

AFBF FEDERAL MILK MARKETING ORDER WORK GROUP
BACKGROUND ON FEDERAL MILK MARKETING ORDER PAYMENT
ENFORCEMENT
JULY 2019

Issue:

Each respective Federal Milk Marketing Order requires that payments for milk be combined and paid to individual farmers (or cooperatives) based on a uniform or average price for all milk sold. Monthly prices for the four classes of milk are determined and announced to both buyers and sellers. By establishing and enforcing payment days for milk purchases, FMMOs ensure that farmers receive timely payments for their milk.

Background:

Each of the 11 FMMOs establish and enforce payment dates for milk purchases. Except for Federal Order number 6 (Florida), all orders have provisions for two monthly payments. The Florida Federal Milk Marketing Order provides for a second partial payments to farmers, for a total of three payments.

| Federal Order No. | 1st Partial Payment | 2nd Partial Payment | Final Payment |
|--------------------------|---------------------------------------|---------------------------------------|---|
| Northeast - FO 1 | 26 th of current month | Not Applicable | 16 th /17 th of following month |
| Appalachian - FO 5 | 23 rd of current month | Not Applicable | 13 th of following month |
| Florida - FO 6 | 20 th of current month | 5 th of following month | 12 th of following month |
| Southeast - FO 7 | 23 rd of current month | Not Applicable | 13 th of following month |
| Upper Midwest - FO 30 | 26 th of current month | Not Applicable | 17 th of following month |
| Central - FO 32 | 26 th of current month | Not Applicable | 17 th of following month |
| Mideast - FO 33 | 26 th of current month | Not Applicable | 17 th of following month |
| California - FO 51 | Last day of the month | Not Applicable | 19 th of following month |
| Pacific NW - FO 124 | 18 th of current month | Not Applicable | 19 th of following month |
| Southwest - FO 126 | 23 rd of current month | Not Applicable | 18 th of following month |
| Arizona - FO 131 | 25 th of current month | Not Applicable | 15 th of following month |

The additional partial payment in the Florida order (FO 6) may slightly reduce the risk of dairy farmers not receiving payment for their milk if milk plants/processors or dairy cooperatives were unable to pay for the milk received due to bankruptcy or another reason.

Given the recent milk plant closings and processor financial difficulties in certain areas, dairy producers are considering how they may change their respective federal order's language to add a second partial payment to reduce this non-payment and counterparty risk.

Current Farm Bureau Policy:

Farm Bureau supports:

- Farmers who have delivered commodities or other products to a purchaser that subsequently files for bankruptcy without paying for those commodities or other products should have first claim on the commodity inventory and all assets of that purchaser.
- All milk processors providing farms with a minimum of 60 days' notice before any changes can go into effect for premium structure or required fees. Processors must provide at least 90 days' notice before termination of service.