

SENT BY EMAIL AND FAX

March 4, 2009

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

Re: Request for denial of Proposals to Eliminate Producer-Handler Exemption

Dear Ms. Coale:

The undersigned are all producer-handlers or dairy processors whose businesses have been targeted by the International Dairy Foods Association (“IDFA”) and the National Milk Producers Federation (“NMPF”). We are located throughout the United States and operate in various federal milk marketing orders (“FMMOs”). We have succeeded in growing successful independent businesses consistent with all applicable laws and regulations, including those that IDFA and NMPF now propose to eliminate. While we will be submitting more comprehensive opposition statements to Dairy Programs, along with probable alternate proposals, we wanted to take this opportunity to tell you now that we oppose the requests.

We request that AMS deny the hearing requests from IDFA and NMPF. There is no factual support offered for the proposals that indicate any urgency for action on these extraordinary proposals. The producer-handler business model has existed since the beginning of the FMMO system.

There are certainly problems in the dairy industry but they have nothing to do with our businesses. These are uncertain economic times for all of us. USDA’s Economic Research Service has just reported milk-feed price ratio for February at 1.44. This is a historic low. This ratio, which measures the general profitability of dairy operations, has been declining for over a year. The continued exemption of producer-handlers from market-wide pooling will have no impact on the profitability of dairy farming operations in general nor will elimination improve this difficult economic situation.

It is equally clear that consolidation and concentration among cooperatives and handlers, has affected the allocation of bargaining power in the marketplace. There can be no fair consideration of whether USDA should sacrifice our regulatory status, our businesses, and our communities by laser focusing on producer-handlers without fully evaluating the comparative impact of handlers and their cooperative suppliers, integration and consolidation in the industry, as well as taking a hard look at the entirety of issues that drive dairy economics.

Dairy Programs has proposed an action plan that closes the opportunity for policy discussion about the wisdom of further consideration of this proposal by March 9, with a hearing tentatively scheduled for late April or early May. The large, well-funded Washington-based trade associations advancing this proposal will have no problem participating in the proposed hearing in April and May. With their governmental affairs specialists and PhD economists on staff, they have likely spent months preparing to submit their proposal. The targeted producer handlers are all very active in the day-to-day operations of our dairy businesses. April and May are extremely busy months on the farm and, yes, many of us do plant our own corn and cut our own hay.

We submit that this is not a simple proposal to modify “a milk marketing order” within the meaning of the amendments to the 2008 Farm Bill. It is a major national policy initiative that requires policy consideration by the new Administration prior to the automatic commencement of a narrow, truncated hearing focused on the elimination of our businesses, the jobs we provide and the communities we support. The Administration appointees with responsibility for these decisions have not yet been nominated or confirmed and the opportunity for them to consider this issue must be preserved. President Obama has pledged to review federal programs and to keep those that work and eliminate those that do not. Secretary Vilsack has said, “the American economy has worked best when we have been the innovator and the creator of new ways to do things.” We are those innovators.

For these reasons, the IDFA/NMPF petitions are simply inadequately supported to justify further consideration by the Department at this time. There is no economic analysis of any factor in this proposal other than an alleged competitive impact between fully-regulated handlers and producer-handlers at assumed or imputed procurement cost differences. There is no analysis of effects on particular marketing order areas. There is no analysis of economic impacts associated with jobs and economic productivity sought to be eliminated. There is no analysis of impacts on our diverse communities, including job loss. There is no analysis of the impacts on consumers. There is no analysis of the impacts of complete consolidation and concentration among the largest cooperatives and handlers. We request that they be denied.

Very truly yours,

Ron Kreider
Kreider Dairy Farms, Inc.,
Manheim, Pennsylvania.

Warren Taylor
Snowville Creamery
Pomeroy, Ohio

Tim Button
Heartland Creamery
Newark, Missouri

Drew Braum
Braum Dairy
Oklahoma City, Oklahoma

Sally Keefe
Aurora Organic Dairy
Boulder, Colorado

David Boyd
Longmont Dairy Farms, Inc.
Longmont, Colorado

Rob Graves
Morning Fresh Dairy
Bellview, Colorado

Paul Rakema
Country Dairy
New Era, Michigan

Hein Hettinga
GH Dairy – El Paso
El Paso, Texas

cc: The Honorable Tom Vilsack, Secretary of Agriculture
Cindy Smith, Acting Undersecretary for Marketing and Regulatory Programs.
Dave Shipman, Acting Administrator, Agricultural Marketing Service