



April 8, 2016

Honorable Tom Vilsack
U.S. Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack,

On behalf of the 450 dairy farm families who own Northwest Dairy Association (NDA), the Darigold cooperative, I am writing to express concerns with the Organic Trade Association's (OTA) petition for a hearing to effectively exempt processors of organic Class I beverage milk from paying into Federal Milk Marketing Order (FMMO) pool. We urge you to deny the hearing request.

The intent of the FMMO program is to ensure an orderly flow of the milk supply by guaranteeing dairy farmers a minimum – not maximum – price for the milk they send to market. FMMOs do not force milk processors to pay premiums for production decisions such as rBST-free, pasture fed, GMO-free, or organic, but instead allows the market to establish premiums above the FMMO minimum prices based on the available supply or demand signals received from the marketplace. As evidence, the average milk price received by organic producers ranged from \$32 to \$38 per hundredweight from January 2015 through June 2015. In comparison, conventional farmers received average milk prices of \$16.72 per hundredweight during the same period.

Moreover, according to data released by the Department, removing organic packaged fluid milk sales would have reduced the FMMO pool value by \$118 million dollars over the January 2013 to July 2015 time period. While OTA maintains that this financial impact would be insignificant to farmers pooling on FMMOs the data tells a different story. For dairy farmers pooling on the Pacific Northwest FMMO the loss of pool revenue if OTA's proposal were adopted would reduce income of a family dairy farm by one to two thousand dollars per year. With milk prices falling by nearly 50 percent from 2014 our dairy farm families cannot afford an additional hit on their milk checks.

Importantly, this money is not guaranteed to be paid to organic dairy farmers as has been implied. Instead, OTA acknowledges that the pool credit will be received by organic Class I processors before dairy farmers would be able to discuss what portion, if any, may be directed back to the farm family. The proponents of this proposal consist of three large organic dairy processors with large national footprints in the retail space. At least two of the proponents have annual sales well over \$1 billion dollars. The notion that OTA speaks on behalf of dairy farm families as it pertains to the benefits provided by the FMMO program is inaccurate.

This proposal is a very serious problem for dairy farmers and for USDA as it would undermine the intent of the vital FMMO program and would cost dairy farm families thousands of dollars each year. NDA will be sharing these concerns with supporters of the FMMO system including our elected officials, and we request that the Department reject the proposal.

Sincerely yours,

Steve Matzen, Senior Vice President