2019

PRIORITIES, PRINCIPLES AND POLICY CONSIDERATIONS FOR FMMO REFORM

Report of the Farm Bureau®
Federal Milk Marketing Order Working Group

CONTENTS

PRIORITIES, PRINCIPLES AND POLICY CONSIDERATIONS FOR FEDERAL MILK MARKETING ORDER REFORM

Background

In January 2019, voting delegates to the American Farm Bureau Federation's 100th annual meeting recommended to the AFBF board of directors that the organization convene a Farm Bureau- and producer-led coalition to review methods to restructure and modernize the current Federal Milk Marketing Order system.

The working group was tasked with identifying a solid base of FMMO guiding principles that enable our members and staff to be involved in conversations and policy development on how to:

- Reform and modernize milk pricing and revenue pooling provisions while preserving orderly marketing conditions in dairy;

- Ensure dairy farm families across the country have a voice – and a vote – when considering how to modernize these orders; and

- Identify the opportunities and challenges in marketing orders that we will likely face in setting our course to reach our goals.

AFBF sought nominations from states for presidents or Farm Bureau members to serve on the 12-member Federal Milk Marketing Order working group. Nominations were also sought for four state support staff to conduct research and develop materials. In June, AFBF's Executive Committee appointed 12 working group members and four state support staff with the goal of equally representing each AFBF region.

The working group held two in-person meetings at the AFBF office in Washington, D.C., one in June and one in September.

The first meeting featured guest speakers from USDA, the House Agriculture Committee, National Milk Producers Federation and International Dairy Foods Association, as well as University of Missouri's Dr. Scott Brown, Mike McCully of the McCully Group, Mississippi State University's Dr. Bill Herndon and Northeast Dairy Farmers Cooperatives' Bob Gray.

Many prominent dairy industry stakeholders also participated in the working group's conference calls. Invited speakers included former USDA Secretary and current U.S. Dairy Export Council CEO Tom Vilsack; Dairy Management Incorporated's Tom Gallagher; Dr. Mark Stephenson from the University of Wisconsin; Dr. Andy Novakovic of Cornell University; former dairy cooperative CEO Calvin Covington; Sara Dorland from Ceres Risk Management; U.S. Dairy Export Council's Marc Beck; and Ted Jacoby III and Ted Jacoby Sr. of the Jacoby Dairy Product Merchants.

From June through September, Farm Bureau economists and other contributors prepared 15 background papers at the request of the working group members. Background papers were published online at www.fb.org/fmmo.

At the September in-person meeting, working group members reviewed each of the background papers and identified priorities, principles and policy considerations for FMMO reform. This document reflects the consensus of the working group members and should be used to inform grassroots policy development.

EXECUTIVE SUMMARY

In the nearly 20 years since they underwent major reform, Federal Milk Marketing Orders have been only slightly modified. Meanwhile, milk and dairy markets have changed dramatically.

There are nearly 50% fewer dairy operations today than in 2003, while the average number of milking cows per farm has nearly doubled.

Per-capita consumption of all dairy products has grown nearly 10%, but consumption of fluid milk products has declined by nearly 30%.

When FMMOs were last reformed, the U.S. exported less than 5% of annual milk production; today the industry has a goal of exporting 20% of U.S. milk production by 2020.

Milk supplies continue to grow and are expected to reach 250 billion pounds within 10 years. Much of that will be used to produce the dairy products in high demand, such as cheeses, butters and other value-added dairy products and ingredients. At the same time, fluid milk consumption is expected to decline and will likely be surpassed by exports as a percentage of U.S. milk production.

Many of these reasons compelled the American Farm Bureau Federation's voting delegates to consider FMMO modifications that better position U.S. dairy farmers and the industry for success.

AFBF's FMMO working group identified the following principles to guide the organization during FMMO and milk pricing reform:

- All dairy farmers should have a voice – and a vote – on changes to milk pricing regulations;
- Improved risk sharing among farmers, cooperatives and processors to facilitate innovation as well as grow domestic and foreign demand for dairy products;
- Improved price discovery for milk prices; and
- Simplified pricing and pooling provisions with an emphasis on uniform pooling provisions in the Southeastern FMMOs.

