



## AMERICAN AGRI-WOMEN 2022

### DAIRY MILK PRICING STRATEGY

#### ISSUE:

AAW extends gratitude to the National Milk Producers Federation (NMPF) for their willingness to re-examine the modification made to the milk pricing formula in the previous 2018 Farm Bill. Farmers understand why NMPF & International Dairy Foods Association (IDFA) advocated for this change; it provided new risk management tools for the beverage milk industry to allow them to use futures contracts to hedge their beverage milk price risks. But this formula change created a cascading failure for American dairy farmers through significant milk check reductions in the form of negative Producer Price Differentials (PPD's). Farmers have suffered the effects of a nearly \$3B shortfall in Federal Milk Marketing Order (FMMO) component pricing revenue sharing pools in the past year two years. This milk pricing formula change did not proceed through a formal USDA FMMO hearing process and resulted in significant financial damages to many dairy farmers across the nation through milk price volatility and the unexpected inability to utilize risk protection tools that they had already purchased.

Negative PPDs on farm milk checks were seen even before the pandemic. But the current ease of de-pooling milk out of FMMOs, with different pooling rules in different orders, exploited the extreme situation at hand, allowing milk processors to increase profitability at the expense of dairy farmers. These harmful negative PPDs continue today.

#### AMERICAN AGRI-WOMEN REQUEST:

- Congress change the current FMMO milk pricing formula in the Farm Bill back to the “higher of” Class I formula, for temporary relief until a long-term milk pricing solution can be determined through the correct channels. This “higher of” formula was properly vetted and in place for nearly 20 years and went through the appropriate FMMO hearing process. Legislators set a dangerous precedent by skipping the USDA FMMO hearing process, undermining the Federal Order’s purpose.
- Congress petition Secretary Vilsack and USDA for a FMMO Hearing for long term solutions. All farmers should be able to bring proposals forward and participate on the record. Direct input from dairy farmers must be a priority, along with the ability of individual ballots (rather than only bloc voting by cooperatives) provided to *all farmers* during this Federal Milk Marketing Hearing process. It is unacceptable to continue moving down a path where only a few determine milk pricing formula decisions for all.



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#### BACKGROUND:

- The ease of depooling of milk by processors puts dairy farmers at a significant disadvantage through milk price volatility.
- A change back to the proven “higher of” Class I formula will result in a more impartial milk pricing strategy for dairy farmers until a long-term solution can be properly vetted. A FMMO hearing will likely take 18-24 months.
- Dairy farmers need *transparency* on milk checks from milk processors, as farmers should be able to read their milk checks and clearly see how the price they are paid for their milk reflects the value of the commodity dairy products that are made with that milk.
- Dairy farmers and processors need the ability to utilize risk management tools, but not at the expense of the other.
- A Federal Milk Marketing Order Hearing, *without block voting*, is the most appropriate and fair means for the farmer voice to be heard for a long-term solution.