



## NEWS RELEASE

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## Reforms of Federal Order Dairy Pricing System, Featured in Foundation for the Future Package, to Simplify Milk Pricing

**ARLINGTON, VA** – Past attempts to reform – and simplify – federal regulations affecting dairy pricing have achieved mixed results at best, but the changes included in the National Milk Producers Federation (NMPF)'s [Foundation for the Future](#) (FFTF) program represent a once-in-a-generation opportunity to make major improvements, NMPF said today.

Reforming the current complex milk pricing system is one of the key elements of FFTF, along with providing a better margin-focused, farm-level safety net, and a means of temporarily adjusting milk production when conditions warrant.

But revamping the Federal Milk Marketing Order system “is perhaps the most daunting, because the current structure is difficult to alter unless comprehensive and specific adjustments are written into legislation,” said Dave Fuhrmann, President of Foremost Farms USA, a dairy cooperative based in Baraboo, WI. Fuhrmann chaired an NMPF committee that developed the Federal Order improvements featured in the FFTF package.

Under the proposal that NMPF has helped to design, and which has been [drafted into legislative form](#) by Rep. Collin Peterson (D-MN), the U.S. Department of Agriculture will no longer specify a monthly minimum price for four classes of milk, derived from a weekly price survey of dairy commodities.

Instead, the system will feature just two classes: one for fluid milk, and another for manufactured products. This will “allow the discovery of a true, competitive market price for milk, rather than a price derived from an unwieldy and divisive formula-based approach,” Fuhrmann said, noting that the current end-product pricing formulas, featuring make allowances for manufacturers, will be eliminated. This change, along with the elimination of the Dairy Product Price Support System, “will significantly enhance the ability of the U.S. to grow export markets over the long term.”

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Reducing the system to two classes not only simplifies things, it will also reduce price volatility, because more milk is moving in response to the same prices and adjusts supply and demand more quickly and more consistently, according to Fuhrmann.

The FFTF proposal maintains a minimum price for fluid milk, using the “higher of” feature in the current system, to help maximize the return to dairy producers for bottled milk sales. Current Class I differentials in the ten Federal Order areas are also maintained as they are, as is the overall geographic structure of the Federal Order regions. Farmers in states like California, which are governed by a state pricing system, would not be impacted by the changes to the federal system.

Some farmers have expressed concern that the proposed change to a competitive pricing system will not mandate component pricing, featuring a regulated minimum value for the protein in their milk.

However, “producers and cooperatives will still be able to negotiate for components values in their milk, since the proposal doesn’t preclude the use of component pricing, particularly when the plant buying the milk places an importance on protein for their products,” Fuhrmann said.

Fuhrmann noted that those who are calling for the complete elimination of any type of milk marketing orders “have to realize that dairy farmers support Federal orders. We’re taking great strides in reforming it, but we’re not looking to end the system entirely,” he said.

There is still widespread support for the beneficial aspects of Federal Milk Marketing Orders, including the fact that they help enhance the bargaining power of producers, and help balance supplies of milk to ensure adequate fluid milk for bottling.

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The **National Milk Producers Federation**, based in Arlington, VA, develops and carries out policies that advance the well being of dairy producers and the cooperatives they own. The members of NMPF’s 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies. Visit [www.nmpf.org](http://www.nmpf.org) for more information.