NEXT STEPS

Farm Bureau grassroots leaders and dairy farmers need to review the recommendations of the Federal Milk Marketing Order working group and adopt priorities, principles and policies to guide the organization during FMMO and milk pricing reform.

Upon the development of new policies, American Farm Bureau Federation will partner with dairy industry stakeholders to achieve policy goals on Capitol Hill and within the administration. Our goal is to better position the U.S. dairy farmer and the rest of the industry for success by modernizing and improving federal dairy policy.

PRIORITIES FOR FEDERAL MILK MARKETING ORDER REFORM

Rankings Based on AFBF Working Group Priorities

1. Eliminate Bloc Voting; Eliminate a “No” Vote Terminating a Federal Milk Marketing Order; and Update Referendum Approval Threshold

There are two methods for ballot casting in a producer referendum process: individual ballots and bloc voting by cooperatives. Independent eligible producers receive an individual ballot. Qualified cooperatives can choose to bloc vote on behalf of their producer-members, in which case those producers do not receive an individual ballot.

WORKING GROUP RECOMMENDATIONS:

The working group supports the elimination of bloc voting by dairy cooperatives. The elimination of bloc voting will provide an opportunity for dairy farmers to vote on proposed changes to milk pricing and pooling provisions.

The working group DOES NOT support modified bloc voting. Under modified bloc voting, independent producers receive a ballot and then cooperative-member producers may petition to vote independently. The cooperative can then bloc vote for all remaining members who did not petition for a separate ballot.

Upon the removal of bloc voting, **the working group supports the termination of the provision eliminating an entire Federal Milk Marketing Order following a “no” vote on a referendum to amend the order.**

The working group supports modifying the referendum approval threshold to require a two-thirds majority of the voting producers AND a two-thirds majority of the voting milk volume to amend or issue an FMMO. Currently, a referendum needs only two-thirds of the voting producers or two-thirds of the voting milk to be approved.

2. Update FMMO Make Allowances

FMMO milk prices are based on end-product pricing formulas that utilize wholesale prices for butter, cheese, dry whey and nonfat dry milk to determine milk component values for butterfat, protein, other solids and nonfat solids, as well as the classified value of milk. These end-product pricing formulas include a fixed deduction called a make allowance, i.e., a processing credit for turning raw milk into finished dairy commodities. Current make allowances range from $2.17 per hundredweight to $3.17 per hundredweight.

Classified Value and **Make Allowance at 3.5% Butterfat** ($/hundredweight)

