



FOR IMMEDIATE RELEASE

April 27, 2021

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Dairy farmer groups propose Class III Plus for better milk pricing

Plan focuses on stability, protection from negative PPDs

Four Midwestern dairy groups today announced a Federal Milk Marketing Orders proposal aimed at creating long-term stability in fluid milk pricing and reducing the likelihood of negative producer price differentials that cut into farmers' revenue last year during the pandemic.

The proposal from the Dairy Business Association (DBA), Edge Dairy Farmer Cooperative, Minnesota Milk and Nebraska State Dairy Association comes after the groups began studying options early this year. They said the proposal, which they're calling "Class III Plus," aims to build upon the current pricing system, recent proposals by dairy cooperatives, and dairy farmer petitions to define a better Class I pricing system.



Penterman

"Our proposal looks to the future. It would make lasting changes to the milk pricing system that will limit negative PPDs in the future and the possible negative effects from future crises," DBA President Amy Penterman, a Wisconsin dairy farmer, said.

The [Class III Plus proposal](#) would, among other things, tie the Class I (fluid) skim milk price to the Class III (cheese) skim milk price plus an adjuster and do away with advanced pricing, a cause of the negative PPDs last year. The proposal is also revenue-neutral, therefore more equitable among farmers, processors and customers.

The recent call by cooperatives within the National Milk Producers Federation for an emergency FMMO hearing includes a proposal that improves a few components of the current pricing structure, but largely focuses on the short term and revenue that farmers did not earn in 2020, the four groups said.

They said Class III Plus provides a way for farmers to recoup, over the next four years, some of the revenue they might have missed out on in 2020, and also creates stability going forward, including protection from negative PPDs and better risk management ability.



Sjostrom

“Cooperatives in our area have long called for a focus on Class III issues,” Lucas Sjostrom, executive director of Minnesota Milk, said. “While those are unfortunately outside the scope of (NMPF’s) hearing request, keeping Class I milk the highest in most scenarios will keep Class III plants in the pool, and provide more orderly marketing for all FMMOs. This is a win for customers, a win for farmers and a win for processors.”

Kris Bousquet, executive director of the Nebraska State Dairy Association, said dairy farmers in his state are “extremely concerned” about the status of the Federal Milk Marketing Orders and how the current structure negatively impacts their milk price.



Bousquet

“The Nebraska State Dairy Association’s priorities while working on this proposal were that we wanted the pricing structure to be fair to all, and to bring back the farmers’ ability to forward contract. Our joint proposal does just that and is the best path forward for the Nebraska dairy industry,” Bousquet said.

The groups also said NMPF’s proposal would likely result in requests for additional FMMO hearings and more changes just two years from now, causing further disruption and potentially jeopardizing the entire order system.



Stapel

“We want to make sure that if a hearing is granted, the result will be lasting, beneficial changes to the pricing formula,” Edge President Brody Stapel, who farms in Wisconsin, said. “Federal Milk Marketing Orders need to be reformed, but an extremely limited hearing now, which NMPF is seeking, would destabilize the system rather than solve fundamental issues, which is our ultimate goal.”

More about Class III Plus:

- Improves risk management and hedging for dairy farmers and processors
- Stops the disassociation of advanced pricing that can cause negative producer price differentials
- Does not increase prices to customers in the long term
- Focuses on being a long-term fix to several existing milk pricing problems, and not just correcting issues of the past 24 months
- Ties Class III (cheese) pricing to Class I (fluid) pricing, which would reduce the need for Class III plants to depool and the negative impact that can have on prices.
- Keeps PPDs positive more often in more marketing orders than the current pricing system
- Utilizes three years of data to annually update Class I skim milk price adjusters to limit any one-year shocks, but also takes into account the changing nature of milk processing

Document

[Class III Plus proposal](#)

Images:

[Amy Penterman](#)

[Lucas Sjostrom](#)

[Brody Stapel](#)

[Kris Bousquet](#)

[Edge logo](#)

[DBA logo](#)

[Minnesota Milk logo](#)

[Nebraska State Dairy Association logo](#)

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About Dairy Business Association:

The Dairy Business Association is Wisconsin's leading dairy advocacy group, championing smart and sensible regulations affecting the dairy community. The nonprofit organization is comprised of farmers, milk processors, vendors and other business partners who work collaboratively to ensure that dairy farms of all sizes have the support they need to keep America's Dairyland strong. More information: www.dairyforward.com

About Edge Dairy Farmer Cooperative:

Edge Dairy Farmer Cooperative provides dairy farmers throughout the Midwest with a powerful voice — the voice of milk — in Congress, with customers and within their communities. Edge, based in Green Bay, Wis., is one of the top cooperatives in the country based on milk volume. More information: www.voiceofmilk.com

About Minnesota Milk:

Minnesota Milk Producers Association has been the grassroots organization for Minnesota's dairy industry since 1977. Our strength comes from members working together and focusing on policy, education and membership. More information: www.mnmilk.org

About Nebraska State Dairy Association:

The Nebraska State Dairy Association has been the voice of Nebraska Dairy Farmers since 1885, working to promote growth, success and sustainability for the dairy industry in Nebraska. More information: www.nebraskamilk.org

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