

May 4, 2009

Dear Secretary Vilsack,

The undersigned—members of the organic dairy industry, producers, handlers, processors, and a number of nonprofit advocates that represent them—encourage you to immediately close loopholes that industrial-scale producer-handlers are currently exploiting.

Specifically, we wholeheartedly support the original 450,000 lb./mo production cap proposed by the National Milk Producers Federation on behalf of their member co-ops. This cap should accommodate every legitimate family-scale farmer who wants to engage in processing and direct marketing, while closing the loophole for industrial-scale producer handlers.

The exploitation of dairy farmers around the country by large corporations taking advantage of loopholes in the current regulations needs to end. Just like tax shelters where American corporations moved headquarters or subsidiaries to Bermuda, or played games like transferring the ownership of their "goodwill" and other intellectual property to dummy corporations, these dairy regulations need to change.

Although lobbyists probably argued that corporate tax reforms would have disadvantaged those operating under the rules that were being exploited, our federal government, looking after the welfare of the majority of citizens, decided that these corporations know very well that they were violating the intent of the law and that it was only a matter of time until regulators would catch up to them.

There is no reasonable argument for not changing this dairy regulation, now. Changing the regulation would not put anyone out of business, although maintaining the status quo

is squeezing margins so much for legitimate family farmers that some are exiting the industry.

We support a production cap of 450,000 pounds per month as being reasonable. Although an improvement, the alternative proposals to bump this cap up to 3,000,000 pounds per month opens up the potential for continued, and possibly expanded, exploitation of the nation's rank-and-file dairy producers.

If officials deem this higher level necessary to "grandfather" certain producers in, and again we would not support that, we would highly suggest that producer-handlers currently operating in the 450,000-3,000,000 pound range be prevented from expanding their operations. In other words, the 3,000,000 pound should not be a cap that current producers-handlers, exceeding 450,000 pounds, can grow into.

Large producer-handlers can obviously continue in business while paying into the pool. The proposed rule changes do nothing more than level the competitive playing field.

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