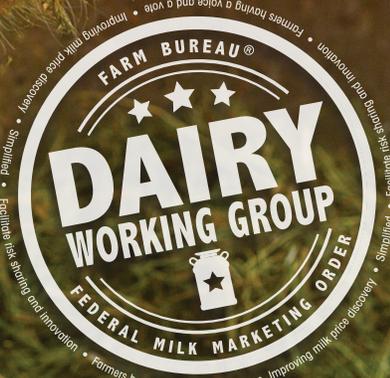




AMERICAN FARM BUREAU FEDERATION® PRIORITIES FOR FEDERAL MILK MARKETING ORDER REFORM

Summary of new dairy policies adopted by the voting delegates to the American Farm Bureau Federation's 101st Annual Convention



THE DAIRY INDUSTRY IS CHANGING RAPIDLY, from consolidation among dairy farmers, dairy cooperatives and dairy processors, to shifts in consumer preferences from predominantly fluid milk to processed dairy products such as cheese, yogurt and butter. Global is the new local for the U.S. dairy industry as it sets its sights on gaining ground in foreign markets. How should federal dairy policy and milk pricing provisions be improved to keep pace with these changes?

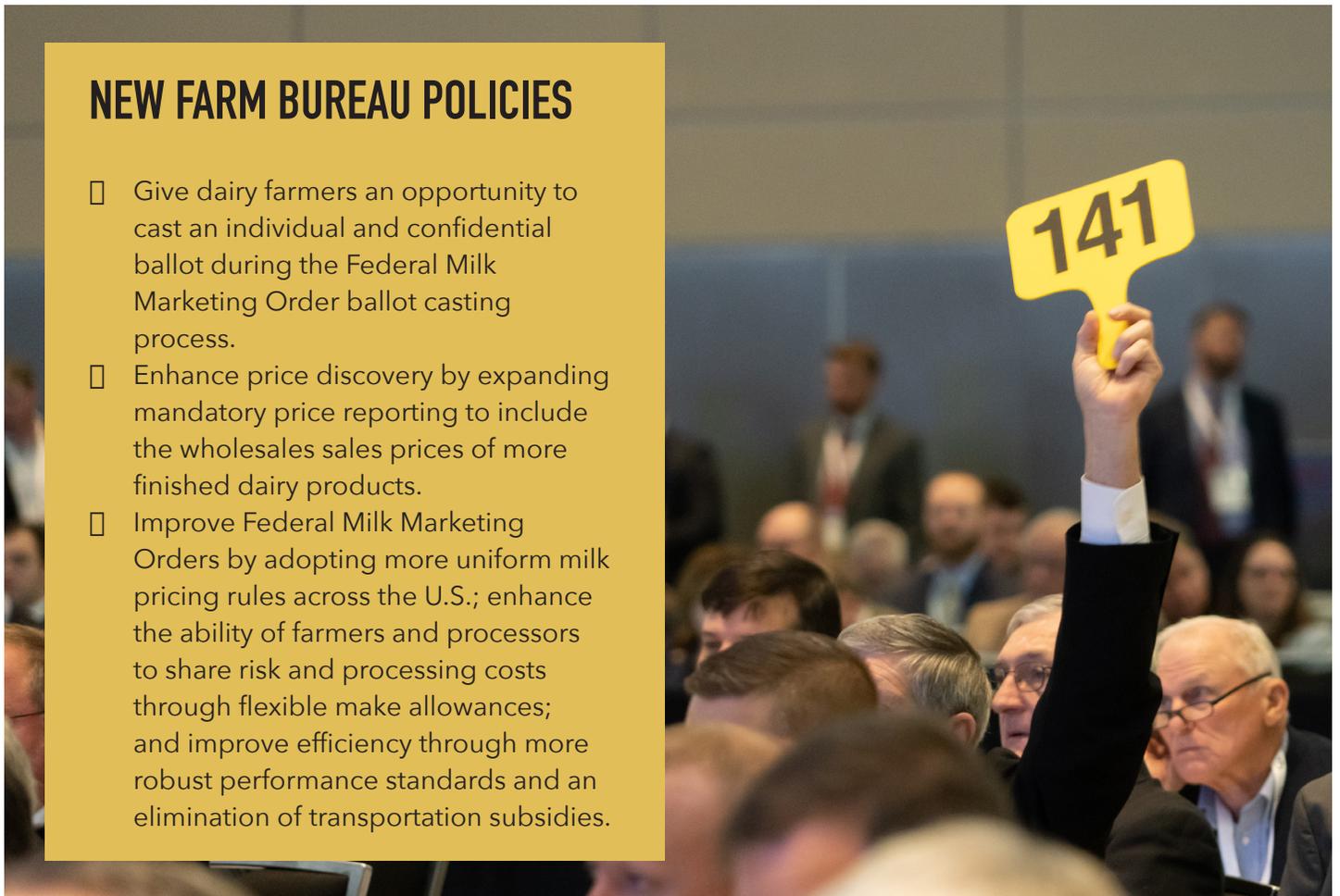
If dairy policy is to **EVOLVE**, dairy farmers need to be **INVOLVED**.

