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EDWARD G. RENDELL, Governor

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**GOVERNOR RENDELL URGES USDA SECRETARY TO
HELP PA DAIRY FARMERS**

NORTHEASTERN GOVERNORS SEEK LOAN FORGIVENESS FOR FARMERS

HARRISBURG – In response to rising production costs and low milk prices, Governor Edward G. Rendell has asked the federal government to help dairy farmers facing dire economic conditions.

The Governor, along with seven of his colleagues from states in the Northeast, wrote to U.S. Secretary of Agriculture Tom Vilsack requesting debt forgiveness or an interest-free extension of at least six-months on dairy farmers' USDA loans.

“The dairy industry is in a desperate situation and we are seeking ways to bring immediate aid to keep our farmers in business, here in Pennsylvania and throughout the Northeast,” said Governor Rendell. “As the economic driver of Pennsylvania agriculture, it is crucial that we take all possible measures to relieve the unprecedented financial pressure dairy farmers are facing.”

Loans such as Marketing Assistance, Federal Housing Administration, USDA Guaranteed and Direct, or Low Interest Storage loans are a sizeable portion of the debt many dairy farmers now hold, according to the Governor. Additionally, USDA loan delinquencies are causing reductions in other loan and payment programs that farmers need to stay afloat.

Agriculture Secretary Dennis Wolff said the precarious state of the economy and the high cost of producing milk are leaving dairy farmers in a serious financial crunch.

“Dairy farmers are dealing with historically low milk prices and are being paid almost 40 percent less for their milk today than they were one year ago,” said Wolff. “Unfortunately, the cost of feed and fuel continues to rise, making it nearly impossible for even the most business-savvy farmers to make ends meet. We risk losing farmers to foreclosure unless we provide support to help them maintain their businesses and their family's livelihood.”

Governor Rendell has launched a number of initiatives to strengthen the dairy industry. In 2004, he initiated the Center for Dairy Excellence, which coordinates efforts of the dairy industry and its associated resources, positioning the industry to become stronger and more profitable.

The center offers programs such as the Profit, Target and Succession Planning teams that help dairy farmers realize improved profits by improving their operations. During this financial crisis, the center has also offered additional programs, conference calls and one-on-one advice to provide dairy farmers with additional tools to weather the storm.

Pennsylvania's dairy industry supports more than 40,000 jobs and is the number one economic driver in the state's agriculture industry, contributing more than \$4 billion annually to the state's economy.

For more information on the Center for Dairy Excellence, visit www.agriculture.state.pa.us.

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The Rendell administration is committed to creating a first-rate public education system, protecting our most vulnerable citizens and continuing economic investment to support our communities and businesses. To find out more about Governor Rendell's initiatives and to sign up for his newsletter, visit www.governor.state.pa.us.

EDITOR'S NOTE: The letter to USDA Secretary Vilsack follows:

June 23, 2009

The Honorable Tom Vilsack
Secretary of Agriculture
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack,

As the governors of the Northeastern dairy producing states, we are writing you to request your aid in helping to alleviate the desperate situation among our nation's dairy farmers.

We greatly appreciate the steps that have already been taken to address the crisis, including your recent authorization for the transfer of 200 million pounds of nonfat dry milk from the Commodity Credit Corporation to USDA's Food and Nutrition Service for use in domestic feeding programs, and the renewal of the Dairy Export Incentives Program. However, as price projections through early 2010 continue to worsen, we would like to suggest another way that the USDA can act to bring immediate aid to producers.

We believe that today's extraordinarily dire conditions in the dairy industry justify a minimum six month long interest-free extension or debt forgiveness on their USDA loans. Such loans to farmers, whether Marketing Assistance Loans, FHA loans, USDA Guaranteed and Direct Loans, or Low Interest Storage Loans, constitute a sizeable portion of the debt that many dairy farmers now hold, and they are increasingly unable to pay them. It only makes matters worse when farmers' loan

delinquencies to the USDA are causing reductions in MILC and other FSA payments they need to keep afloat.

A loan forgiveness or debt holiday could be another piece of a comprehensive solution to the dairy crisis and relieve some of the production cost pressure dairy farmers face. After six months elapsed, it would then be possible to reevaluate this measure and determine whether it was successful and whether the need is still present.

We understand that you have expressed a willingness to examine a way to relieve the pressure of farmer debt to USDA. We would like to know whether it is possible for you, in the discretion available to you as Secretary, to enact such a policy. We fear that if a statutory measure to achieve the same goal were attempted, too much precious time would be lost. We estimate a sizeable number of dairy farms in across the northeast will close down this year, and rural America can ill afford such losses. Please let us know whether this suggestion is feasible.

Sincerely,

David Paterson
Governor, New York

Edward G. Rendell
Governor, Pennsylvania

M. Jodi Rell
Governor, Connecticut

John Baldacci
Governor, Maine

Martin O'Malley
Governor, Maryland

John Lynch
Governor, New Hampshire

Donald L. Carcieri
Governor, Rhode Island

James H. Douglas
Governor, Vermont