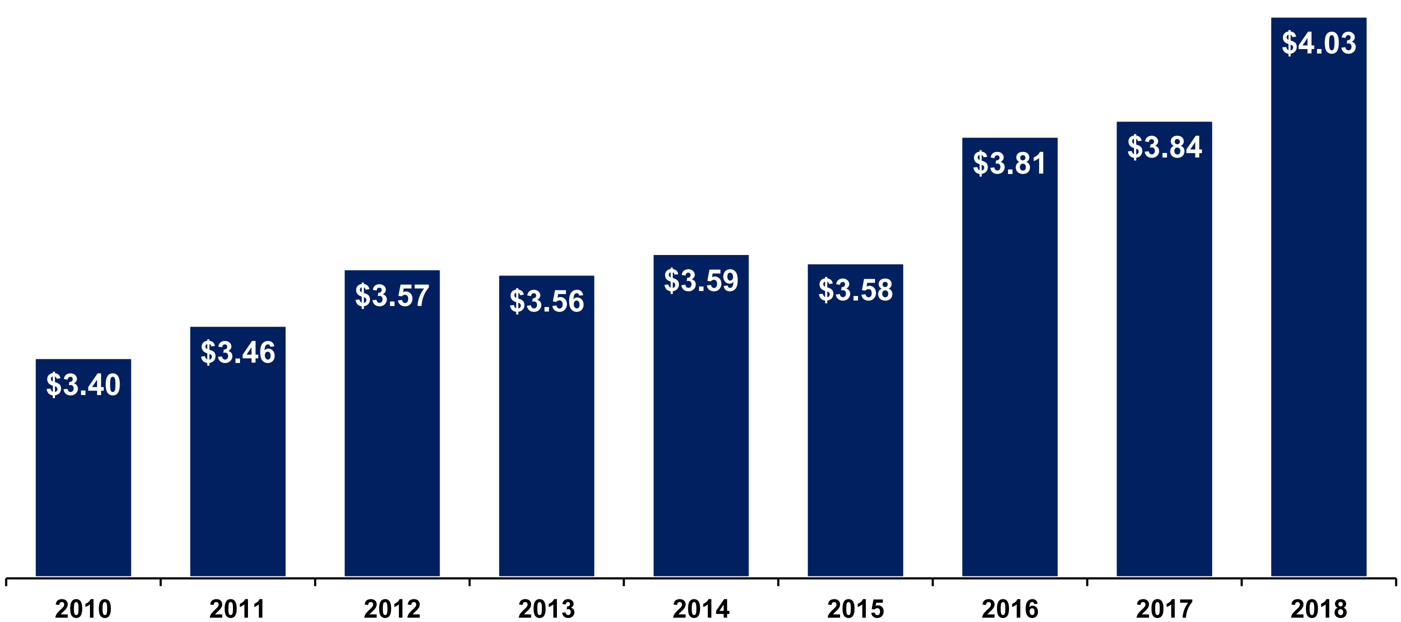
Class I * $2.67	Class II $2.17
Class III $3.17	Class IV $2.17

* Based on new fluid milk pricing provisions in the 2018 farm bill.

Since make allowances are fixed but milk prices fluctuate, the make allowance as a share of the value of milk is higher when milk prices are lower and lower when milk prices are higher. For example, in 2014, a $3.17 Class III make allowance was equal to 14% of the annual average Class III price. In 2018, the same Class III make allowance represented 22% of the value of Class III milk.

Over the last decade, make allowances have totaled more than $30 billion in credits to processors. Given milk production and fluid milk utilization trends, aggregate make allowances will continue to increase as more milk is produced and used in manufacturing classes of milk.

Total Make Allowances for Milk Pooled on Federal Milk Marketing Orders at 3.5% Butterfat, Billion Dollars



Source: USDA Agricultural Marketing Service Dairy Programs, Farm Bureau Calculations

WORKING GROUP RECOMMENDATIONS:

The working group supports making make allowances equal to a percentage of the commodity value on a commodity-by-commodity basis. This would improve risk sharing along the supply chain, provide a higher make allowance credit when wholesale dairy commodity prices rise and reduce the make allowance when commodity and milk prices are low.

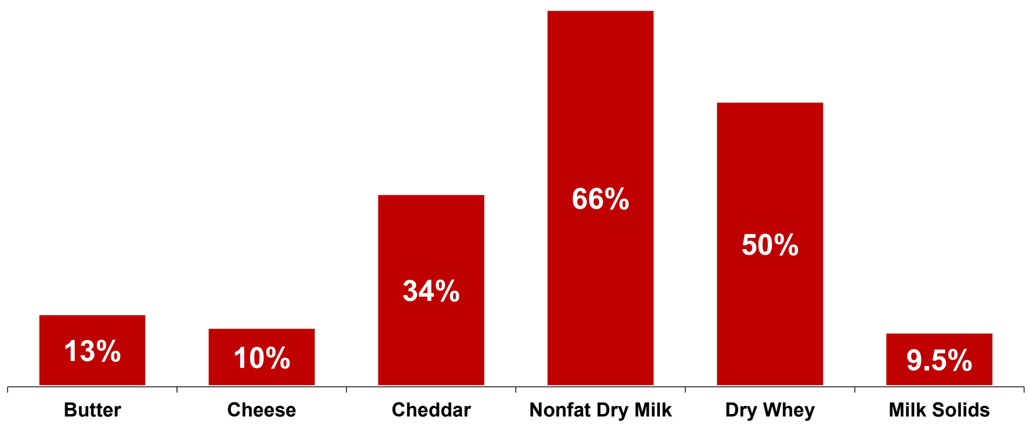
The working group DID NOT support an across-the-board increase in make allowances, the elimination of make allowances or indexing make allowances to factors such as inflation, labor or energy costs.

