

Comments of Tim Pedrozo, Orland, California
on the
National Dairy Promotion and Research Program; Section 610 Review,
Docket No. DA-06-04, Federal Register: February 28, 2006, pages 9978-9979
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My name is Tim Pedrozo. I operate a small dairy farm and farmstead cheese business with my wife Jill and our three children near Orland, California. Our family farm includes 60 head of Jersey milk cows in a rotational grazing setup that is friendly to the environment and our rural neighbors. We are actively involved in the production, promotion and marketing of value-added specialty cheeses to consumers across America.

We welcome the opportunity to comment on the future of the National Dairy Promotion and Research Program funded by a mandatory 15 cents per hundredweight checkoff on all farmers' milk marketings. The program is commonly known as the National Dairy Board.

The National Dairy Board (NDB) should be rescinded to minimize the checkoff program's current negative economic impact upon a substantial number of small dairy farm entities. The NDB because it no longer benefits the small dairy farms that fund the national checkoff program. The NDB has strayed from its central mission of increasing demand for American milk and dairy products. The checkoff reduces the income of small dairy farm entities without providing any worthwhile benefits in return. Further, the NDB has used checkoff revenues to advocate policies harmful to small dairy farm entities.

I support termination of the NDB for four major reasons:

1. The NDB improperly favors big farms and dairy processors at the expense of small and medium-sized farms;
2. The dairy checkoff program operates in an undemocratic manner;
3. Checkoff funds are being used for political purposes contrary to dairy farmers' interests in potential violation of the law; and
4. National dairy advertising and promotion is too generic to be effective.

I will address these four issues in turn.

1. The NDB favors big farms and dairy processors at the expense of small and medium-sized farms

The NDB tends to represent the interests of larger dairy farms and dairy cooperatives at the expense of small and medium-sized farms. This big-farm bias results from the fact that the NDB's members are political appointees nominated by Dairy Farmers of America, Land O Lakes and other big cooperatives that, as milk processors, tend to favor larger dairy farms and have lost touch with the smaller producers. This problem is further amplified by the NDB's close contractual relationship with Dairy Management Inc., which has very close ties to the big milk processing co-ops. I think that the current bias in

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favor of larger farms would not exist if members of the NDB were directly elected by milk producers.

Big dairy co-ops operate processing plants that benefit from low milk prices, a situation that frequently puts their institutional interests in conflict with the interests of individual dairy farmers who seek higher milk prices. Big cooperatives tend to choose NDB nominees loyal to co-op management rather than the farmers who pay the mandatory promotion fee.

The NDB's big-farm bias is harmful to the small and medium-size farmers who pay the checkoff. One recent example is its recent decision to spend \$6 million of our checkoff dollars to fund a study of dairy farm air emissions. This three-year study focuses on air pollution caused by dairy cow belching and flatulence caused by large factory farms. These mega-farms, which typically have thousands of milk cows confined in a small space, are fouling the air and giving the dairy industry a very bad public image.

I agree that factory farm air pollution is a major problem for neighbors living downwind from big farms and for society in general. However, the cost of solving this major environmental air quality problem should be paid for independently by factory farms, not by all farmers through the national dairy checkoff program.

2. The dairy checkoff program operates in an undemocratic manner

Despite all the recent national emphasis on democracy, the NDB continues to deny basic democratic rights to dairy farmers. If the people of Iraq deserve democracy, so do America's milk producers. Unfortunately, dairy farmers are not allowed to elect members of the NDB or vote democratically on basic questions about the dairy checkoff program. Instead, USDA allows dairy co-ops to vote for their members through a process called bloc voting, a Soviet-style practice that violates the principle of one producer – one vote.

The primary beneficiary of this undemocratic bloc voting process is the modern-day Politburo in charge of national dairy policy – the big dairy co-ops and their Washington lobby, the National Milk Producers Federation (NMPF). It's time to give the NDB and the Politburo the boot.

The political appointment of NDB members has resulted in the national dairy checkoff becoming a bad case of "taxation without representation" for many dairy farmers forced to fund the program against their will.

3. Checkoff funds are being used for political purposes in possible violation of the law

Many dairy farmers believe that our checkoff dollars are being used illegally to fund political activity harmful to our interests. The big dairy co-ops that dominate the NDB provide checkoff funding to the National Milk Producers Federation and the U.S. Dairy

Export Council (USDEC) that is used to finance lobbying for free trade and other controversial policies.

Lax government oversight of the checkoff program and inadequate "firewall" safeguards between operations of the NDB and these lobbying groups make it impossible to prevent commingling of membership dues and checkoff funds. Many dairy farmers believe our checkoff dollars paid for industry lobbying in support of the increased dairy imports through the WTO Doha Round, NAFTA, CAFTA and other free trade agreements.

NMPF's ardent lobbying for extending the promotion assessment to dairy imports during the 2003 Farm Bill debate is another example of a checkoff-funded industry group actively working against the interests of U.S. dairy producers. The import assessment, if implemented, would require that the NDB promote foreign cheese, butter and Milk Protein Concentrate along with American dairy products. This is unacceptable and can only be solved by eliminating the NDB.

4. National dairy advertising and promotion is too generic to be effective

The national dairy checkoff program should be discontinued so dairymen can concentrate on the state and regional promotion programs that benefit them more directly and are more accountable. As a farmstead cheese maker, I know that the NDB has done very little to promote artisan and farmstead cheeses that benefit businesses like mine. Generic national advertising urging consumers to "drink milk" and "eat cheese" are ineffective because they are too unfocused and short-term to benefit farmers, manufacturers and retail partners. In contrast, state and regional programs do not have that problem. Elimination of the NDB will allow farmers to focus their dairy promotion checkoff dollars much more effectively on specific products that affect their milk checks.

As the chairman of the California Milk Manufacturing Advisory Board (CMMAB), I understand that state and regional programs can be much more effective than the national program in improving consumer demand and raising my milk price. I receive much more benefit from "Real California Cheese" advertising than generic national cheese ads. Dairy producers in Wisconsin have made similar comments about "Real Wisconsin Cheese" promotions funded by their contributions to the Wisconsin Milk Marketing Board. Dairy farmers from other parts of the U.S. have made similar comments about the state and regional promotion programs as well.

Unfortunately, implementation of the import assessment provisions of the 2003 Farm Bill would undermine the ability of state and regional programs to promote products such as Real California Cheese and Real Wisconsin Cheese. Generic dairy advertising and promotion would be prohibited from distinguishing between domestic and imported dairy products. That would defeat the whole point of advertising and promotion.

Thank you for this opportunity to comment.

A handwritten signature in cursive script that reads "Jim Pulzo".