

# United States Senate

WASHINGTON, DC 20510

January 30, 2009

The Honorable Tom Vilsack  
Secretary  
United States Department of Agriculture  
1400 Independence Ave., SW  
Washington, DC 20250

Dear Secretary Vilsack:

Since last summer our domestic dairy industry has been grappling with a serious imbalance which threatens the stability and future of American dairy farmers. Falling domestic prices combined with relatively high input costs have put an extraordinary strain on the entire dairy sector. The global economic crisis has further exacerbated these challenges by reducing international demand which, in turn, diminishes the price our dairy farmers receive for their milk. Cheese at the Chicago Mercantile Exchange (CME), which had been relatively stable in November and early December at just under \$1.80 per pound, sank 40% in late December to slightly less than \$1.10 per pound.

Though some input costs have more recently stabilized from record highs, this modest relief is not enough to offset the persistent low prices confronting dairy producers. Across the nation, dairy farmers face the prospect of losing money every time they milk a cow. Continued low prices could devastate not just dairy farmers and the dairy industry, but thousands of rural communities where agriculture and dairy are primary economic engines.

While the USDA's Dairy Product Price Support Program (DPPSP) provides a floor for dairy product prices, we believe it could be more effectively implemented to restore stability and clear oversupplies in the market. For example, packaging standards for cheese committed under the DPPSP are somewhat different than industry norms utilized for cheese which trades through the CME. We encourage you to examine whether some harmonization can be accomplished without adversely impacting the quality of the product purchased by USDA. We also encourage you to direct adequate resources toward timely and efficient inspection of dairy commodities purchased through the DPPSP. Anecdotal evidence suggests that inspection delays are creating problems.

We also urge you to consider additional dairy purchases for distribution through the USDA commodity-based nutrition programs. Demand for these nutritious products by low income individuals, food banks and schools will undoubtedly continue to increase and dairy products like cheese are often among the most popular products available.

Feeding programs can be better served by the price support program if USDA plans for it. To that end, we are troubled by the previous administration's decision to stop purchasing value-added dairy products at a slight price premium through the DPPSP. According to the enclosed USDA document, since at least FY1996 the DPPSP has

purchased fortified nonfat dry milk, packaged instant milk, butter prints and 2 or 5 lb blocks of processed cheese at prices which account for the cost of packaging. If a portion of DPPSP commodities are ultimately distributed through USDA nutrition programs, it seems logical to purchase products in forms that are more conducive to these uses.

Finally, with global dairy markets influencing the price of US dairy products, we recommend that the Department examine ways to more fully utilize the Dairy Export Incentive Program (DEIP). As you know, DEIP provides incentives to exporters of dairy products to help them compete with subsidized products from other nations. With the recent announcement by the European Union that it will increase export subsidies, DEIP is an important tool to help keep US dairy products competitive.

We look forward to working with you to meet the needs of farmers, rural communities and the food insecure during these challenging times.

Sincerely,

Arnold O. Feigl

Herb Kohl

Debbie Stabenow

Amy Klobuchar

Jim Johnson

Bill Nelson

Mike Crapo

Barack Obama

Bob Casey  
Von Vance

Bob Casey, Jr.

Susan Collins

Patrick Leahy

Robert A. Menendez

Barack Sanders

Patty Murray

John F. Kerry

Carl Levin

Dan Vitter

Dianne Feinstein

Allen Spector

Blanche L. Lincoln

Mark Royce

Chuck Schumer

Amy Klobuchar

Dick Durbin

J. P. King

Mary Landrieu

Ron Wyden

St. Ben

Zombardo

Maria Carbone

Jeffrey A. Meakley

Jon Hill

Chris Ortol

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## PRICE SUPPORT PURCHASE PRICES

The Price of milk shall be supported at the following rates per hundredweight for milk containing 3.67 percent butterfat:

- During calendar year 1996, \$10.35
- During calendar year 1997, \$10.20
- During calendar year, 1998, \$10.05
- During calendar year 1999 through 2007, \$9.90

The support purchase prices for butter, nonfat dry milk and cheese shall be sufficient to enable plants of average efficiency to pay producers on average a price that is not less than the rate of price support for milk in the calendar year.