Following a year-long debate among Farm Bureau dairy farmer members from across the country, farmer and rancher delegates convened at the American Farm Bureau Federation's 101st Annual Convention to adopt policies to guide the organization's work to improve federal dairy policy and milk pricing provisions.

These new policies are designed to address how farmers may participate in the ballot casting process during federal rulemaking on milk pricing provisions; broaden and enhance price discovery for milk and dairy products to create opportunities to enhance the value of milk paid to producers; and improve risk sharing and efficiency among dairy farmers and milk processors through adjustments in Federal Milk Marketing Order milk pricing and pooling provisions. Farm Bureau looks forward to listening to the concerns of other dairy industry stakeholders and engaging with congressional leaders, the administration and other dairy industry partners to achieve mutually agreeable goals.

NEW FARM BUREAU POLICIES

- Give dairy farmers an opportunity to cast an individual and confidential ballot during the Federal Milk Marketing Order ballot casting process.
- Enhance price discovery by expanding mandatory price reporting to include the wholesales sales prices of more finished dairy products.
- Improve Federal Milk Marketing Orders by adopting more uniform milk pricing rules across the U.S.; enhance the ability of farmers and processors to share risk and processing costs through flexible make allowances; and improve efficiency through more robust performance standards and an elimination of transportation subsidies.





IF A COOPERATIVE ASSOCIATION OF PRODUCERS elects to vote on behalf of its members, such cooperative association shall provide each producer, on whose behalf the cooperative association is expressing approval or disapproval, a description of the question presented in the referendum

together with a statement of the manner in which the cooperative association intends to cast its vote on behalf of the membership. Such information shall inform the producer of procedures to follow to cast an individual and confidential ballot should the producer so choose within the period established by the Secretary for casting ballots. Such notification shall be made at least thirty days prior to the referendum and shall include an official ballot. The ballots shall be tabulated by the Secretary and the vote of the cooperative association shall be adjusted to reflect such individual votes.

GIVE DAIRY FARMERS A VOICE

American Farm Bureau Federation supports dairy farmers being able to vote independently and confidentially during an FMMO approval or referendum process.

Our grassroots leaders believe independent producers and cooperative-member dairy farmers should be able to participate in the ballot casting process during the Federal Milk Marketing Order hearing process. Currently, only independent, i.e., non-cooperative-member dairy farmers, may cast an individual ballot. Dairy farmers who are members of a

cooperative may not cast an individual ballot unless the cooperative elects to allow all the dairy farmer members to vote independently.

During referendums on the check-off program, dairy farmers who are members of a cooperative may elect to vote independently while the cooperative may bloc vote for any farmers not electing to cast an individual ballot. This is called modified bloc voting.

Modified bloc voting preserves dairy farmers' ability to vote individually and confidentially on regulations that impact their farms' profitability while still allowing a cooperative to vote on behalf of all members of the cooperative who do not elect to cast an individual ballot.

A VARIETY OF SOLUTIONS ARE AVAILABLE TO IMPROVE THE PRICE DISCOVERY PROCESS:

- 1 Congressional authorization and funding of a pilot program to expand mandatory price reporting for select dairy products such as mozzarella cheese, dry whole milk, whey protein concentrates and products sold under the terms of a forward contract and delivered that week.
- 2 Require more detail on the existing National Dairy Product Sales Report such as regional variations and the observed price distributions - currently only the average weekly price is reported.
- 3 Consider changing product specifications so that more cheddar cheese, butter and milk powder sales are captured in the existing survey.
- 4 Expand USDA's Agricultural Marketing Service's mailbox milk price report to include more disaggregated regions, state mailbox milk prices based on the order where the milk was pooled and report the value paid for milk components.

