



National Milk Producers Federation

National Milk Producers Federation • 2101 Wilson Blvd., Arlington, VA 22201 • 703-243-6111 FAX 703-841-9328

Agri-Mark, Inc.
Arkansas Dairy Cooperative Association
Associated Milk Producers, Inc.
California Dairies, Inc.
Cass-Clay Creamery, Inc.
Continental Dairy Products, Inc.
Cooperative Milk Producers Assn.
Dairy Farmers of America, Inc.
Dairymen's Marketing Cooperative, Inc.
Dairytea Cooperative Inc.
Ellsworth Cooperative Creamery
Farmers Cooperative Creamery
First District Association
Foremost Farms USA
Just Jersey Cooperative, Inc.
Land O'Lakes, Inc.
Lone Star Milk Producers, Inc.
Manitowoc Milk Producers Coop.
MD & VA Milk Producers Cooperative Association, Inc.
Michigan Milk Producers Assn.
Mid-West Dairymen's Company
Niagara Milk Cooperative, Inc.
Northwest Dairy Association
Prairie Farms Dairy, Inc.
St. Albans Cooperative Creamery, Inc.
Scioto County Co-op Milk Producers' Assn.
Select Milk Producers, Inc.
Southeast Milk, Inc.
Swiss Valley Farms, Co.
Tillamook County Creamery Assn.
United Dairymen of Arizona
Upstate Farms Cooperative Inc.
Zia Milk Producers

April 28, 2006

Whitney Rick, Chief
Promotion and Research Branch
USDA/AMS/Dairy Programs
STOP 0223, Room 2958-S
1400 Independence Avenue, S.W.
Washington, D.C. 20250-0233

RE: Comment on the National Dairy Promotion and Research Program; Section 610 Review (Docket No. DA-06-04; 71 FR 9978)

Dear Ms. Rick,

I offer the comments of the National Milk Producers Federation (NMPF) on the National Dairy Promotion and Research Program and its impact upon small businesses. NMPF is based in Arlington, Virginia. NMPF develops and promotes policies on Capitol Hill and with government agencies that advance the well-being of U.S. dairy producers and the cooperatives they collectively own. Through its 34 member cooperative associations, NMPF represents more than 40,000 of the nation's 63,000 licensed dairy producers. These producers are generally representative of all the nation's dairy producers, in terms of herd size, production, and geographic distribution.

The Small Business Administration defines a dairy farm as a small business if it has less than \$750,000 in annual sales. The simple average of the USDA-published all-milk price since January 2000 has been \$13.85; at that price \$750,000 represents about 5.4 million pounds, or the production of about 276 cows, based on the 2005 USDA-published herd average of 19,576 pounds per cow in 2005. By this measure, NMPF speaks for at least 35,000 small businesses on this issue.

NMPF supports the National Dairy Promotion and Research Program without reservation. The program, conducted under the Dairy Promotion and Research Order ("Order") is a vital tool by which USDA assists producers in expanding their market, to the substantial benefit of both producers and consumers. In the authorizing act Congress found that "a coordinated program of promotion designed to strengthen the dairy industry's position in the marketplace and to maintain and expand domestic and

Jerry Kozak, President/Chief Executive Officer

Charles Beckendorf, Chairman

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foreign markets and uses for fluid milk and dairy products” would be in the public interest. The Order effectively has served that interest, and has evolved to continue to serve that interest, to the mutual benefit of consumers and producers. In addition to stating our general support for the program, I will address the five criteria defined under Section 610 of the Regulatory Flexibility Act:

1. **The continued need for the Order.** Congress based the policy establishing the Order upon findings (7 USC 4501a) which remain valid. Scientific research continues to confirm the value to the public of the consumption of dairy products as a basic food, and dairy consumption – despite considerable success under the Order – remains below USDA recommended levels. The economic impact of the milk production and dairy processing industry is far-reaching and considerable, generating an estimated \$173 billion in economic activity across all 50 states in 2005. This figure may be roughly doubled if the industry’s full impact through the distribution and retail sectors is counted.

Table 3. Economic Impacts of Dairy Processing, 2005

State	Production (mil. lbs.)	Wholesale Price (per lb.)	Value of Production (millions)	Multipliers			Impacts		
				Output	Earn'gs	Jobs	Output (millions)	Earnings	Jobs
Butter	1,337.3	\$1.5484	\$2,070.7	4.1191	0.7871	25.48	\$8,529.3	\$1,629.8	52,764
Dry, Condensed, & Evap.*	1,696.2	\$0.9918	\$1,682.3	3.1890	0.5921	18.86	\$5,364.8	\$996.1	31,733
Fluid Milk	54,543.0	\$0.2963	\$16,159.4	4.1256	0.8591	28.61	\$66,667.4	\$13,882.6	462,341
Ice Cream/Frozen Desserts	9,129.0	\$1.1010	\$10,050.6	3.4595	0.7332	22.48	\$34,770.1	\$7,369.1	225,934
Cheese	9,114.1	\$1.4928	\$13,605.5	4.2729	0.8430	28.10	\$58,135.1	\$11,469.5	382,363
TOTAL			\$43,568.6				\$173,466.8	\$35,347.1	1,155,135

Sources: Bureau of Economic Analysis; USDA/NASS; USDA/AMS, National Milk Producers Federation

* Includes the value of some dry milk products used in other dairy industries; excludes bulk condensed and evaporated milk.