### **\*Effective November 2002 to Present**

Butter	\$1.0500
Butter prints	\$1.0850
Nonfat Dry Milk	\$0.8000
Nonfat Dry Milk Fortified	\$0.8100
Instant 4lbs, and 25.6oz	\$0.9625
<u>Cheese</u>	
40-lb block Cheddar	\$1.1314
500-lb barrel Cheese	\$1.1014
5-lb process cheese	\$1.1889
2-lb process cheese	\$1.2289

### **\*Effective May 2001 to November 2002**

Butter	\$0.8548
Butter prints	\$0.8848
Nonfat Dry Milk	\$0.9000
Nonfat Dry Milk Fortified	\$0.9100
Instant 4lbs, and 25.6oz	\$1.0575
<u>Cheese</u>	
40-lb block Cheddar	\$1.1314
500-lb barrel Cheese	\$1.1014
5-lb process cheese	\$1.1839
2-lb process cheese	\$1.2239

### **\*Effective August 2000 to May 2001**

Butter	\$0.6680
Butter prints	\$0.6980
Nonfat Dry Milk	\$1.0100
Nonfat Dry Milk Fortified	\$1.0200
Instant 4lbs, and 25.6oz	\$1.1675
<u>Cheese</u>	
40-lb block Cheddar	\$1.1220
500-lb barrel Cheese	\$1.0920
5-lb process cheese	\$1.1745
2-lb process cheese	\$1.2145

### **FY-2000**

Butter	\$0.6500
Butter prints	\$0.6800
Nonfat Dry Milk	\$1.0100
Nonfat Dry Milk Fortified	\$1.0200
Instant 4lbs, and 25.6oz	\$1.1675

<u>Cheese</u>	
40-lb block Cheddar	\$1.1000
500-lb barrel Cheese	\$1.0700
5-lb process cheese	\$1.1525
2-lb process cheese	\$1.1925

**FY-1999**

Butter	\$0.6500
Butter prints	\$0.6800
Nonfat Dry Milk	\$1.0100
Nonfat Dry Milk Fortified	\$1.0200
Instant 4lbs, and 25.6oz	\$1.1675

<u>Cheese</u>	
40-lb block Cheddar	\$1.1000
500-lb barrel Cheese	\$1.0700
5-lb process cheese	\$1.1525
2-lb process cheese	\$1.1925

**FY-1998**

Butter	\$0.6500
Butter prints	\$0.6800
Nonfat Dry Milk	\$1.0280
Nonfat Dry Milk Fortified	\$1.0380
Instant 4lbs, and 25.6oz	\$1.1855

<u>Cheese</u>	
40-lb block Cheddar	\$1.1150
500-lb barrel Cheese	\$1.0850
6/5 pounds process cheese	\$1.1675
2-lb process cheese	\$1.2075

**FY-1997**

Butter	\$0.6500
Butter prints	\$0.6800
Nonfat Dry Milk	\$1.0470
Nonfat Dry Milk Fortified	\$1.0570
Instant 4lbs, and 25.6oz	\$1.2045

<u>Cheese</u>	
40-lb block Cheddar	\$1.1300
500-lb barrel Cheese	\$1.1000
6/5 pounds process cheese	\$1.1825
2-lb process cheese	\$1.2225

**FY-1996**

Butter	\$0.6500
Nonfat Dry Milk	\$1.0650
Nonfat Dry Milk Fortified	\$1.0750
Instant 4lbs, and 25.6oz	\$1.2225

<u>Cheese</u>	
40-lb block Cheddar	\$1.1450
500-lb barrel Cheese	\$1.1150
6/5 pounds process cheese	\$1.1975
2-lb process cheese	\$1.2375

\*Secretary made a purchase price adjustment within the fiscal year.