

May 14, 2007

Coalition Opposes Increase in Dairy Price Supports

The Honorable Collin C. Peterson, Chairman
The Honorable Bob Goodlatte, Ranking Minority Member
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Peterson and Ranking Member Goodlatte:

During reauthorization of the 2007 Farm Bill, we strongly urge you to oppose any efforts to increase the dairy price support program and instead request that you allow it to expire. Continuation of a larger dairy price support scheme in the 2007 Farm Bill would be an inexcusable taxpayer-funded corporate subsidy of an ineffective and mismanaged USDA program.

USDA reported to this Committee, under a Congressionally mandated study in the 2002 Farm Bill, that dairy programs raise consumer costs and government expenditures but offer minimal support to producers. On average, during the 2002 Farm Bill period, this support raised average milk prices by only 1% for producers, but at an average annual taxpayer cost of \$866 million. This is an intolerable waste that should not be perpetuated in the 2007 Farm Bill.

Recently the National Milk Producers Federation (NMPF) recommended raising support under this program in the 2007 Farm Bill, by increasing the prices the government must pay for powdered milk, butter, and cheese. Under the NMPF proposal, government prices for dairy products, normally administratively set by USDA, would be increased and set in law in the 2007 Farm Bill. USDA would lose the capability it has to at least mitigate costs through administrative price adjustments. Consumers would have to cope with a price floor under all milk because once it is embedded in the 2007 Farm Bill it would be used in USDA's classified pricing system, which sets minimum fluid milk prices for the vast majority of milk.

We strongly oppose these changes because they would raise government and consumer costs of the dairy price support program, while increasing the incentive for plants to make products for the government, rather than consumers. The Committee can and should eliminate a number of anti-taxpayer and anti-consumer provisions in the 2007 Farm Bill, and dairy price policies should be at the top of the list. We stand ready to assist you with this and other vital tasks to come.

Sincerely,

Pete Sepp
V-P for Communications
National Taxpayers Union

Steve Ellis
Vice President of Programs
Taxpayers for Common Sense Action

Matt Kibbe
President
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David E. Williams
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