



Family Farm Defenders
PO Box 1772
Madison, Wisconsin 53701

April 18th, 2019

Dear Attorney General,

Our request is simple: investigate unfair trade practices in the dairy industry.

Year after year, farmers foreclose due to the low prices they receive. Some believe that “the market” is to blame and that price volatility is “natural.” Evidence shows that there is another story, one that involves unfair, anticompetitive practices instigated by corporate food processors, large cooperatives, and financial speculators.

This story needs to be brought to the light of day. Helping us tell this story will greatly benefit family farmers and consumers not only in Wisconsin, but nationally.

2018 was a terrible year for dairy farmers – in Wisconsin, over 500 farmers decided to end their operations due to low prices. The sudden fall in prices led the cooperative, Agrimark, to send suicide hotline information with farmers’ milk checks. In yet another example of this past year’s problems, hundreds of farmers from Pennsylvania to New York were abruptly told that there were no markets for their milk.

2019 shows no sign of improvement.

Meanwhile, we know that large cooperatives and food processors are far from innocent. A variety of class-action lawsuits from the last fifteen years – involving Dairy Farmers of America (DFA), Land O’Lakes, Dean Foods, Dairy America, and Foremost Farms, as well as others – have resulted in these agribusiness giants reaching settlements with farmers and consumers. Without admitting guilt, the settlements detail repeated and concerted attempts of major players in the dairy industry to manipulate prices. Neither farmers, nor consumers benefit; only agribusiness elites, many of whom took power within cooperatives, profit as their salaries increase and farmers go out of business. Consumers, meanwhile, remain oblivious to farmers’ pain and the agribusiness schemes that bankrupt rural America.

As the settlements show, the industry is not reforming. Agribusiness’ abuse of power continues and we all lose because of it.

Concretely, to seriously confront unfair, potentially illegal trade practices in the dairy industry, we encourage action on multiple fronts.

1. Investigate price manipulation; “pool loading” (supplying a targeted market with unneeded milk to drop the price a farmer receives) and “bid rigging” (when buyers of agricultural commodities agree to limit competition by agreeing on prices) are well-established practices of cooperatives and processors to control the supply of fluid milk, gain market share, and set prices. An adequate investigation would document the extent of such practices throughout the industry so that appropriate action can be taken.
2. Investigate the dairy price formula; the milk product price formula changed in 2000, to being set upon the aggregate of four dairy commodities (butter, nonfat dry milk, cheese, dry whey). This system is susceptible to manipulation in financial markets, namely, at the Chicago Mercantile Exchange (CME), where agribusiness interests have special access. An adequate investigation would detail how derivatives trading at the CME affects dairy pricing, shining a light on unfair practices that hurt farmers and consumers for corporate gain.
3. Investigate corporate/cooperative collusion; we demand that the investigation begun by Allee Ramadhan in 2004 be made public. Ramadhan’s abrupt termination under questionable circumstances left us more questions than answers when it comes to the power of agribusiness in government and the economy. We know from some reports concerning that investigation how many of the same executives sit on the boards of different cooperatives and corporations. Following up with Ramadhan’s investigation will document further the nature of corporate power and the extent to which actors in positions of power in the dairy industry coordinate and collude to make markets uncompetitive.

In 2010, investigations into monopolies and monopsonies by the Department of Justice (DOJ) and the United States Department of Agriculture (USDA) led to a report, but to no subsequent, concrete plan. That work needs to be continued, now, during a time of record bankruptcies. Moreover, in addition to a report, concrete action – potentially disciplinary steps – need to be considered if there is a hope that small farmers have a future in the United States.

It is clear that large cooperatives and processors have for too long manipulated prices for the benefit of the few at the expense of the many. It’s time for their control of the industry to stop and for farmers and consumers to regain the respect that they deserve.

Sincerely,

Farm and Ranch Freedom Alliance

Family Farm Defenders

National Family Farm Coalition

Other Signatories