



October 17, 2013

Dear Conferee:

As you prepare to engage in conference committee deliberations to finalize a five-year farm bill, the undersigned organizations, representing dairy farmers small and large from across the U.S., strongly encourage you to support the Dairy Security Act contained in the dairy title in the Senate farm bill, and to include its provisions in the final conference package.

The Dairy Security Act is specifically designed to offer dairy farmers help when they desperately need it: when margins between farm milk prices and production costs shrink to dangerous levels. Equally important, the Dairy Security Act is designed to limit taxpayers' liability through its market stabilization mechanism that will help farm milk prices recover -- to mitigate against prolonged or particularly serious downturns that would otherwise increase government program costs.

The need for both margin insurance and market stabilization has been made clear by the milk price roller-coaster that has plagued both dairy producers and consumers over the last 15 years. This was never more obvious than in the devastating recession of 2009. As milk prices collapsed, Congress intervened with \$350 million in emergency funding on top of more than \$750 million in MILC payments to help dairy farmers fend off economic ruin. This assistance was desperately needed. But despite these measures, thousands of dairy farms were forced out of business. That was because these efforts did nothing to address the underlying cause of the problem: low prices triggered by milk supplies that badly outstripped demand. Without the two-pronged Dairy Security Act, the conditions that created the crisis in 2009 will continue and could easily worsen in the future.

It is especially disappointing to the nation's dairy farmers to see the recent letter of opposition to DSA's market stabilization program from dairy processor and food retailer groups that profit from the conditions the DSA is designed to correct. Processors, wholesalers and retailers receive 70% of the amount consumers pay for dairy products (with farmers receiving only 30%), and they employ their own supply management daily by buying only the amount of milk they want. Without the stabilization mechanism, when there are excess supplies that drive down the price of all milk it is dairy farmers, the cooperatives they own and taxpayers who would suffer.

Collapsing farm prices and unchecked milk supplies are a bonanza for dairy processors. Again in 2009, as prices fell precipitously and farmers lost money on every gallon of milk they produced, processors' earnings soared ("the perfect sunny day," as one processing industry leader said at the time). No wonder they oppose a system designed to keep milk supplies in better balance with demand and prevent a prolonged collapse in farmers' margins.

Without the DSA's market stabilization program, dairy farmers will continue to suffer periods of unsustainably low prices, even as taxpayers will subsidize processors by keeping milk prices artificially low through margin insurance that blunts the market signals contained in the market stabilization component.

We have worked hard to craft the Dairy Security Act as a responsible alternative to the current, dysfunctional dairy program. The DSA is a voluntary program that protects producers and keeps taxpayer costs in check. Contrary to the gross distortion pedaled by DSA's opponents during the House debate, the plan doesn't increase retail milk prices. It is designed merely to keep farm milk prices from staying too low for too long, conditions that put 2,000 dairy farms out of business in 2009.

The margin protection and market stabilization mechanisms in the Senate's dairy title establish a critically important, economically viable and cost-effective safety net for the nation's milk producers. The Dairy Security Act deserves your support.

Sincerely,

***National Milk Producers Federation
National Council of Farmer Cooperatives
National Farmers Union
National Farmers Organization
Holstein Association USA, Inc.
Agri-Mark
Alabama Dairy Producers
Arkansas Dairy Cooperative Association
Associated Milk Producers Inc. (AMPI)
Bongards' Creameries
Colorado Dairy Farmers
Continental Dairy Products, Inc.
Cooperative Milk Producers Association
Dairy Farmers of America (DFA)
Dairy Farmers Working Together
Dairy Producers of New Mexico
Dairy Producers of Utah
Dairylea Cooperative Inc.
Dairyman's Marketing Cooperative, Inc.
Ellsworth Cooperative Creamery
Farmers Cooperative Creamery
FarmFirst Dairy Cooperative
First District Association
Foremost Farms USA
Idaho Dairymen's Association
Iowa State Dairy Association
Kansas Dairy Association
Land O'Lakes***

***Lone Star Milk Producers
Maryland Dairy Industry Association
Maryland & Virginia Milk Producers Cooperative Association
Michigan Milk Producers Association
Midwest Dairy Coalition
Milk Producers Council
Missouri Dairy Association
North Carolina Dairy Producers Association
Northeast Dairy Farmers Cooperatives
Northwest Dairy Association / Darigold
Oregon Dairy Farmers Association
Prairie Farms Dairy Inc.
Premier Milk Inc.
Scenic Central Milk Producers
Scioto County Cooperative Milk Producers' Association
Select Milk Producers, Inc.
South Carolina Dairy Association
South Dakota Dairy Producers
St. Albans Cooperative Creamery
Swiss Valley Farms Company
Tillamook County Creamery Association
United Dairymen of Arizona
Upstate Niagara Cooperative, Inc.
Virginia State Dairymen's Association
Washington State Dairy Federation
Zia Milk Producers, Inc.***