

American Dairy Coalition: Announces federal milk pricing policy priorities

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GREEN BAY, Wis. — American Dairy Coalition, a grassroots dairy farmer-led organization, has been engaging farmers and industry in discussion of the future of milk pricing since 2020. That's when the unintended consequences of the Class I price formula change, which passed in the last farm bill, became apparent in Federal Milk Marketing Order dysfunction, de-pooling, loss of Class I value and resulted in negative PPDs. All of this negatively impacted the performance of producer price risk management tools. Dairy farmers found they were not able to protect their cost of production expenses when in fact, protecting these expenses is the whole point of utilizing the current risk management tools.

After gleaning feedback and information from dairy farmers and industry experts during interactive webinars, conference calls, emails, surveys and other engagements, ADC's dairy farmer board recently approved these federal milk pricing priorities as 2023 farm bill discussions proceed.

1. EXAMINE CLASS I MOVER VIA HEARING — Federal Milk Marketing Order changes should go through the FMMO hearing process where all parties can be heard. Proposals to improve the Class I mover should include comparison to the previous Class I mover's 'higher of' formula, which was the last milk pricing formula vetted through this process. Even in the absence of "industry consensus" about the mover, an FMMO hearing should still be conducted as soon as possible to thoroughly examine by comparison the current 'average of' formula vs. the previous 'higher of' formula since this was not done in 2018.

2. ADDRESS RISK MANAGEMENT CONCERNS — All FMMO milk pricing proposals should be stress-tested to gauge impact on performance of the tools dairy farmers purchase to manage price risk, such as DRP, LGM and hedging. It is essential that these risk management tools perform as designed and are not rendered void because of price inversions and FMMO dysfunction.

3. RESTORE DEMOCRACY — The producer referendum (vote) which follows all FMMO

hearings should allow all individual dairy farmers to cast a secure, confidential and trustworthy ballot instead of cooperatives bloc voting on behalf of their dairy farmer patrons.

4. TIE MAKE ALLOWANCE AMENDMENT TO CLASS I MOVER AMENDMENT — If FMMOs are amended or an FMMO hearing process is opened to raise processor 'make allowances' (processors cost to convert milk into a finished dairy product), a hearing returning to the previous 'higher of' Class I mover formula should occur at the same time.

5. TIE MAKE ALLOWANCE RAISES TO FARMERS RECEIVING ADEQUATE AND TRANSPARENT MAILBOX MILK PRICES — 'Make allowances' derive directly from dairy farmers' milk payments as they are embedded into the classified end-product pricing formulas.

6. EXPAND PRICING SURVEY AND INCLUDE FARM COST OF PRODUCTION — Proposals for mandatory and frequent cost of processing studies and make allowance adjustments should be accompanied by a mandatory and frequent reporting of farm-level milk cost of production. Additionally, a more comprehensive 'market basket' survey of dairy product prices should be reported — beyond the four base commodities used in end-product pricing.

7. EXAMINE DAIRY FORWARD PRICING PROGRAM IMPACTS AND STRUCTURE — - Proposals to make the Dairy Forward Pricing Program permanent must be structured so farmers have the ability to protect their actual mailbox milk price in a longer-term forward pricing agreement. If this program is made permanent, there must be an examination of the impact on price discovery and the ability of farmers to flexibly navigate the future of their farm businesses.

8. CLIMATE / CARBON TRACKING CLARITY AND CARBON ASSET OWNERSHIP — No matter where a dairy farm's milk is processed, that farm should be able to retain 100% ownership at all times of its earned and achieved carbon assets, even if this information is shared with milk buyers to describe the resulting products that are made from the milk.

Dairy farmers must be able to control their own destinies and navigate their futures as essential food producers that are closest to nature and are at the genesis point of food production. Those milk buyers asking for and acquiring proprietary on-farm carbon-tracking data should have to disclose how it will be used and valued, and farmers should have a mode of recourse if this proprietary information is used against them in milk contract renewal processes.

To read more background and detail, follow this link: [ADC Background](#)