National Milk Producers Federation

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Agri-Mark, Inc.
Associated Milk Producers Inc.
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Cooperative Milk Producers Association
Cortland Bulk Milk Producers Cooperative
Dairy Farmers of America, Inc.
Dairymen's Marketing Cooperative, Inc.
Ellsworth Cooperative Creamery
Farmers Cooperative Creamery
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Land O'Lakes, Inc.
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Maryland & Virginia Milk Producers Cooperative Association
Michigan Milk Producers Association
Mid-West Dairymen's Company
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St. Albans Cooperative Creamery, Inc.
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Tillamook County Creamery Association
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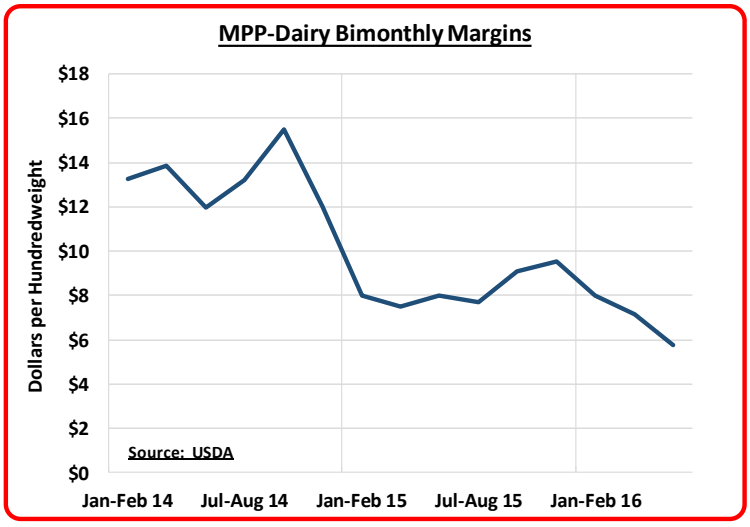
August 12, 2016

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

Dear Secretary Vilsack:

U.S. dairy farmers have been suffering with the lowest milk prices they have received since the Great Recession of 2009. The U.S. average all-milk price of $14.50 per hundredweight, which the Department announced for May, was the lowest all-milk price in nearly six years. July's milk price was also almost $4 less than the price just last November.

On the cost side, feed prices have risen recently, producing a Margin Protection Program (MPP)-Dairy margin of $5.76 per hundredweight for the May-June period, the lowest bimonthly margin since the inception of the MPP-Dairy program.



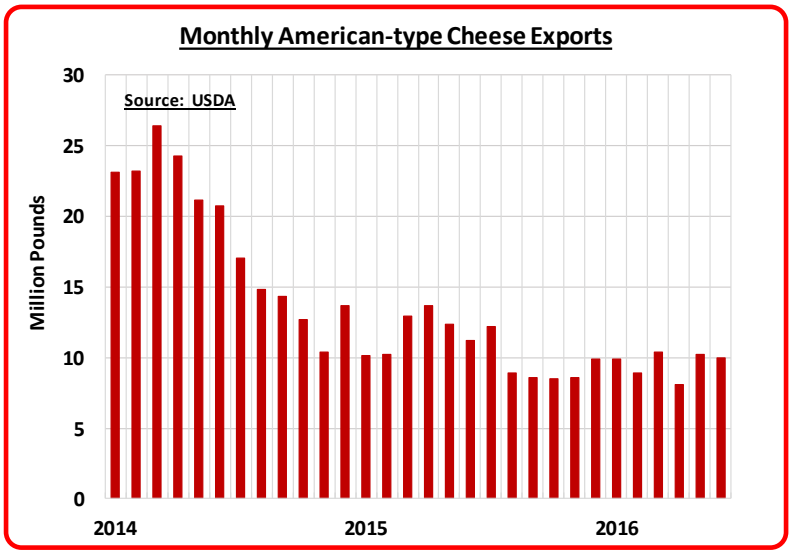
In light of the damaging cost-price squeeze affecting many of the nation's dairy farmers, I am writing to urge you to examine all available avenues to provide assistance using the provisions under Section 32 for the direct purchase and distribution of cheese to the needy, as well as any other assistance that could be provided through the Farm

Service Agency, the Food and Nutrition Service, Commodity Credit Corporation or other program authorities.

We respectfully request that USDA provide $100 - $150 million in assistance, which would allow for the purchase of up to approximately 90 million pounds of cheese, using average prices during July. Donating this quantity of cheese in the manner described above would remove the equivalent of almost 900 million pounds of milk from the domestic commercial market and strengthen farm-level prices by about $0.16 per cwt. over the course of a year. This action would increase the total incomes of all U.S. dairy farmers by approximately $380 million, generating a return of $2.50 in additional dairy farm income for every $1.00 of cost to the government.

