



*A coalition of grassroots dairy producers actively participating, with a unified voice, on policies and issues affecting milk pricing.*

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Chairman Andrew Novakovic  
USDA Dairy Industry Advisory Committee  
Washington, DC

March 1, 2011

**Dear chairman and members of the Dairy Industry Advisory Committee:**

As a nationwide coalition of grassroots dairy producers, the Dairy Policy Action Coalition (DPAC) is very concerned about proposals contained within National Milk Producers Federation's Foundation for the Future.

The DPAC Board of Directors—all active dairy farmers who have cows and sell the milk produced from them in Pennsylvania, New York, Ohio, Indiana, Wisconsin, North Carolina and Tennessee along with ad hoc members serving on action groups from Minnesota, Arkansas, Mississippi, Georgia and Virginia—voted unanimously last week to adopt the following resolution: *“As a grassroots coalition of dairy producers, we cannot endorse Foundation for the Future based on the information available at this time. We are working on an alternative plan.”*

While we agree with elimination of the Dairy Product Price Support Program, we have concerns about a centralized margin-triggered national insurance and market (supply) management plan, which we have detailed in our attached preliminary report and attached one-page summary: Cornerstones for Change. Our key policy proposals were previously shared with the Dairy Industry Advisory Committee in June 2010, and our coalition was one of 15 organizations that were at the table helping to fund the econometric model used by Drs. Chuck Nicholson and Mark Stephenson to study three supply management plans, including FFTF, as part of the study group that met in Chicago in July 2010. While FFTF does mediate some of the volatility, there is evidence that consolidation will occur at a faster pace over baseline, and the plan still does not solve the core issues we dairy farmers face, which is the rapid loss of value in the marketplace at a time of rapidly increasing input costs.

In short, dairy farmers have lost trust in the system, and do not want to add another government-mandated layer of control to the system, preferring to see future dairy policy that focuses on solving the core issues: improving market transparency and price discovery, encouraging competition and innovation, and positioning the U.S. dairy industry as a consistent supplier in the world market instead of the balancer of the world supply to the detriment of American dairy farmers.

If you endorse NMPF's FFTF plan, and if it subsequently becomes law, then producers will be forced to deal with a centralized, one-size-fits-all supply control program for the next six years tied to a scalable national insurance plan, with no opportunity for a true producer referendum and a reduced opportunity to make the changes that are most necessary.

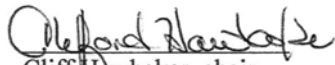
We are asking you to represent the dairy farmers and the communities who depend on them by bringing transparency to this process of determining future dairy policy. A future plan for the industry must have the support of the dairy producer sector. Dairy producers are just now hearing about the FFTF proposal, and many of its details are still not available.

According to the details that are available, this plan does not include the most important piece. It does not recognize or address the situation of channel consolidation and lost margin share on the part of producers. While processors and cooperatives were profitable over the past 24 months, the producer sector has struggled. During the USDA competition workshop with DOJ in June at University of Wisconsin-Madison, experts testified that the producer's share of the consumer's dairy dollar has fallen from 42 cents as recently as 2002 to 27 cents in the past two years.


We have strived to influence National Milk in these areas of policy, but now realize an alternative plan is necessary.

Thank you for your consideration.

Kindest Regards,

  
Cliff Hawbaker, chair

  
Rob Barley, vice chair

  
Dan Brandt, vice chair

cc: U.S. Secretary of Agriculture Tom Vilsack