3. Expand Price Discovery

Dairy mandatory price reporting regulations require USDA to collect and release sales information only for products used in Federal Milk Marketing Order milk pricing formulas. The products include cheddar cheese, butter, dry whey and nonfat dry milk meeting certain product specifications.

Data from USDA reveals that the department's mandatory pricing survey, which is used to determine the regulated value of milk and milk components, captures only a small percentage of U.S. dairy plants and a small percentage of the milk solids and dairy products produced. The number of dairy products captured in the survey is so limited because of restrictions related to dairy product specifications, standards of identity and packaging, product age, type of product and product sold under terms of a forward contract, as well as any product sold for export and receiving export assistance payments.

Percentage of Dairy Product Production Captured in USDA's Dairy Mandatory Price Reporting, 2000 to 2018 Average



Source: USDA Agricultural Marketing Service Dairy Programs, Farm Bureau Calculations

WORKING GROUP RECOMMENDATIONS:

The working group recommends expanding mandatory price reporting to include more value-added dairy products, as well as mandatory price reporting for prices paid for milk and milk components. This expansion may require modifications to the specifications, standards of identity and packaging, product age, type of product and product sold under terms of a forward contract. Currently, several dairy product prices are reported by Dairy Market News, but those prices are reported voluntarily and often as a price range.

The working group recommends that any expansion of mandatory price reporting be separate from modifications to end-product pricing formulas and minimum price enforcement. At a later date the working group recommends considering how newly provided milk pricing information may be used to enhance milk price discovery.

The working group suggests modifying existing policy 238.1.21 to read: "We support improving price discovery through mandatory daily electronic reporting of most dairy products … prices and inventories."

The working group also recommends that revisions made in USDA's National Dairy Product Sales Report be clearly communicated to dairy industry stakeholders, including the magnitude of the revision and impact on milk prices.

4. Reform Pooling Criteria Immediately and Eliminate Transportation Credits in Southeastern FMMOs

The Southeastern region is composed of 12 states: Louisiana, Arkansas, Missouri, Mississippi, Alabama, Tennessee, Kentucky, Florida, Georgia, South Carolina, North Carolina and Virginia. In general, the farm-level dairy sectors in these states are somewhat similar, apart from Georgia and Florida, where dairy farms are three- to six-times larger than the average Southeastern dairy farm.

All FMMOs contain provisions to help balance milk supplies. These provisions include diversion limits, delivery day requirements and supply plant shipping requirements. The Southeast and Appalachian FMMOs also include transportation subsidies. The qualification criteria and diversion limits in the Florida FMMO are the strictest in the country, while the Southeast and Appalachian orders have more liberal rules on diversion limits, delivery day requirements and supply plant shipping requirements, making it easier to qualify producers and supply plants as well as divert milk on the order.

FMMO Diversion Limits and Annual Average Class Utilization Rates for 2018

FO No.	FO Name	Diversion Limits	Class I Utilization Rates for 2018
1	Northeast	80-90%	32.1%
5	**Appalachian**	**25-35%**	**69.5%**
6	**Florida**	**10-20%**	**83.6%**
7	**Southeast**	**25-35%**	**71.2%**
30	Upper Midwest	90%	9.0%
32	Central	75-80%	28.8%
33	Mideast	50-60%	32.5%
51	California	90%	22.5% *
124	Pacific Northwest	80%	21.6%
126	Southwest	50%	30.7%
131	Arizona	50%	24.6%

(*) California order Class I utilization for November & December 2018 only

FMMO Delivery Day and Supply Plant Shipping Requirements

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

The more liberal rules in the Appalachian and Southeast orders make it easier for out-of-area milk to "ride" the pool and receive a portion of the Class I dollars in the market. This, in combination with cooperatives' ability to re-blend milk prices, has resulted in mailbox milk prices below the FMMO uniform price in some of the FMMOs in the Southeastern region. Furthermore, transportation credits, or subsidies, make it easier to qualify out-of-area milk on the pool.

