



February 17, 2016

Honorable Tom Vilsack  
U.S. Secretary of Agriculture  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, DC 20250

Dear Secretary Vilsack,

Dairy Farmers of America represents more than eight thousand member dairy farm operations who produce more than 20 percent of the nation's milk supply. DFA has member farms in nearly every U.S. state and markets milk on nine of the ten Federal Milk Marketing Orders (FMMO). Given our national position in the dairy industry, DFA is keenly aware that the Organic Trade Association's (OTA) request for a modified Wichita option for USDA certified organic milk would reduce regulated milk prices across the country and adversely impact all of DFA's member producers. We request that you deny the hearing request.

For more than 80 years FMMOs have operated at the discretion of dairy farmers who collectively elect to preserve orderly marketing conditions and avoid unreasonable fluctuations in milk supplies and prices by sharing a portion of their revenue from milk sales with other dairy farmers in the same marketing area. OTA's proposal greatly infringes on this aspect of the FMMO program by providing an exemption that would allow organic milk processors to avoid contributing to the revenue sharing pools even though all of their finished products are marketed in the same consumer channels as is conventional milk. Regulated minimum milk prices that many farm families look to as a form of price certainty would immediately be eroded if OTA's proposal were adopted.

More than 85% of DFA's dairy farm operations are small family farms with an average herd size of less than 70 cows and fall well below the standard USDA definition of a small business. Based on the USDA / Dairy Programs' published per farm impact analysis of removing dollars from the Federal Order pools generated from the sales of organic products, all of these DFA member farms would lose milk revenues if the organic proposal were adopted.

In some parts of the country, the published analysis indicates the financial loss is more substantial. DFA members in the Southwest FMMO could lose more than 10 thousand dollars per year if OTA's proposal were adopted. The ambiguities surrounding where these monies would go, how the proposal would benefit dairy farmers, or how it would improve the FMMO program is concerning to DFA.

However, what is more troubling to DFA is that if the Department advances to a hearing, dairy farmers across the country could face the very real possibility of voting out their individual FMMO programs. Voting against an organic exemption would terminate the FMMO program and would immediately result in disorderly marketing conditions; disrupting dairy product availability in both the organic and conventional supply chains.

FMMO's continue to evolve with industry changes. Recent examples would include the reduction in the number of Orders as increases in dairy farm size and scale, combined with the consolidation of processor assets, required larger marketing area boundaries to recognize the broader marketplace competition for milk sales and supply regions. Additionally, the changing trend in the industry to recognize milk not as just a homogenous fluid

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product but a composition of fat and protein has led to component driven valuation of milk in six of the ten FMMOs. This is in direct response to differing consumer nutritional and taste preferences for those components. The current Hearing to include the California milk production and marketing area in the FMMO system is driven by significant changes in underlying marketing conditions. Importantly, none of these changes erodes the basic tenants of FMMOs and specifically the principle of market wide pooling and the benefits it provides to the industry. The OTA proposal significantly violates this principle. We encourage you to protect the ongoing integrity of the FMMO program by rejecting the OTA proposal because it does not comply with the basic rationale for the existence of Federal Milk Marketing Orders.

Sincerely,

A handwritten signature in black ink that reads 'Elvin Hollon'. The signature is written in a cursive style with a large initial 'E'.

Elvin Hollon  
Vice President, Fluid Marketing/Economic Analysis

cc: Dana Coale, Deputy Administrator, Dairy Programs

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