

Congress of the United States
Washington, DC 20510

The Honorable Herb Kohl
Chairman
Appropriations Subcommittee
on Agriculture
United States Senate
Washington, DC

The Honorable Rosa DeLauro
Chair
Appropriations Subcommittee on
on Agriculture
United States House Representatives
Washington, DC

The Honorable Sam Brownback
Ranking Member
Appropriations Subcommittee
on Agriculture
United States Senate
Washington, DC

The Honorable Jack Kingston
Ranking Member
Appropriations Subcommittee
on Agriculture
United States House Representatives
Washington, DC

Dear Chairman Kohl, Chair DeLauro, Ranking Members Brownback and Kingston:

We write in support of funding to implement electronic reporting and quarterly auditing of dairy commodities as authorized by Section 1510 of the 2008 Farm Bill.

Under the current pricing system, USDA's National Agricultural Statistics Service (NASS) collects data regarding four products at approximately 100 processing plants throughout the country: butter, cheddar cheese, dry milk powder, and whey. NASS collects the previous week's data on Wednesday and releases it on Friday, making the data 7 to 14 days old at the time of release. This information is then used to determine the minimum price paid to farmers for fluid milk. This delay sets dairy apart from many other sectors within agriculture, where product data is reported daily or even real-time.

Congress, recognizing this deficiency, established in the 2008 Farm Bill a system of electronic and more frequent reporting of dairy commodities, and subsequent auditing of the reports. Rather than weekly reporting of one to two week old data, the new system authorized by Congress allows for daily reporting of dairy price and quantity data. Increased reporting will reduce the influence on price discovery of thinly-traded dairy commodities on the Chicago Mercantile Exchange (CME). Less than one percent of dairy commodities are traded on the CME, and the Government Accountability Office has expressed concerns about potential market manipulation. An electronic reporting system will benefit farmers by providing a more accurate measure of supply and demand realities. This will greatly enhance price discovery and transparency, which will in turn allow dairy farmers to make better-informed production decisions. Quarterly audits of the information will also help to ensure that the market is not subject to fraudulent reporting.

While substantive changes to future dairy policy are being developed, it is vital that current programs and policies function effectively. Full implementation of Farm Bill Section 1510 advances us toward that goal. As you prepare fiscal year 2011 appropriations for the Department of Agriculture, we ask for your inclusion of the funding necessary to fully implement this section.