Hillview Dairy Farm
RR 2 Box 203
Meshoppen, PA 18630
Phone: (570) 833-4592
Fax: (570) 833-2843

September 26, 2006

Deputy Administrator Dana Coale
USDA/AMS/Dairy Programs
STOP 0321-Room 2971
1400 Independence Avenue, SW
Washington, DC 20250-0231

Dear Deputy Administrator Coale,

The following is a proposal concerning Class III and IV pricing. My name is Gerald Carlin. I am a dairy farmer in Susquehanna County, Pennsylvania. I am requesting a hearing to reform the price discovery mechanism for Class III and IV milk to conform to the mandates of Section 608c(18) of the 1937 Agricultural Marketing Agreement Act (AMAA). I believe it is imperative that changes be made in light of the financial hardship that we dairy farmers have faced under the current price discovery system.

Many forces at work today combine to hold farm milk prices down. Imported dairy products that keep the supply cup overflowing are a real problem. Concentration at the retail level has created retail giants that seek to keep supplier prices down. Concentration in the processing sector has created giants that seek to keep their suppliers' (often co-ops) prices down. Concentration among co-ops has led to co-ops that appear to be out of touch with their members and more concerned with the demands of their customers than they are with the farmer members. These factors have contributed to dairy farmers not having any power in the marketplace. The result has been farm milk prices which have remained relatively flat for the past 25 years. In fact, late spring and summer 2006 milk prices have been below the prices in corresponding months 25 years ago. Most dairy farms of all sizes, even the best managed ones, face moderate to severe financial hardship because of prolonged periods of milk prices that fail to cover the cost of producing milk.

I believe that the current price discovery mechanism is inadequate in providing dairy farmers a price that will ". . . insure a sufficient quantity of pure and wholesome milk to meet current needs and further to assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs and be in the public interest."[1]

In the St. Albans Cooperative Creamery, Inc., et al., Plaintiffs v. Dan Glickman, Secretary of Agriculture, Defendant case, US District Judge William Sessions III cited Dan Glickman for failure to consider dairy farmers' cost of production in the milk pricing formula. Judge Sessions made clear in his "Opinion and Order" that ". . . this court looks to the direct language of the statute to determine the sufficiency of the Secretary's consideration, which makes no mention of indirect consideration being adequate in meeting the requirements of 608c(18)." In the December 2000 "Tentative Decision on Proposed Amendments for Class III and IV Pricing", commenting on cost of production, USDA conceded that "If a sound mechanical concept could be advanced that overcomes the objections relative to supply and demand, it should be considered."

Proposals

I propose that the Class III and IV prices be based on the United States average total economic cost of production minus the opportunity cost of unpaid labor. Notwithstanding any other provision of law, the Secretary of Agriculture shall require milk handlers that are subject to a Federal or State Milk Marketing Order or that are otherwise engaged in the business of receiving fluid milk for processing and distribution to retail or wholesale outlets to pay milk producers a base price for milk marketed for domestic consumption that reflects the producers' cost of production as well as other appropriate marketing factors. I further propose that Class I and II differentials be maintained in order to cover some of the unpaid labor cost.

Not less than quarterly, the Secretary shall determine the cost of milk production in every Federal Milk Marketing Order area, every State Milk Marketing Order area outside of the Federal Milk Marketing Order system, and every other area in the United States in which milk is produced, but that is not included in a Federal Milk Marketing Order.

I propose that the surplus product that is generated be either donated or sold to the Commodity Credit Corporation (CCC) at a very low price. This food could be used in charitable food programs both domestic and foreign. This program would be funded by dairy producers who increase their production over the past year's production by means of a producer assessment not exceeding five percent of the value of milk sold. The assessment money would go into a fund. This money would then be dispersed to the manufacturers who donate or sell the surplus product to the CCC. Producers who do not increase their production would not be assessed. This program would be overseen by the Federal Milk Marketing Orders.

These proposals would not result in a windfall to dairy

---

[1] Section 608c(18) 1937 Agricultural Marketing Agreement Act

farmers but simply bring the stability that is necessary to adequately maintain their farming operations. It also would give lenders a benchmark milk price to consider in extending credit. Furthermore, it would give stability to processors who would know what prices to expect and plan accordingly.

I urge you to consider these proposals for pricing and supply management in a timely manner in the upcoming hearing. I further urge that ample notice be given concerning the details of the hearing.

Sincerely,

Gerald Carlin

Gerald Carlin