



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

November 12, 2009

The Honorable Tom Vilsack
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack:

On behalf of Pennsylvania's 7,600 dairy farm families, I am writing to you today to thank you for your continued support and leadership to our Commonwealth's dairy industry, and to ask for your assistance in getting the dairy payments included in the 2010 Agriculture Appropriations Bill out to producers in November. It is critical that these funds are delivered to the dairy industry in a timely manner as many dairy producers are out of cash and months behind on payments. I would also ask that you immediately make \$60 million of cheese purchases and get that food to our emergency feeding programs as soon as possible. This would result in a direct positive impact to cheese prices, and would also help a growing population of people who do not have the resources to feed their families.

Throughout my travels, I have come upon countless Pennsylvania dairy farm families who are struggling to hold onto their operations. Many dairy farmers worry that if economic conditions do not improve within the dairy industry, they will be forced to sell their cows and look for other occupations in order to make a living. The current economic crisis within our state's dairy industry stretches beyond specific farms or regions and is affecting virtually the entire domestic milk production industry. This price collapse supports the argument my administration has made since 2006—we need to re-evaluate the entire federal dairy pricing system, and bring more transparency to milk pricing. Having the right state and federal dairy policies in place will be critical to improving farm income, capturing international markets, and encouraging investments at all levels of the industry – from the farm to processors. For these reasons, I would ask for your support to encourage dialogue among policymakers and the dairy community. It is our goal, in the final analysis, that the U.S. dairy industry be stronger – both here at home and around the globe.

I would also ask for your leadership in working with the Risk Management Agency and Federal Crop Insurance Board to provide dairy producers with additional and meaningful voluntary risk management tools like Livestock Gross Margin for dairy insurance and a Dairy Options Program. I would further urge you to consider providing funds to offset premium and producer education costs associated with the LGM product.

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For the few producers who chose to purchase the LGM product, it appears it was a decision that may have saved their dairy operation financially in 2009. A federally provided subsidy for the LGM product would directly encourage more dairy producers to utilize risk management in their business plans for their dairy operation.

Finally, I would urge you to work with the United States Trade Office and the International Trade Commission to conduct a comprehensive review of all trade agreements to determine the impact they are having on the US dairy industry. When I speak to dairy farmers, I cannot at this time ensure them that all products are correctly classified, and that trading partners are abiding by agreement terms, and that export opportunities for US dairy producers are being maximized.

The dairy industry, like many others, has a history of responding to crisis. The severity of this crisis, as identified by dairy economists worldwide, requires a response like no other. The response begins with the \$350 million appropriated by Congress, but that is only a small and short term step. I remain hopeful that our dairy farmers in Pennsylvania will weather this storm and will exit it with a clearer picture and direction of where federal dairy policy pricing needs to go, and what additional tools they need to navigate through future cyclical patterns in the dairy industry.

Thank you for your commitment to the dairy industry, and please let me know if the Commonwealth of Pennsylvania can be helpful in supporting your agency's efforts at getting the direct dairy payments out to producers in a timely manner.

Sincerely,



Edward G. Rendell
Governor