



Dear Members of the Select Committee:

We the undersigned organizations, representing millions of taxpayers nationwide, write to express concern over reports that the leadership of the House and Senate Agriculture Committees have agreed to include a proposal known as the Dairy Market Stabilization Program (DMSP) in its recommendations to your committee.

The openly acknowledged purpose of the DMSP is to assist dairy farmers through a new round of government market manipulation in a way that will increase milk prices for everyone. Our respective organizations believe that the inclusion of such a program in any plan that is intended to solve our long-term budgetary problems would be both inappropriate and inexcusable.

The DMSP would create an extensive new federal apparatus to both limit milk supply and increase demand for dairy products when farmers' profits are declining. Similar "supply management" programs have been tried and have failed here and abroad, sharing one major trait with the DMSP: repudiation of free markets and the consumers they serve. At a time when countries around the world are moving beyond these mistakes and are embracing market- and trade-based solutions, DMSP is an anachronism that will soon be regretted if it becomes law.

The DMSP would track the difference between farm milk prices and feed costs. When the difference narrows, farmers who have been increasing dairy production will have a portion of their milk proceeds withheld – thus creating a disincentive to maximize efficiency. The withheld amount will be forwarded to a board of dairy producers who will use the proceeds to purchase dairy products for the sole purpose of getting them off the market and keeping prices high.

This scheme will boost the regulatory burden on dairy processors as well as wasteful spending by our government. In addition to being required to withhold funds from producers, processors will be subjected to dozens of new rules and regulations needed for the program's operation. Under the existing price support program, our government has an unfortunate history of purchasing what it deems "surplus" dairy products, a practice that has resulted in embarrassing, high-profile boondoggles from attempts to dispose of them.

By artificially inflating milk prices, the DMSP will ratchet up budgetary pressures on the government's food and nutrition programs. Elected officials should seek to eliminate, not exacerbate, unnecessary spending.

Rep. Collin Peterson (D-Minn.), who has sponsored legislation (H.R. 3062) that includes the DMSP, claims that he has responded to these and other concerns by making the program voluntary for farmers who choose to enroll in a margin insurance component also created under H.R. 3062. That change does not address the fundamental problem with the bill. Its purpose and design aims to use our government to distort milk prices. Even a "voluntary" program requires the expansion of the dairy program's already large and expensive bureaucracy. That is a step in the wrong direction.

The DMSP cannot be fixed and should be rejected. Programs like the DMSP have no place in any bill, and particularly not in a bill to get our country's fiscal house in order.

Sincerely,

Thomas A. Schatz
President
Council for Citizens Against Government Waste

Pete Sepp
Executive Vice President
National Taxpayers Union

Grover Norquist
President
Americans for Tax Reform