

**THE COUNCIL OF STATE GOVERNMENTS
RESOLUTION ON DAIRY PRICE REPORTING**

Resolution Summary

This resolution addresses a serious error by the USDA in reporting of milk prices that impacted the price paid to dairy producers by at least tens of millions of dollars. At a time when many states are budgeting emergency payments to provide relief for the milk price crisis for their dairy producers, we find that the crisis itself may have been caused in entirety by the USDA error. In October 2000, Congress passed a bill that established mandatory price reporting requirements for the dairy products used in establishing milk prices under the Federal Milk Market Order system. The purpose of this legislation was to provide a transparent method for the government to set milk prices, which all parties could have confidence in. Unfortunately, recent events have undermined confidence in USDA's ability to oversee this data collection.

In late April 2007, USDA reported a serious error in the prices reported to the National Agricultural Statistics Service for nonfat dry milk. USDA has indicated that this has affected milk prices for farmers for at least two months and caused a "market loss" of at least \$6.4 million. But this market loss was not borne by the market as a whole -- it came only from dairy farmers' milk checks.

At the time of writing of this resolution at least six governors and several members of Congress are seeking explanations and proposals to rectify this situation. This resolution will serve to support the states seeking explanation and redress of this situation.

Dairy Price Reporting Management Directives:

Management Directive #1: CSG staff would need to send a copy of this to the U.S. Secretary of Agriculture.

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WHEREAS, dairy is the "anchor tenant" of agriculture in many areas of the country, supporting the critical mass of infrastructure upon which many other agricultural enterprises depend; and

WHEREAS, the income from milk is very important for many state's economies and for keeping dairy farm families in business.

WHEREAS, it has come to our attention that the federal government recently announced an error in the reporting of nonfat dry milk (NFDM) prices,

WHEREAS, these reports, plus weekly price reports for cheese, butter and dry whey, are used to develop the federal milk marketing order price formulas to determine minimum prices paid to producers and thus this error resulted in U.S. dairy farmers receiving significantly less dollars for their milk than what they should have been paid.

WHEREAS, dairy farmers, and not the market, incurred this loss, estimated by the United States Senate at \$6.4 million over a two month period.

WHEREAS, we understand that USDA and the Inspector General are conducting an investigation to determine the extent of the effects, reports suggest that this problem may have been present for eight to nine months and cost dairy farmers tens if not hundreds of millions of dollars in lost income. This error is being felt hard in our nations rural communities as many of our farmers struggle to pay feed, fuel and fertilizer bills this spring.

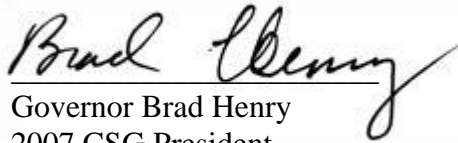
WHEREAS, the USDA has the authority under section 32 of the Agricultural Act of 1935, to provide funds for dairy producer indemnification, once the overall impact on dairy producer prices has been determined.


NOW, THEREFORE BE IT RESOLVED, that the Council of State Governments representing state, territorial and provincial policy leaders urge the USDA to provide back-payments to dairy producers who were financially hurt by USDA errors in nonfat dry milk price reports.

BE IT FURTHER RESOLVED, that the USDA immediately implement mandatory auditing of product prices and inventories, as directed by Congress in 2000 and 2002, to avoid future errors in price reporting. Producers deserve mandatory daily and weekly reporting of all dairy commodity transactions, including prices and quantities by location and product characteristics. Without regular audits, that the USDA was instructed by Congress to conduct, incorrect reporting of powder prices may continue.

BE IT THEREFORE FURTHER RESOLVED, that a copy of this resolution be forwarded to the U.S. Secretary of Agriculture.

Adopted this 13th Day of June, 2007 at the
CSG Spring National Committee and Task Force Meetings
In Puerto Rico.


Governor Brad Henry
2007 CSG President


Representative Deborah Hudson
2007 CSG Chair