

AFBF FEDERAL MILK MARKETING ORDER WORKING GROUP
BACKGROUND ON POOL QUALIFICATION
PREPARED FOR AFBF BY C.W. “Bill” Herndon Jr.,
Mississippi State University
SEPTEMBER 2019

Issue:

Federal Milk Marketing Order rules stipulate how producers, producer milk and handlers are qualified to participate in an order’s market-wide pool. Market-wide pooling allows dairy producers to share in the revenues derived from the sale of milk classified in different FMMO categories and priced within the federal order. The two FMMO provisions that qualify milk supplies for the market-wide pools are delivery day requirements, i.e., touch base requirements, and supply plant shipping requirements. This paper reviews these provisions in each FMMO and attempts to describe how these federal order rules influence the movement of milk between orders or milk plants.

Background:

Delivery Day Requirements

Delivery day requirements, also known as touch base requirements, specify the number of days per month a producer must deliver their milk to an order-regulated plant to have their milk pooled on that order. The producer (dairy farm) may be located within or outside the physical FMMO marketing area.

Most orders have a delivery day requirement of one day per month, but the Mideast has a two-day requirement and the Pacific Northwest carries a three-day-per-month obligation.

Since Florida has the highest Class I utilization (see [Background on FMMO Diversion Limits](#)), the delivery day requirements discourage excess milk from “riding the Florida pool” and receiving monies from the Florida FMMO. The 10-day delivery requirement also compels milk plants governed by the Florida order to make sure they have adequate milk supplies. To meet their needs these milk plants typically promote local milk output or develop alliances with milk handlers and cooperatives outside the Florida order. Since Florida has a very high uniform price due to its high Class I utilization, this characteristic easily attracts milk from outside of the order, but those outside producers or cooperatives seeking to receive Florida’s high blend price must make a sustained commitment to deliver substantial amounts of milk over longer periods of time.

While other FMMOs in the southeast have less stringent touch base requirements, like the Florida order, they have very low diversion limits. These lower diversion limits reduce the amount of milk that can be associated with the FMMO pool in manufacturing classes of milk.

Federal Milk Market Order Touchbase Days, Supply Plant Shipping Requirements and Diversion Limits

FO No.	FO Name	Delivery Day Requirements	Supply Plant Shipping Requirement	Diversion Limits
1	Northeast	1/month	10% & 20% (Sep-Nov)	80-90%
5	Appalachian	1/month	50%	25-35%
6	Florida	10/month	60%	10-20%
7	Southeast	1/month	50%	25-35%
30	Upper Midwest	1-(until association lost)	10%	90%
32	Central	1-(until association lost)	25%	75-80%
33	Mideast	2-(until association lost)	40%	50-60%
51	California	1-(until association lost)	10%	90%
124	Pacific Northwest	3/month	20%	80%
126	Southwest	1-(at least 40,000 lbs.)	50%	50%
131	Arizona	1/month	50%	50%

Supply Plant Shipping Requirements

Supply plants are manufacturing milk plants that help balance milk supplies for a marketing area by sending milk to regulated fluid plants. To qualify as a regulated handler eligible to participate in the FMMO pool, a supply plant must ship a portion of their milk supplies to a regulated plant. At 10% to 20%, supply plant shipping requirements are the lowest in surplus milk production regions such as the Upper Midwest, California and the Northeast.

In deficit regions shipping requirements are higher, making it more difficult to qualify a supply plant. For example, supply plants in the Appalachian, Southeast and Florida order must ship 50% to 60% of their milk supplies to a regulated handler on the order. Once a supply plant is qualified to pool on the order, the supply plant may receive a portion of the FMMO pool.

Market Administrator Abilities to Adjust Qualification Criteria

Per FMMO provisions, a FMMO hearing is not needed to adjust these qualification criteria.

“The applicable shipping percentages, diversion limits and delivery day requirements may be increased or decreased by the market administrator if the market administrator finds that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments. Before making such a finding, the market administrator shall investigate the need for adjustment either on the market administrator’s own initiative or at the request of interested parties if the request is made in writing at least 15 days prior to the month for which the requested revision is desired effective. If the investigation shows that an adjustment of the provisions might be appropriate, the market administrator shall issue a notice stating

that an adjustment is being considered and invite data, views and arguments. Any decision to revise these provisions must be issued in writing at least one day before the effective date.”

Current Farm Bureau Policy:

Farm Bureau supports:

- Revisions to the Federal Milk Marketing Order System to increase touch-base days required by milk handlers, producers and sellers outside an order.