



## **National Farmers Statement on Federal Milk Marketing Orders**

Ever since the 1930's, Federal Milk Marketing Orders (FMMOs) have set the stage for the fair and orderly marketing of milk throughout the United States. We, the dairy farmers and staff of National Farmers, support the FMMO system. We also advocate for changes that will assure that the system can meet the challenges it is sure to face in the coming decades.

### The Changing Dairy Industry

We begin by describing how the dairy industry has changed since the FMMO system was first established. Some of those changes have been long in coming, and others have appeared more quickly.

#### *Structural Change*

During the early years of the FMMO system, 4.5 million farms, averaging five dairy cows per farm, supplied the nation's milk. Today, we have fewer than 40,000 dairy farms. Many are so large they could not have been envisioned even a few decades ago, much less in the 1930. Indiana's largest dairy, by itself, could supply one-third of the milk administered by the Florida Federal Order. At the same time, some of our dairy cooperatives have become larger than the FMMOs in which they participate. For example, America's largest dairy cooperative markets more milk than is handled by the six smallest FMMOs combined.

#### *Class One Sales*

The original FMMO's stressed orderly marketing of Class One sales. Today, milk for bottling is shipped such great distances that designating areas of like supply and demand is difficult, if not impossible. Furthermore, the demand for fluid milk is falling. Many of today's FMMOs have such small fluid sales that pooling has little value.

#### *Class Three and Class Four Sales*

Cheese, butter, and milk powders move across the country in today's dairy industry. We need a system that recognizes this and equates costs for all

processors. Equating Class III and Class IV prices would allow processors to locate plants on factors other than lower milk costs created by outdated regulations.

## *Freight Costs*

In the early days of FMMOs, milk moved for the sole purpose of taking advantage of higher prices in bottling plants. The FMMO system was created, in part, to allow for more efficient transportation of milk. Today, inefficient transportation results when milk is hauled great distances to capture higher blend prices in various FMMOs. The regional FMMO has replaced the individual bottling plant as an incentive for inefficient hauling.

## *Administration of Federal Programs*

Many federal programs intended to provide financial assistance to dairy farmers are administered by Farm Service Agency and other such offices. Meanwhile, the data and skilled personnel best suited to administering those programs often are with FMMOs.

## Our Recommendations

### *Establish a National Federal Milk Marketing Order*

Many of the difficulties facing today's FMMO system result from the fact that not all areas of the country are covered by FMMOs. Instead, we have a patchwork system that covers some dairy farms, but not others, and allows farmers to jump in and out of FMMOs in response to short-term market conditions.

We strongly advocate that all dairy farmers in the lower 48 states be covered by a single, national FMMO. With the establishment of such a system, these advantages would immediately be set in place:

- No individual farm, cooperative, or private plant would be so large that it could game the FMMO system to its own advantage.
- Dairy prices could be administered in ways that better reflect the national character of today's dairy industry.

- National transportation patterns for all dairy products could be rationalized in ways that increase financial efficiency and decrease the environmental costs of shipping milk.

### *Maintain Class One Differentials*

The current FMMO system has Class One differentials set up across the country based on distances from high production, low utilization areas to low production, high utilization areas. We recommend that a national FMMO keep these differentials as close as possible to current levels.

### *Mandatory Pooling*

All milk in the national FMMO should be pooled at all times. This policy will assure pricing and transportation flows that are in the best interests of dairy farmers as a whole; “depooling” actions that benefit certain farms or plants at the expense of the industry in general will be eliminated.

### *Dairy Program Administration*

Programs that provide financial and other assistance for dairy farmers often require information on amount of milk marketed, prices received, and marketing history. In such cases, that information would be readily available in a national FMMO. Also, if national policy required redistribution of milk among farmers (as now happens with Class One sales), such policies would best be implemented through the FMMO system. Our Dairy Farm Structure Management Plan is an example of one such program that should be administered through a national FMMO.

### A Strong Future for America’s Dairy Industry

The Federal Milk Marketing Order system has played a vital role in maintaining the health and stability of America’s dairy industry since the 1930’s. We at National Farmers want the FMMO system to continue in that important role for years to come. Times have changed, however, and the FMMO system must change with it. Our recommendations presented here will guide those changes in ways that insure a strong dairy economy with opportunities for dairies of all sizes.