Finally, the support of the dairy promotion organizations has been crucial to expanding demand for milk and dairy products. To offer just a few examples: The recent growth in skim milk powder exports was facilitated by technical assistance and overseas sales support from the promotion programs of the U.S. Dairy Export Council (USDEC), funded under the Order. The widening variety of domestic outlets for dairy ingredients has been developed in part through research, technical assistance, and training by Dairy Management Inc. (DMI), the primary promotion and research agency under this program. DMI has also increased by many fold the volume of milk sold through mass-market fast food outlets, through joint programs with those companies and through work with milk suppliers to improve product and packaging. Both the state and regional promotion agencies and the national program have made great strides in improving the appeal, and therefore the consumption, of school milk, helping to improve the nutrition of American children and cultivating an appreciation for milk that can contribute to health for a lifetime.

The success of these programs in increasing dairy consumption are well documented in the annual reports of the promotion agencies and, particularly, in

the annual report sent by the Agricultural Marketing Service to Congress. This increased consumption improves producer prices and maintains markets for all dairy producers, including the 35,000 small businesses in our membership, which are often the farms most vulnerable to market downturns.

Similarly, the public benefit of increased dairy consumption is equally well documented in the scientific research underlying the USDA Dietary Guidelines.

2. **Nature of complaints or comments received from the public.** NMPF represents 35,000 of the 50,000 small businesses most affected by the Order. These producers and cooperative associations have consistently voted to approve the program as constituted and overseen by the Secretary of Agriculture. This letter represents, once again, their strong support for the Order.
3. **The complexity of the Order.** The program is simple: dairy farmers contribute 15¢ per hundred pounds of milk they market, which is used to promote milk and dairy products, either by the national agency (DMI) or by approved state- and region-based agencies. This is well understood by the farmers; it is simple and the agencies designated by the Secretary are very active in bringing the program to the farmer through participation in local, regional, and national producer meetings. The program is operated with the advice of an appointed board of dairy farmers who are broadly representative of all the producers who pay for the program. Although a wide variety of activities are undertaken within the program, each contributes to expanding the consumption of dairy products, to the mutual benefit of public and producer.
4. **The extent to which the Order overlaps, duplicates, or conflicts with other rules.** Although there are similar state dairy research and promotion programs, they do not overlap with, duplicate, or conflict with the national program. Rather, they effectively complement one another through Federal-state cooperation. The Order complements Federal child and adult feeding programs, helping to promote the aim of increased milk consumption. The Order complements Federal dairy price policy by encouraging consumption of dairy products, thereby helping to maintain prices above the price support levels at which the government must buy them instead.
5. **The length of time since the Order has been evaluated or the degree to which technology, economic conditions, or other factors have changed in the area affected by the Order.** The Order has never been formally evaluated according to Section 610 of the Regulatory Flexibility Act, but many of the same criteria are addressed every year in USDA's annual reports to Congress on the program.

Regarding changes in the affected area, improved packaging, processing, and transportation technology, as well as consolidation of cooperatives and processors into national organizations, have all made the dairy market more national and regional, and less local, since the program's inception. This had strengthened the need for a national dairy promotion program and for exactly the type of state-regional-national coordination of programs that has been undertaken by the National Dairy Board through the Order. In addition, the increasingly global dairy market has demanded more active attention to burgeoning overseas sales opportunities, which challenge has also been met by the DMI and USDEC. Finally, the rising cost of national television advertising and the increasing technical complexity of food processing have led to more cost-effective cooperation with dairy processors, food manufacturers, food service operators, and retailers. The USDA and its promotion agents have adapted to the changing environment to pursue the fundamental objectives of the Act.

In sum, the environment has changed but the need remains the same and the challenge has been met.

The National Milk Producers Federation supports the continued operation of the National Dairy Promotion and Research Program as presently constituted. This support was explicitly reaffirmed in NMPF's policy statement of December 2005. In addition, producer support for the Order has been voiced clearly and loudly in repeated referenda on the program. It serves a vital role in the health of our industry and, happily, in the health of our fellow Americans.

Thank you for the opportunity to comment on this program. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Jerome J. Kozak". The signature is written in a cursive, flowing style.

Jerome J. Kozak
President and Chief Executive Officer

cc: Lloyd Day, Administrator, AMS
Dana Coale, Deputy Administrator, AMS
David Jamison, Associate Deputy Administrator, AMS