

**National Farmers Union--2008 Special Order of Business**  
**Dairy**

**WHEREAS**, America's family dairy producers are a vital part of many rural economies and produce high quality products, fundamental to the health of our nation. These producers' income relies upon strong and consistent market prices that correlate with the cost of dairy production. The 2008 Farm Bill affords a crucial opportunity to support American dairy producers through programs that create a strong safety net for producers, level the playing field for trade, and regulate dairy product processing and marketing structures; and

**WHERE AS**, the price of nonfat dry milk (NFDM) is integral to the establishment of producer prices and NFDM prices were misreported for a series of months resulting in millions of dollars in lost producer revenues.

Further, imported dairy products, many of which do not meet the same quality standards to which domestic producers are held, are distorting the U.S. dairy market and have an adverse effect on producer income; and

**WHEREAS**, the Dairy Promotion and Research program is funded by a mandatory producer assessment but does not always expend revenues to increase economic opportunities for dairy producers. Some within the dairy industry seek to require importers to pay into the program, despite the outcome of allowing importers a seat at the table to determine how those producer dollars are spent; and

**WHEREAS**, a lack of transparency and oversight of dairy market product pricing has led to documented verification of manipulation within the Chicago Mercantile Exchange (CME). A June 2007 report from the Government Accountability Office (GAO) highlighted trading on the CME was misrepresentative of the volume of product traded, thus having a negative impact on the price received by dairy producers; and

**WHEREAS**, legislation to resolve tariff loopholes within the Uruguay Round at the WTO regarding MPC and casein imports, has yet to be approved by Congress. This bipartisan legislation enjoys significant support and validation through a report issued by the U.S. International Trade Commission (ITC). The U.S. ITC report found more than 60 percent of imported MPC and casein is utilized for the production of cheese. These imported products have not been approved by the Food and Drug Administration as an ingredient in standardized cheeses; and

**WHEREAS**, current data collection by the U.S. Department of Agriculture's Economic Research Service (ERS) fails to account the volume of MPC and casein imported. The ERS data is vital to the determination of total utilization of domestic consumption. Without accounting of imported MPC and casein products, estimated at 5 percent of U.S. protein production by the GAO, there is no accurate portrait of the supply and demand which serves as the basis for public policy decisions; and

**WHERE AS**, an ongoing movement across the country via state legislative bodies, at the behest of agribusinesses, would prohibit dairy producers from labeling their products are free of artificial growth hormones;

**THEREFORE BE IT RESOLVED**, National Farmers Union strongly supports public policies which will promote a robust and economically secure dairy industry in order to ensure the continued viability of family dairy production in America. As Congress continues to craft the 2008 Farm Bill, we recommend:

Inclusion of the Senate-passed Milk Income Loss Contract (MILC) program to provide a counter-cyclical safety net for dairy producers;

Deleting authority for dairy forward contracting from the conference report. Dairy producers strongly oppose the forward contracting program included in the House and Senate bills, which would simply shift all economic risk onto producers, encourage vertical integration of America's dairy production and dismantle the Federal Milk Marketing Order (FMMO) system;

Removal of the dairy import assessment provision contained in the House farm bill. Imported dairy products should not pay into the domestic dairy promotion program, which would allow the use of assessment funds to promote a generic dairy product, rather than U.S. dairy products. The board of directors for commodity promotion programs should be elected by the producers that are being assessed for funding of the program; and Producers' safety net should account for the costs of production.

**BE IT FURTHER RESOLVED**, NFU requests USDA to continue its investigation into the misreporting of nonfat dry milk prices (NFDM) and take the necessary steps to compensate producers for lost income. Proper corrective actions include:

Producer indemnification via Section 32 funds;

A review of *all* milk pricing programs to ensure *all* dairy prices are accurately and fairly reported;

An immediate review of price reporting *procedures* from July 2006 to present;

Immediate implementation of mandatory product price auditing and inventories; a full explanation as to why the department has not implemented auditing measures as established by Congress in 2000 and again in 2002;

Publicized calculations on the impact of *all* classes of milk and adjustments to monthly prices for Class I, Class II and Class IV, when applicable;

Publicized data used in the report to allow for independent verification of the analysis; and

A meeting with producers to discuss report findings, plans to prevent future misreporting, intentions for adjusting other classes of milk and to restore producer confidence in the department.

NFU urges Congress to remedy the NFDM misreporting problem, but also to ensure that similar errors do not occur in the future. In response to GAO's June 2007 report on the CME practices, NFU calls for immediate oversight of the dairy product pricing system to ensure transparency, fairness and competitive markets.

**BE IT FURTHER RESOLVED**, NFU calls upon the ERS to incorporate the amount of MPC and casein imported within the total import volumes to ensure a more accurate domestic utilization total.

**BE IT FURTHER RESOLVED**, NFU calls for the immediate approval and enactment of the Milk Import Tariff Equity Act. Further, NFU reiterates its strong opposition to FDA changing the definition of milk to allow

for use of MPC and casein in the production of standardized cheeses. Auditing and enforcement of the current definition of milk is crucial.