

# United States Senate

WASHINGTON, DC 20510

July 28, 2005

35-4286123  
AMS

The Honorable Mike Johanns  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, DC 20250-9200

Re: 7 CFR Parts 1124 and 1131 [Docket No. AO-368-A32, AO-271-A37; DA-03-04B]

Dear Secretary Johanns:

We are writing to express concerns over the amendments to the U.S. Department of Agriculture regulatory orders noted above. We believe it would be prudent to review the amendments and consider raising the milk production exemption limit for producer-handler dairies from the proposed 3 million pounds of fluid milk to 7.5 million pounds of fluid milk.

Some dairy processors have expressed concerns that producer-handlers have a competitive advantage because they are not "fully regulated." In the Northwest, the arbitrary ceiling of 3 million pounds of fluid milk would penalize any producer-handler responsible for less than 1% of the market. It is estimated that a producer-handler could sell their milk for 10-15 cents less per gallon than large processors. However, the producer-handler assumes all of the risks of production, processing, and marketing without the benefit of economy by scale.

We support a level playing field, but not a rule that selectively eliminates family owned and operated producer-handler dairies. The producer-handler has historically filled a niche market for small and independent groceries. This has not changed. We simply want to protect the small producer-handler and at the same time support the milk pool that benefits many small dairy producers.

We urge you to reconsider these amendments.

Sincerely,



Ron Wyden  
U.S. Senate



Gordon H. Smith  
U.S. Senator