

**Progressive Agriculture Organization (Like us on FACEBOOK!)**  
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Dana Coale, Deputy Administrator  
USDA/0225 Room 2968/SOUTH  
1400 Independence Ave/ SW  
Washington DC 20250

**received**  
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To: Deputy Coale

From: Several Farm Organizations, Dairy Cooperatives, County Commissioners, and Other Interested Parties

The farm organizations, dairy cooperatives, county commissioners and other interested parties request a national hearing to be conducted to consider a new pricing formula for dairy farmers all across the United States of America. We understand that in all probability the Secretary of the USDA can only call a hearing for the dairy farmers that ship their milk to milk bottlers or processors that are regulated by one of the ten Federal Milk Marketing Orders.

However, it always appears that individual state orders and unregulated areas closely follow the lead of our Federal Orders.

The most recent severe decline in dairy farmers' payments began in January 2015 and continued throughout 2016. While milk prices took a small increase in January 2017, the recent pay price to dairy farmers in Federal Milk Marketing Order #1 dropped to \$16.39 per cwt. (hundredweight).

To illustrate the severity of the drop in pay prices to dairy farmers, we have compiled records that illustrate the weighted average prices paid to dairy farmers within the ten Federal Milk Marketing Orders was \$15.38 per cwt. in 2016. At the same time of this price of \$15.38, the Economic Research Service, a division of the USDA records illustrate the national average cost of producing milk was \$21.87 in 2016. This means the average dairy farmer in the Federal Milk Marketing Orders lost \$6.49 per cwt. on all of their milk.

We are more than aware that every dairy farmers' cost of production is different. However, we must remember that under the present pricing system, this same diversity in dairy farmers' cost of production is different, but the value of milk used for manufacturing milk into dairy products is the same in all Federal Milk Marketing Orders.

The problem is simple. There isn't anything in the present pricing formula that allows dairy farmers to cover their cost of production. Everyone signing onto this petition feels very strongly that the pricing formula used to determine the prices paid to dairy farmers must change.

It is very clear that the Agriculture Marketing Agreement Act of 1937 indicates that the intent of Congress was to mandate the dairy farmers should receive a price to give them an opportunity to cover their costs. Even Judge William Sessions noted in the St. Alban's Cooperative Creamery Inc. case against the Secretary of Agriculture (v. Glickman; 1999) that the dairy farmers were not receiving a price to cover their costs.

In addition, when dairy farmers convinced the Secretary of Agriculture in the late 1970's and early 80s to increase the dairy product price support figure from 75% of parity to 80% of parity, and again the intent was for this increase to help give dairy farmers a fair price. We in the dairy cooperatives later met in State College, Pennsylvania for a meeting that I called as President of the Eastern Milk Producers Dairy Cooperative to consider the possibility of working with the US Congress to take action to raise the dairy support price up to 85% of parity. We not only got the US Congress to raise the support price, but the language that was passed by Congress called for the milk support price to be recalculated each calendar year on April 1 and October 1. These actions clearly point to the fact that the US Congress' intent was to have pricing formulas (in this case, the dairy price support price) that would give dairy farmers an opportunity to cover their costs.

However, in 1981, the milk processors exerted enough pressure on Congress to reverse their positions; therefore the US Congress passed a new law that nullified the support price from being adjusted upward at any time. This new bill was signed into law by President Ronald Reagan during the time he was in the hospital after being shot. This new law became effective April 1, 1981. In following years, the US Congress reduced it down to \$9.90 per cwt. in several increments.

Here we are, 36 years later, with hundreds of thousands of dairy farmers being forced out of business or some simply saying, we have had enough.

At the same time rural America has declined severely and nothing concrete has been done. Therefore the farm organizations, county commissioners, and dairy cooperatives, along with other interested parties are urging the Secretary of Agriculture to place a floor price under milk used to manufacture dairy products at \$20 per cwt.

This could be done in two increments. However, for the long haul we are urging the Secretary of Agriculture to call a national milk hearing in locations where the average dairy farmer could attend. The following are solutions we are proposing:

- 1) Abolish the present pricing formula used to price milk used to manufacture dairy products.
- 2) Consolidate the three classes of milk to manufacture dairy products into one class. This new class would be Class II. This has been done before in certain milk marketing orders, and should be done now.

- 3) Maintain the existing method of determining the value of Class I milk in all federal milk marketing orders.
- 4) Most important: we must develop a new method to price milk to our dairy farmers.

#### Starting price

Class II milk would be determined by using the national average cost of producing milk as determined by the Secretary on October 1 of each year. Currently the ERS releases this figure on May 1 for the previous year. The figure this year on May 1 was \$26.31 per cwt. However, this figure may be adjusted on October for each year and could change the \$26.31 price slightly. We must understand this figure of \$26.31 per cwt. announced by ERS is for a complete dairy enterprise. Several people, including myself, see the necessity of making this formula a true cost of producing milk only.

As an example, cost of production figure \$26.31

Less unpaid labor                                    \$2.31

Less other income besides milk                 \$2.13

This leaves a true price of production         \$21.87

Even Dr. Gary Frank of the University of Wisconsin agrees that other income must be taken out of the cost of production formula.

In Order #1, the price would be determined: Class II price \$21.87

Class I price: adding the present differential of \$3.25 to the \$21.87 making the Class I in Order #1 \$25.12

Final price paid to dairy farmers in Order #1, based on current utilization factors, means the dairy farmers at the pricing point would be paid approximately \$23 per cwt.

Using the October 1 adjusted national cost of production, the Secretary shall announce the prices of milk no later than December 1 for January 1 of the following year. Using the most currently available national average cost of production, the Secretary shall adjust the price to be announced on March 1 for April, June 1 for July, and September 1 for October.

All of us hope that this proposal will receive favorable action.

Thank you,

Arden Tewksbury, Manager, Pro-Ag

Dennis Boyanowski, President