Congress of the United States
Washington, DC 20515

May 13, 2009

The Honorable Tom Vilsack, Secretary
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, DC 20250

Dear Secretary Vilsack,

As Members of Congress representing this nation's farmers, we write to you in deep concern over the state of this country's dairy market. As you know, the May 2009 blend price is $10.97 per hundredweight (cwt). This rate is not sufficient for our milk producers to even recoup their costs of production, and therefore we respectfully request that you re-evaluate and amend the federal milk order pricing system to take into account the cost of production when setting milk prices.

Virtually all sectors of our economy have struggled in recent months to move forward and experience earnings that would, at the very least, keep businesses afloat and jobs from being cut. The dairy business is not exempt from this effort. However, this industry has its unique challenges and characteristics which make it extremely prone to changes in supply and demand, the slightest of which contribute to wide fluctuations in price. Prices fell nearly $5 per cwt in one month alone at the start of the year due to an oversupply of milk on the market, and have maintained their low levels ever since. Yet figures indicate that there roughly remains only an excess of 3% of product on the market. These patterns are not specific to the past six months, but rather mirror price increases and decreases from recent years.

While cost of production calculations may not have an immediate or direct impact on curbing dairy's supply and demand volatility, controlling for these expenses from the outset would reduce the government's obligation to support dairy later on as prices suddenly tumble and farmers are thrown into the red. We commend your leadership in resuming timely payments to producers under the MILC program to help the neediest farmers. However, we ask that you assess methods for setting milk prices accounting for regional costs of production to mitigate the need for government intervention and widespread subsidies, and lessen the impact of future market declines.

Thank you for your consideration of our request. We look forward to working with you to address these issues in our nation's agriculture and improve conditions for our dairy industry.

Sincerely,

Michael A. Arcuri
Member of Congress

John M. McHugh
Member of Congress

Peter Welch
Member of Congress

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