national dairy policy.

I understand that the "pooling and pricing" regulations were established in the 1930's to protect small dairy farms from being exploited by large processors which could potentially buy their raw milk at below-cost prices. At the same time it was established by Congress that "producer-handlers" – those dairy operations that process and market milk from their own cows on their own farms – would be exempted from the pooling and pricing provisions. It didn't make sense for producer-handlers to pay into a pool subsidizing other producers when they do not buy milk from any other dairy farms. It still doesn't.

Some have expressed concerns that producer-handlers have a competitive advantage because they are not "fully regulated." In fact, producer-handlers bear the risks of producing, processing *and* marketing their products – risks that fully regulated producers and processors do not bear. In addition, the three million pound-per-month threshold is really quite low, affecting those who are not in any position to "distort the market."

As a case study, I'd like to focus on Smith Brothers Farms, based in Kent, Washington, within my district. This 85-year-old family-owned dairy processes and markets milk from its own farm. This company delivers to 40,000 homes and 14 local school districts, as well as a few larger customers, such as Tully's Coffee, Matanuska Maid dairy in Alaska, and PCC Natural Markets. In providing fresh hormone-free milk for home delivery it fills a niche market that has been abandoned by the large processors.

Smith Brothers markets about six million pounds of milk a month, mostly Class 1 liquid milk products. Under the proposed amendments, it would have to essentially sell its milk into the pool at lower "blended" prices and buy it back at the higher Class 1 price. This paper transaction would cost the dairy more than \$1 million a year, essentially wiping out any profits.

I believe this regulatory change does not make sense and would be achieved at the expense of the last remaining independent family-owned dairies. In addition, by further consolidating the market, it will also drive up prices and eliminate choice for consumers. This is all-around bad policy.

Please reject the proposed amendments **Agricultural Marketing Service, 7 CFR Parts 1124 and 1131 [Docket No. AO-368-A32, AO-271-A37; DA-03-04B].**

Sincerely,

A handwritten signature in black ink, appearing to read "D. Reichert". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David G. Reichert
Member of Congress