Importantly, any new information surfaced during an expanded price discovery process should be separate from existing end-product milk pricing formulas and minimum price enforcement.



ENHANCE PRICE DISCOVERY

American Farm Bureau Federation supports expanded price discovery for dairy products, milk and milk components.

Milk pricing in the U.S. relies on the survey prices of four finished dairy products - cheddar cheese, butter, nonfat dry milk and dry whey - to determine the baseline value of milk and milk components. These prices are surveyed weekly through USDA's mandatory price reporting and included in the National Dairy Product Sales Report. An analysis of USDA's National Dairy Product Sales Report data reveals that less than 10% of the milk solids produced in the U.S. are captured in the survey process.

REVIEW FMMOS

American Farm Bureau Federation supports revisions to the FMMO program through the normal USDA channels with thorough economic analysis and public hearings that allow producers to be engaged. We do not support legislative override.

USDA provides a process for dairy industry stakeholders to review and recommend changes to the regulatory structure of FMMOs. Any producer, cooperative or other interested party may submit a proposal for consideration and request a hearing to amend one or more



provisions of the FMMO program. The last major industry-wide rulemaking occurred following the 2014 farm bill, when the California FMMO was promulgated. Prior to that, make allowances and milk pricing formulas were modified beginning in 2006. Congress also can modify FMMOs and did so in the 2018 farm bill, changing the Class I fluid milk pricing formula.

The fundamental principles of FMMOs are revenue sharing among all farmers participating in a pool, classified pricing and minimum price enforcement. As the industry continues to evolve and consolidate, a more comprehensive, industry-wide review of the merits, successes and challenges of FMMOs is necessary.

To that end, Farm Bureau grassroots leaders have identified priorities for consideration including policies related to the adoption of component

pricing of milk, modifications to milk pricing formulas for both beverage and manufacturing classes of milk, the elimination of transportation subsidies, increased performance standards for producers and handlers and a retooling of milk price make allowances to facilitate improved risk sharing between dairy farmers and milk processors.

As is the case with most modifications to the FMMO program, economic analysis of our priorities must show improved efficiency and enhance orderly marketing conditions for milk.



NEXT STEPS

The conversation must continue. Alongside state Farm Bureaus, the American Farm Bureau Federation will engage with dairy industry stakeholders and lawmakers to communicate and achieve the policy goals that will help us reach our overall objective to better position the U.S. dairy farmer and the rest of the industry for success by modernizing and improving federal dairy policy.

For more information on the national policies adopted by the voting delegates to the American Farm Bureau Federation's 101st Annual Convention, contact your state Farm Bureau.



AFBF FMMO Working Group Members and Staff (June 2019) Members of the AFBF FMMO working group in front of the centennial logo in the lobby of AFBF's Washington, D.C., office.

Pictured left to right in front row:

- Steve Ballard, Idaho Farm Bureau Federation
- David Fisher, New York Farm Bureau Federation
- Elizabeth Wolters, New York Farm Bureau Federation
- Everett Williams, Georgia Farm Bureau Federation
- Dr. Bill Herndon, (consultant)
- Joe Heinrich, Iowa Farm Bureau Federation

Pictured left to right in rear:

- Karen Gefvert, Wisconsin Farm Bureau Federation
- Geoff Vanden Heuvel, California Farm Bureau Federation
- Brandon Cobble, Tennessee Farm Bureau Federation
- Steve T. Harrison, Tennessee Farm Bureau Federation
- Frank Doll, Illinois Farm Bureau Federation
- Kevin Krentz, Wisconsin Farm Bureau Federation
- Scott Mason, New Hampshire Farm Bureau Federation

Not pictured:

- Scott Bennett, American Farm Bureau Federation
- Rick Ebert, Pennsylvania Farm Bureau Federation
- Ron Gibson, Utah Farm Bureau Federation
- Amy Gill, American Farm Bureau Federation
- Zak Miller, Idaho Farm Bureau Federation
- Joe Paul Mattingly, Kentucky Farm Bureau Federation
- Michael Nepveux, American Farm Bureau Federation
- John Newton, American Farm Bureau Federation