



**International Dairy Foods Association**

Milk Industry Foundation

National Cheese Institute

International Ice Cream Association

## **Reform Outdated Government Milk Price Regulations**

The Federal Milk Marketing Orders (FMMO) was established in 1937 to address challenges unique to the dairy industry during the post-Depression era. The dairy industry, at that time, lacked the sophisticated refrigeration, distribution logistics and modern manufacturing practices that today allow the industry to efficiently serve the nation's population centers with a wide array of fresh milk and manufactured dairy products.

The current FMMO system is a highly complex regulatory system that requires dairy product manufacturers and processors to pay different prices based both on the type of products made from farm milk and where they are processed. To determine minimum prices, the USDA uses complicated formulas to establish minimum class prices for milk depending on its use. These government price formulas stifle market innovation and artificially keep milk prices high.

The structure of the U.S. dairy market has changed dramatically since federal orders were first established. Today, farmer owned co-ops are a potent force in the marketplace, controlling the distribution of more than 85% of the milk produced on the nation's dairy farms. The cost of government nutrition programs such as WIC and the School Lunch program are higher because of the government's milk pricing system.

Milk is the only major agricultural commodity with government-mandated prices that differ according to product use. This program keeps milk from moving to its highest-value use and instead it results in the manufacture of dairy products based on regulations rather than market demand, which also results in greater dairy price volatility.

- IDFA proposes eliminating all government milk price regulations under the FMMO system, with a phase out over five years for fluid milk. All dairy plants would pay whatever competitive price is necessary to secure a supply of farm milk; there would be no minimum federal order price that any plant must pay to independent dairy farmers or cooperatives.
- USDA would have an expanded role in providing price information to the industry, with expanded transparency that will facilitate competitive market prices.
- All regulations other than price regulations would remain in place.
- The milk price regulations are not authorized in the Farm Bill, and this proposal would not affect the farm safety net programs that are included and reauthorized every five years in the Farm Bill.