



NEW YORK STATE LEGISLATURE

May 12, 2010

Honorable Tom Vilsack
Secretary, United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Secretary Vilsack:

We are writing to express our continued concerns surrounding the ongoing dairy crisis and to urge immediate action by the USDA to develop a long-term solution.

As you know, dairy farmers in New York State are currently facing a crisis of a magnitude that we have not seen in many years. We have heard first-hand the desperate cries for help from our constituents who are struggling to make ends meet and to provide for their families.

While low milk prices have hurt farmers across the nation, the problem is particularly acute in New York because the cost of production is extremely high in comparison to other states. The combination of low milk prices, high taxes, rising energy costs, along with other rising costs of production have made operating a dairy farm unsustainable for many farmers.

While the recent Dairy Economic Loss Assistance Payment Program provided some temporary relief to farmers, it is clear that much more needs to be done. A band-aid approach will not solve the problem. It is imperative that we find a solution that will provide long-term stability and adequacy in the milk prices that are paid to farmers.

Since milk prices are established and controlled at the federal level, very little can be done at the state level to assist struggling dairy farmers. As such, we implore you to do whatever is in your power administratively to provide long-term relief from the extreme milk pricing volatility we have witnessed in New York State.

In thinking about strategies for achieving long-term stability, a number of options come to mind. First, we would encourage you to look at an alternate mechanism for determining milk prices rather than relying solely on the Chicago Mercantile Exchange (CME). The CME markets a very small percentage (< 1%) of the milk products sold in the United States, but it drives the price formulas for all dairy products nationwide.

It is clear that there is a need for better price indicators, as the current CME pricing mechanism overreacts to small imbalances of supply and demand, to the detriment of dairy farmers. Moving towards a system of multiyear pricing contracts between dairy farmers, cooperatives, processors and retailers is one possibility that could reduce volatility of milk prices. A multiyear contract would increase stability and ensure that an average milk price is paid to farmers over a set time period. Stable prices also would likely lead to increased demand and expanded sales of dairy products.

In addition to developing alternative pricing mechanisms, we would urge you to also take steps to ensure that supply and demand are in balance. The Cooperatives Working Together (CWT) is an effective model that could be replicated and enhanced by the USDA. We should primarily focus on increasing demand for dairy products and, if warranted and done carefully, undertake efforts to reduce supply. It is important to note, however, that any supply reduction plan must take into account the cost of production.

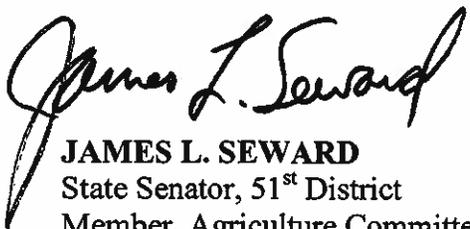
We are also encouraged by the recent creation and appointment of members to the USDA's new Dairy Industry Advisory Committee. This presents a real opportunity for a thorough review of the issue of milk price volatility and we hope that the committee is able to identify some viable options. However, we are concerned that the committee is not fully representative of all stakeholders in the dairy industry and would like to see more participation from dairy farmers, including independent producers, and agricultural businesses.

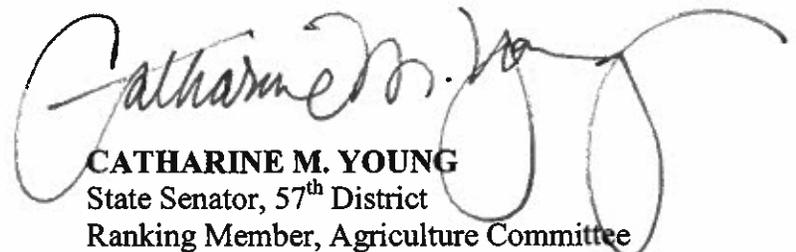
Finally, we would urge you to immediately raise the floor for dairy prices through an increase in the Dairy Price Support Program. Last year's decision to temporarily increase the support price provided immediate relief by increasing the market price dairy farmers received for their milk. Although we understand that you have already rejected previous calls to raise the floor price this year, we would hope that you would give this option further consideration.

We understand that changes to the dairy pricing system may be discussed as part of the 2012 federal Farm Bill. However, as leaders in New York State government, we believe that this will be too late to help dairy farmers in our state who are facing a crisis now. As such, we implore you to take immediate action to develop a long-term solution.

