



March 26, 2018

The Honorable Devin Nunes  
United States House of Representatives  
Washington, DC 20515

Dear Representative Nunes:

On behalf of the family dairy farmer members of the California Dairy Campaign (CDC) and the California Farmers Union (CFU), we urge you to take action to address the ongoing crisis caused by chronically low milk prices that are well below production costs.

According to the California Department of Food and Agriculture (CDFA), more than 60 California dairies closed in 2017 and more dairy sales will continue unless action is taken to establish a nationwide incentive based inventory management system to stabilize milk prices. According to CDFA, the last reported Overbase milk price totaled just \$13.24 per hundredweight (cwt) in January of 2018 while the latest CDFA cost study concluded that the average cost of production in California totaled \$18.11 per cwt. Dairy producers across California are paid almost \$5 per cwt less than the average cost of production creating a crisis on dairies.

Although in 2009 milk prices collapsed to historically low levels, 2018 is becoming as serious a crisis due to the number of months that milk prices have remained well below production costs. Although milk production in California was in decline for many months, production in other parts of the country continued to increase substantially leading to chronically lower milk prices, particularly in California where mailbox prices are routinely some of the lowest in the country. The average milk price paid in in the United States, the largest consumer market in the world, is more than \$1 per cwt lower than the average price paid to dairy producers in New Zealand, a country with a small domestic market that exports more than 95 percent of its milk production.

The next farm bill presents an opportunity to provide relief to California dairy producers by establishing a framework so that dairy producers are incentivized nationwide to manage their milk inventories based on market demand. The inventory management system that exists in Canada creates stability and certainty for dairy farmers who are paid on average \$27 per cwt fostering a successful milk pricing system that is self-sustaining. Typically Canadian consumers pay \$3.26 per gallon of milk and \$2.40 to \$3.20 per lb. of butter which are comparable to prices paid by consumers in the United States.

We urge you to take action to support an incentive based milk inventory management system to prevent more dairy operations from closing their doors. We thank you for your attention in this regard and look forward to working with you to improve the outlook for dairies across California.

Sincerely,

Joe Augusto  
President  
California Dairy Campaign

Joaquin Contente  
President  
California Farmers Union

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