Congress of the United States
Washington, DC 20515

May 07, 2013

The Honorable Frank Lucas
Chairman,
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member,
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

Dear Chairman Lucas and Ranking Member Peterson,

As Representatives from Wisconsin who do not serve on the House Committee on Agriculture, we would like to weigh in as you develop your dairy policy in the upcoming farm bill, due to dairy's huge importance in our state. We applaud your leadership in seeking to reform our nation's dairy policies, yet we are very concerned about the effort to include a new program that would restrict the ability of our state's dairy industry to grow and create jobs. We agree that the time is right for substantive reform of U.S. dairy policy and we support most of what is included in the Dairy Security Act (DSA), but believe that the controversial growth management program called market stabilization is a major impediment to the passage of a new Farm Bill and should be removed from the proposal.

Wisconsin is home to more dairy farmers than any other state. Only a decade ago, Wisconsin's dairy industry was declining rapidly, losing production and business to other dairy-producing regions. A dedicated effort coordinated with dairy producers, processors, suppliers and our state government has helped turn our industry around in recent years. Wisconsin's manufacturing capacity has increased, keeping existing jobs and creating new ones. Wisconsin now needs a growing milk supply to meet our increased manufacturing and export sector demand. Therefore, we need a 21st century dairy policy that will reflect this reality and opportunity.

In 2009, dairy farmers in Wisconsin and around the country lost significant equity as milk prices fell and feed costs rose. To maximize the future and growth and opportunity for our dairy sector, we all agree that dairy producers need better risk management tools in order to manage price volatility, which is an expected outcome of greater exposure to global markets. There is widespread support throughout the dairy industry for a margin-based protection program that, as outlined in the DSA, would be an effective replacement for existing dairy programs.

We are particularly supportive of proposals included in last year's Farm Bill as passed by the Senate and the House Agriculture Committee that would adjust the supplemental margin insurance program to provide reduced premiums for every farmer's first four million pounds of production. We believe that this provision will benefit all dairy farms in Wisconsin, particularly small farms with roughly 200 or fewer cows, and urge that it be incorporated into this year's Farm Bill.

However, we remain concerned that the market stabilization program, sometimes referred to as supply management, would periodically impose milk production limits on all farms that are enrolled in the margin insurance program. The growth disincentive penalties of this program would fall on all farms regardless of whether their state has the capacity for additional milk production. Creating a new program that will penalize milk production in Wisconsin in order to manage overproduction in another area is unfair to our state's dairy industry, particularly after the collaborative efforts that have been made to turn Wisconsin dairy around.

We are also very concerned that the stabilization program will unintentionally place additional financial pressure on our small and medium-sized dairy farms, which may have difficulty adjusting their production levels quickly to meet the reductions imposed by the stabilization program. Estimates have indicated small dairy farmers may have to forfeit up to several thousand dollars a year when the stabilization program is triggered. This would put Wisconsin's many smaller and medium-sized farms will be at a competitive disadvantage.

Finally, we believe that the stabilization program simply cannot be designed in a way that will avoid its negative impact on trade. Nearly two-thirds of the growth in milk production over the last several years has been due to increased dairy exports. We now export over 13% of all milk produced in our country. Many of our international partners have told us they will seek markets outside the U.S. if we pass such a restrictive policy, as they fear it would lead to an unreliable dairy supply. Trade is the key to continued growth for our dairy industry and it is folly to toy with policies like stabilization that have a proven record of reducing trade opportunities and that have been rejected around the world for that reason.

Given the failure of Congress to complete a new Farm Bill last year, it is vitally important that we work together to remove obstacles to passing a bill this year. While the stabilization program continues to be divisive, a compromise approach of providing a risk management safety net, like margin protection, would enjoy bipartisan support and would not only help dairy farmers but would help move the Farm Bill forward.

Sincerely,

SEAN P. DUFFY
Member of Congress

RON KIND
Member of Congress

THOMAS E. PETRI
Member of Congress

F. JAMES SENSENBRENNER, JR.
Member of Congress

MARK POCAN
Member of Congress