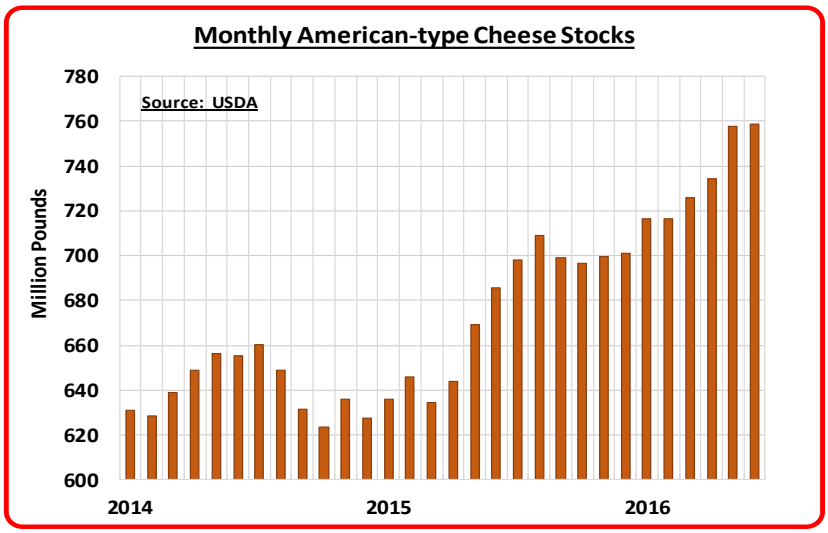
We are very appreciative of the improvements that the USDA has made to the MPP Program to date. However, due to limitations of the program approved by Congress, few dairy farmers have coverage at levels that will provide sufficient support this year. In addition to the financial assistance requested above, we would also ask that the department work with us to identify other potential avenues to further strengthen the MPP.

One of the main reasons for the current weakness in milk prices is the prolonged slump in global dairy markets, which is impacting dairy farmers here and around the world. This has been caused by a worldwide drop in import demand for dairy products, especially in China, and the Russian food import embargo that began in August 2014. On the supply side, the termination of milk production quotas in the European Union (EU) in April 2015 has led to a surge in EU milk production, large stocks of milk powder and increased exports priced at below-cost market clearing levels.



U.S. milk prices have become increasingly exposed to world dairy markets, as U.S. exports grew from the equivalent of about 5 percent of total production 15 years ago, to between 13 and 15 percent over the past several years. Returns from exporting dairy ingredient products, such as skim milk powder or dry whey and lactose, are down almost two-thirds from the peak period of world prices between spring 2013 and spring 2014. These products have made up about three-quarters of U.S. dairy exports by milk equivalent volume during 2016. Foreign sales of U.S. butter and cheese have also fallen as low-priced competition in world markets has seriously eroded exports of these products. In the period between 2014 and 2016, total U.S. cheese exports have dropped by almost 20 percent, exports of American-type cheeses are down almost by half, and butter exports are off by almost 90 percent.

A major contributor to the decline in U.S. milk prices has been the large buildup in domestic stocks of American-type cheese, a product which plays a key role in establishing milk prices paid to U.S. dairy farmers. These higher stocks have resulted from the difficult world dairy situation and the consequent loss of export sales. Since the beginning of 2015, production of American-type cheese has increased by an average 5.4 million pounds, year over year, according to data from USDA-NASS, while total commercial use of American-type cheese has increased by an average of 2.9 million pounds, year over year, according to data from USDA-ERS.



The difference in the rates of cheese production versus commercial use is due entirely to the loss of exports, since domestic commercial use grew by an annual average of 8.9 million pounds during the period. In calendar year 2014, exports accounted for 4.8 percent of U.S. production of American-type cheese and domestic commercial use accounted for 95.5 percent. During the first half of 2016, exports were just 2.4 percent of production and domestic commercial use was 96.1 percent. But between 2014 and the first half of 2016, total commercial use, domestic and export, had fallen from 100.3

percent of production to 98.5 percent. As a result, cheese stocks have risen, to levels not seen in 30 years. NASS reported total commercial stocks of American-type cheese were 759 million pounds at the end of June, the highest level since September 1986. Reflecting this buildup of stocks, the ratio of May ending stocks to May total commercial use for American-type cheese was higher than only 11 other months since January 1995.

The most effective way to assist U.S. dairy farmers under current market conditions is for USDA to purchase cheese products, especially American-type cheese and to work with public and private nonprofit organizations and state and local agencies to donate those products directly for food assistance purposes, using the procedures established by the Department in the course of implementing the 2014 farm bill's Dairy Product Donation Program (DPDP).

In light of the ongoing crisis in global dairy markets, governments in major dairy-producing countries are providing important support to their dairy farmers. The EU recently announced an agricultural assistance package of up to €850 million in EU Commission and member state funds, a substantial portion of which will be directed to dairy farmers. This follows the receipt of over €400 million in direct assistance by EU dairy farmers as part of the September 2015 agricultural assistance package. The EU dairy industry will continue to aggressively market its large surplus of dairy products in world markets even if their annual rate of milk production growth moderates. This will hold world dairy product prices down and prolong the conditions that have given rise to the large and growing surplus of American-type cheese, even as domestic prices begin to show small, seasonal signs of recovery.

Many dairy producers here in the U.S. need similar assistance to survive these difficult times and uncertainty in the future, and we ask that you give careful consider to our request. We look forward to working with you to provide reasonable and effective assistance to America's dairy farmers during this economically stressful period.

Thank you for your attention to this issue.

Sincerely,



Jim Mulhern
President & CEO
National Milk Producers Federation