

Washington, DC -- U.S. Reps. Michael A. Arcuri (NY-24) and John M. McHugh (NY-23) led a bipartisan group of 23 members of Congress today in calling on U.S. Department of Agriculture Secretary Tom Vilsack to address rising production costs facing small dairy farms across Upstate New York.

“Our dairy farmers need help, and it is imperative to our Upstate economy that they stay in business,” **Arcuri said**. “The thousands of small business dairy farms and their employees cannot wait for the crisis in the dairy industry to fix itself. We are demanding swift and effective action from the federal government to allow dairy farmers to remain competitive and continue to feed families across Upstate New York and the entire Northeast region”

“As a lifelong resident of Northern New York, I know how critical our dairy farms and families are to our economy and the fabric of our local communities. It is imperative that the federal government act quickly to deal with what has become an untenable situation that has the potential to force our dairy farmers out of business. I will continue to work with my Congressional colleagues to urge Secretary Vilsack to address the rising cost in production and readjust the federal milk order pricing system,” **said McHugh**.

The global dairy industry has experienced a freefall in the price of milk because of the worldwide economic recession and fewer dairy exports overseas. At the beginning of 2009, milk prices fell drastically due to an oversupply of milk on the market. The amount of excess milk has since been reduced, but prices have yet to rebound.

Last year, Arcuri and McHugh successfully fought to include better dairy price supports in the 2008 Farm Bill by adding a feed cost adjuster to the Milk Income Loss Contract (MILC) program. This provision ties MILC support to what struggling dairy farmers pay for their feed, so that MILC payments increase as the cost of feed rises.

Below is the text of the letter sent to Secretary Tom Vilsack

The Honorable Tom Vilsack, Secretary
U.S. Department of Agriculture

1400 Independence Ave., S.W.
Washington, DC 20250

Dear Secretary Vilsack,

As Members of Congress representing this nation's farmers, we write to you in deep concern over the state of this country's dairy market. As you know, the May 2009 Class I milk base price is \$10.97 per hundredweight (cwt). This rate is not sufficient for our milk producers to even recoup their costs of production, and therefore we respectfully request that you re-evaluate and amend the federal milk order pricing system to take into account the cost of production when setting milk prices.

Virtually all sectors of our economy have struggled in recent months to move forward and experience earnings that would, at the very least, keep businesses afloat and jobs from being cut. The dairy business is not exempt from this effort. However, this industry has its unique challenges and characteristics which make it extremely prone to changes in supply and demand, the slightest of which contribute to wide fluctuations in price. Prices fell nearly \$5 per cwt in one month alone at the start of the year due to an oversupply of milk on the market, and have maintained their low levels ever since. Yet figures indicate that there roughly remains only an excess of 3% of product on the market. These patterns are not specific to the past six months, but rather mirror price increases and decreases from recent years.

While cost of production calculations may not have an immediate or direct impact on curbing dairy's supply and demand volatility, controlling for these expenses from the outset would reduce the government's obligation to support dairy later on as prices suddenly tumble and farmers are thrown into the red. We commend your leadership in resuming timely payments to producers under the MILC program to help the neediest farmers. However, we ask that you assess methods for setting milk prices accounting for regional costs of production to mitigate the need for government intervention and widespread subsidies, and lessen the impact of future market declines.

Thank you for your consideration of our request. We look forward to working with you to address these issues in our nation's agriculture and improve conditions for our dairy industry.

Sincerely,

Michael A. Arcuri
John McHugh
Peter Welch (D-VT)
Michael H. Michaud (D-ME)
Joe Courtney (D-CT)
Maurice D. Hinchey (D-NY)
Bill Shuster (R-PA)
Dan Maffei (D-NY)
Brian Higgins (D-NY)
John Hall (D-NY)
Tim Holden (D-PA)
Christopher P. Carney (D-PA)
Roscoe G. Bartlett (R-MD)
Paul Tonko (D-NY)
Eric Massa (D-NY)
Rosa L. DeLauro (D-CT)
Paul W. Hodes (D-NH)
Charles B. Rangel (D-NY)
Chris Lee (R-NY)
James R. Langevin (D-RI)
Chellie Pingree (D-ME)
Glenn Thompson (R-PA)
Carol Shea-Porter (D-NH)

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