

# American Dairy Association: Dairy farmers top \$1 billion in losses from the 2018 farm bill change in how Class I fluid milk is priced

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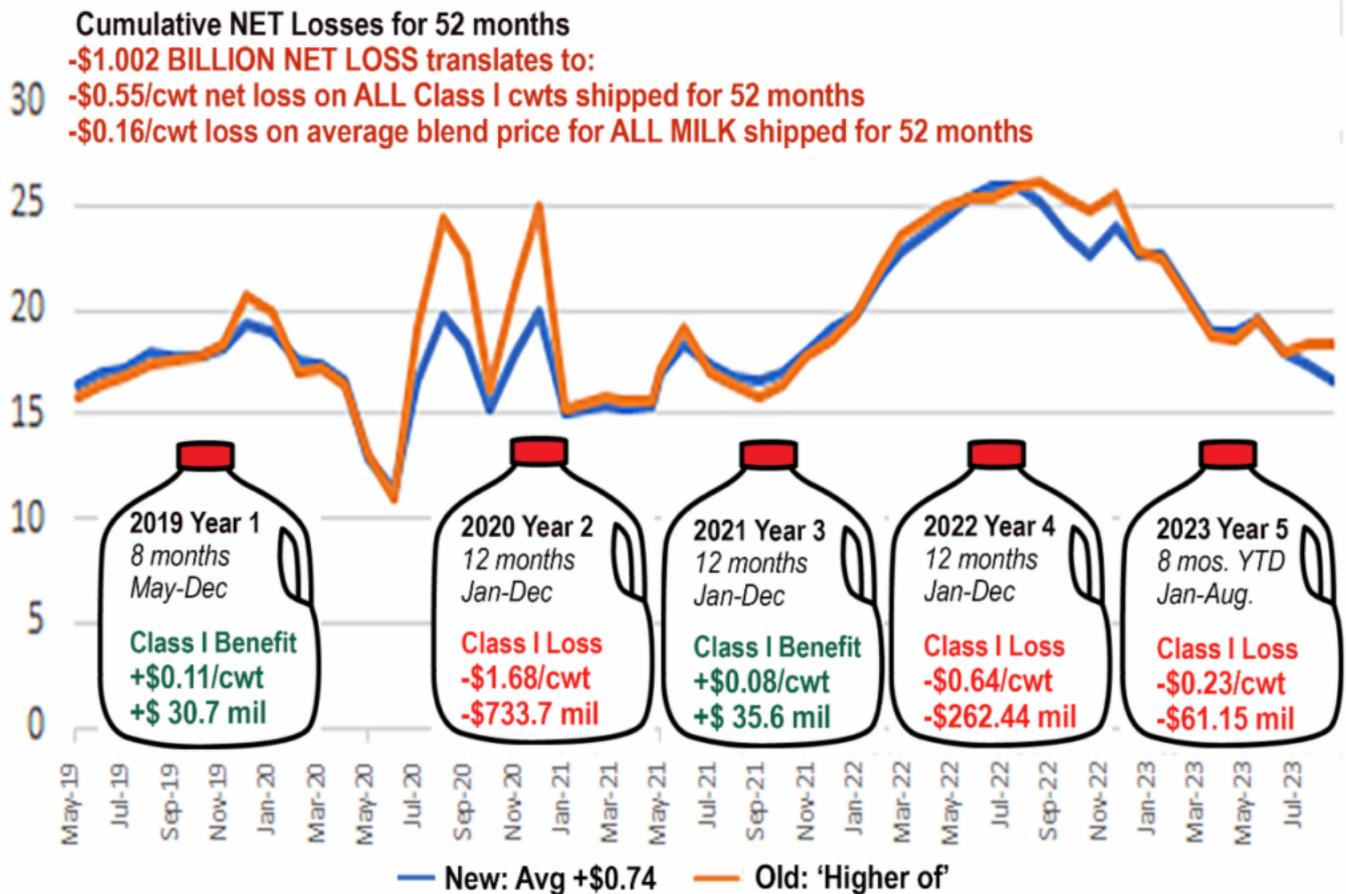
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GREEN BAY, Wis. – July 20, 2023 – While the dairy industry awaits Ag Secretary Tom Vilsack’s decision on petitions for a national Federal Milk Marketing Order hearing, and its scope, dairy farmers continue to lose money as a result of the 2018 farm bill change to how farmers are paid for Class I fluid milk. The change was made without a hearing, without a comment period, and without a producer referendum.

“American Dairy Coalition has been working on this issue since 2020. Today, we see the net loss that has accumulated for dairy farmers since the ‘average of’ method was implemented will exceed \$1 billion next month,” said Laurie Fischer, ADC’s CEO. “The ‘average of’ formula has effectively taken 55 cents per hundredweight away from farmers on all Class I milk over the past 52 months. When you net that out to a blended price based on a 28% Class I use nationwide, it’s a 16-cent loss on every hundredweight of milk shipped. That’s like paying an additional checkoff for 52 months.”

# Class I Avg. +\$0.74 vs. 'Higher of'

May 2019 - Aug. 2023 (52 months of implementation)



Graphic by S. Bunting, Data Source: USDA

The net loss is projected to exceed \$1 billion after August 2023 milk is paid for in September. Yesterday (July 19), USDA announced the advance Class I mover for August at \$16.62. That's 70 cents lower than July and \$8.51 lower than a year ago.

"Milk checks this summer have plummeted. It didn't need to be this bad," said Fischer. "If the 'higher of' method was still in place, the August Class I mover would have been \$18.29, not \$16.62."

With about 28% of all milk being used for Class I, farmers stand to lose 47 cents per hundredweight on all milk marketed next month just from this formula change. The

loss to blended prices will be greater in some Federal Orders and less in others, and this does not include the impacts from depooling of higher-value Class II and IV milk.

American Dairy Coalition is asking Secretary Vilsack to hold a national hearing and prioritize the return to the 'higher of' for Class I pricing.

"We also hope Congress is ready to make a simple four-word change in the dairy title of the 2023 farm bill to make sure this gets done. Grassroots dairy farmers and countless organizations agree: Go back to the 'higher of' by the fastest means possible," said Fischer.

The current pricing formula uses a 74-cent adjuster which caps increased revenue potential, but there is no revenue protection in the current milk pricing formula to protect dairy farmers from the formula's downside risk.