Thank you for your attention to this matter. We look forward to working with you to provide much-needed assistance to our hard-working dairy farmers.

Sincerely,


JAMES L. SEWARD
State Senator, 51st District
Member, Agriculture Committee

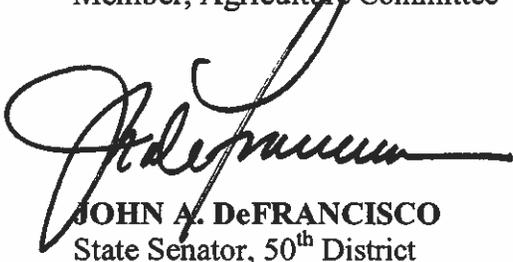

CATHARINE M. YOUNG
State Senator, 57th District
Ranking Member, Agriculture Committee



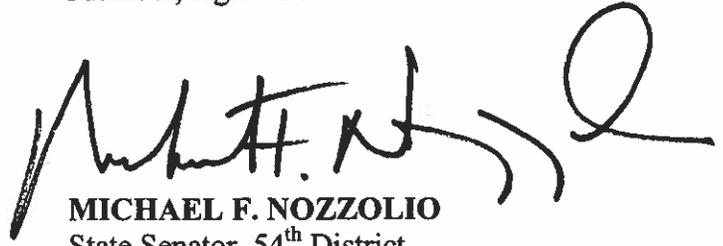
GEORGE H. WINNER, JR.
State Senator, 53rd District
Member, Agriculture Committee



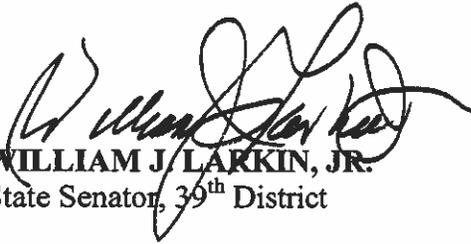
MICHAEL RANZENHOFER
State Senator, 61st District
Member, Agriculture Committee



JOHN A. DeFRANCISCO
State Senator, 50th District



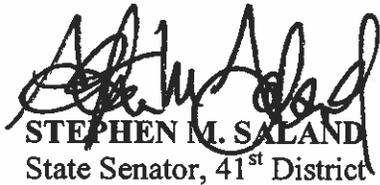
MICHAEL F. NOZZOLIO
State Senator, 54th District



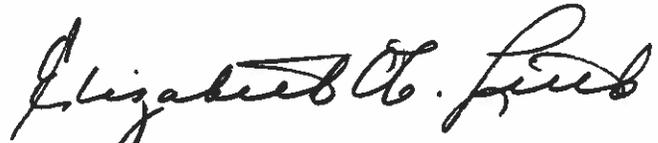
WILLIAM J. LARKIN, JR.
State Senator, 39th District



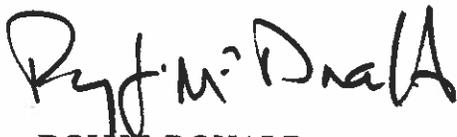
GEORGE D. MAZIARZ
State Senator, 62nd District



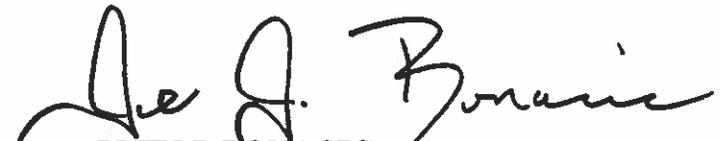
STEPHEN M. SALAND
State Senator, 41st District



ELIZABETH LITTLE
State Senator, 45th District



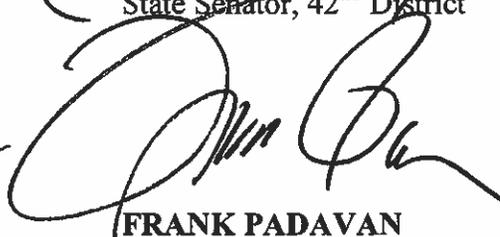
ROY McDONALD
State Senator, 43rd District



JOHN J. BONACIC
State Senator, 42nd District



KEMP HANNON
State Senator, 6th District



FRANK PADAVAN
State Senator, 11th District



DALE M. VOLKER
State Senator, 59th District

OWEN H. JOHNSON
State Senator, 4th District