

*“Serving the Dairy Industry for More Than 50 Years”*

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May 14, 2008

Senator Dianne Feinstein  
U.S. Senate  
331 Hart Senate Office Building  
Washington, DC 20510

**RE: We urge you to vote NO on the Farm Bill Conference Report**

Dear Senator Feinstein,

We are writing you today on behalf of Milk Producers Council (MPC) and the California dairy families we represent. MPC is a voluntary trade association that represents about 100 dairy families throughout California.

As you know, the Senate is scheduled to soon vote on the Conference Report for H.R. 2419, the *Food, Conservation, and Energy Act of 2008*. After much consideration and examination of bill, we respectfully request that you vote **AGAINST** passage of the Conference Report.

The dairy families in California appreciate the hard work that has gone into developing this complex piece of legislation and we recognize the need for a long-term farm policy that strengthens our agricultural sector as we produce food for millions of families not only here in the U.S., but all over the world. **However, the bill coming before the Senate this week does not represent the long-term farm policy that Congress should be supporting.**

When you speak to the dairy families in California, one of the biggest issues facing them right now is the enormous escalation of feed costs. With land at a premium in this state, our dairies must import and purchase a vast majority of the feed for our cows. These feed costs have grown at astronomical rates, as subsidies and mandates have forced more and more corn into ethanol plants and away from livestock. Corn is an essential energy component of every cow's diet and cannot be replaced with another feed.

So how does the *Food, Conservation, and Energy Act* address this? It continues the ethanol subsidies (albeit at a slightly reduced rate) and extends a tariff that restricts foreign-produced ethanol (such as sugar-based ethanol from Brazil) from being imported into the U.S. and helping to satisfy our energy needs while protecting our valuable national food supply. **These two provisions have no place in a Farm Bill that is aimed at providing a more affordable and secure food supply in the U.S.**

Specific to the dairy sections in this bill, there is quite frankly very little meaningful substance. The bill claims to provide two “safety nets” for dairy families in the form of the “price support program” and the Milk Income Loss Contract (MILC) program. However, these programs provide **no such security** for the dairies you represent in

California. The “price support program” continues the policy of maintaining a milk price above \$9.90 per hundred pounds of milk. While this figure may have provided an adequate “stop gap” price in prior years, the enormous run-up in feed and fuel prices have pushed the cost of producing milk in California to substantially higher levels – likely closer to \$16 or \$17 per hundred pounds of milk, and moving up as feed and fuel prices continue to rise. **Therefore, the only guarantee that the “price support program” provides is a guarantee that your dairy family constituents will be on the brink of financial disaster long before the \$9.90 “price support” is even reached.**

We are also strongly opposed to the other “safety net” in this bill – the MILC program – which has always been skewed towards smaller farms outside of California, as it only applies to the milk produced by about 120 cows per farm. Under the program, only a fraction of the milk produced by dairies in California is covered, since most dairies in the state are significantly larger than 120 cows. While the bill coming before the Senate this week would slightly increase the amount of milk that is covered by the program, it in no way provides any meaningful level of assistance to even call it a government “safety net.”

Finally, we strongly oppose the “dairy forward contracting” provisions in this bill. We recognize that the provisions would apply to Federal Milk Marketing Orders (FMMO) and that California would not be directly affected by this provision. However, California does not operate in isolation, and this provision would undoubtedly create tremendous pressure on the California Department of Food and Agriculture to allow similar forward contracting in our state.

The idea of forward contracting is nothing new for dairies. In fact, many of our dairies enter into forward contracts with the farmers that grow their feed commodities. However, the forward contracting included in this Farm Bill is vastly different in that it would undermine the long-established price risk management that is provided by “pooling” the milk within each FMMO. Since the forward contracts authorized under this bill would function within the structure of these “pools”, the milk processors would be able to receive payments out of the “pool” even if the contracted price they pay to the dairy farmer is less than the announced “minimum price” that is now paid out of the pool to the dairyman. In short, you can achieve a certain level of price risk management either through milk pooling or individual forward contracts, but combining the two negates those benefits and increases the price risk to dairy families, who have no ability to hedge that risk.

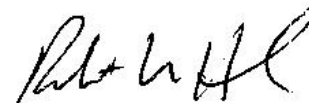
In conclusion, we believe the *Food, Conservation, and Energy Act of 2008* fails to make meaningful changes to our country’s farm policies, much less our dairy policies. In fact, we believe it creates additional burdens on dairy families that are already coping with all-time high feed and fuel costs and a milk price that frequently fails to cover those costs. **We again strongly urge you to vote AGAINST the Conference Report, as well as any effort to override a Presidential veto of the bill.**

Thank you for your continued support of the California dairy industry, and if you have any questions regarding these comments, please feel free to contact either of us.

Sincerely,



Sybrand Vander Dussen  
President



Robert VandenHeuvel  
General Manager