WORKING GROUP RECOMMENDATIONS:

The working group supports immediate reform of pool qualification criteria and transportation credits in the Southeast and Appalachian FMMOs. Tighter qualification criteria in other FMMOs should be considered, but on a case-by-case basis.

The working group supports the qualification criteria in Florida being applied to both the Appalachian and Southeast FMMOs and emphasizes the 10-day-per-month delivery requirement to discourage out-of-area milk from riding the pool.

The working group opposes transportation credits in the Southeast and Appalachian FMMOs.

By tightening pooling criteria in these FMMOs, the uniform milk price announced by the Southeast and Appalachian FMMOs is expected to increase. The elimination of transportation credits will also prevent the subsidization of out-of-area milk moving into the order for qualification purposes.

PRINCIPLES FOR FEDERAL MILK MARKETING ORDER REFORM

Rankings Based on AFBF Working Group Principles

We support the following principles to guide the reform and modernization of milk pricing and revenue pooling provisions under Federal Milk Marketing Orders:

1. All dairy farmers should have a voice – and a vote – on changes to milk pricing regulations;
2. Improved risk sharing among farmers, cooperatives and processors to facilitate innovation as well as grow domestic and foreign demand for dairy products;
3. Improved price discovery for milk prices; and
4. Simplified pricing and pooling provisions with an emphasis on uniform pooling provisions in the Southeastern FMMOs.

All dairy farmers should have a voice – and a vote – on changes to milk pricing regulations

Under the current Federal Milk Marketing Order rulemaking process, dairy farmers have limited opportunities to vote on potential reforms to milk pricing provisions. Only independent dairy farmers and dairy farmers belonging to a cooperative electing to let their members vote independently can cast a ballot during an FMMO referendum or approval.

Dairy cooperatives may bloc vote for all of their cooperative members during an FMMO referendum or approval process. According to USDA's Rural Development, dairy cooperatives market a majority of the milk in the U.S. and as a result, individual dairy producers have a limited impact during FMMO referendums or approvals.

We support a three-step approach that would ensure dairy farmers – and not processors -- have the leverage with respect to potential modifications to milk pricing rules. Additionally, dairy farmers casting an individual ballot should be provided confidentiality in their votes to ensure protection against retaliation.

This principle would eliminate bloc voting in favor of farmers casting individual ballots. Then, the provision eliminating an FMMO following a "no" vote to amend that order would be terminated. Finally, a two-thirds majority of both voting farmers and the voting milk volume would be needed to approve a new FMMO or changes to an existing FMMO. We believe these changes, taken together, will ensure there is consensus among dairy farmers before modifications are made to milk pricing rules, and will put the rulemaking process back into the hands of dairy farmers.

Improved risk sharing among farmers, cooperatives and processors to facilitate innovation as well as grow domestic and foreign demand for dairy products

Under the current milk pricing system, dairy processors receive a credit (make allowance) for converting raw milk into finished dairy products. In recent years, and despite a prolonged downturn in milk prices, make allowances have represented more than $15 billion in processing credits from dairy farmers to milk processors.

These make allowances are fixed; they do not vary from plant to plant and they are not based on milk prices. Proposals to modify milk price make allowances have included indexing make allowances to inflation, energy or labor costs. Higher make allowances would reduce FMMO minimum milk prices paid to dairy farmers. The working group opposes linking make allowances to plant-level cost of production factors.

The working group does not oppose make allowances. Instead we propose that make allowances become a form of risk sharing between dairy farmers, cooperatives and dairy processors. We believe this can be achieved by modifying the milk pricing formulas so that make allowances are a function of the dairy commodity value. For example, cheese processors would receive a processing credit equal to a percentage of the cheddar cheese price.

By linking make allowances to the value of the underlying dairy commodity, processors will receive a larger credit when dairy commodity prices are high and a smaller credit when prices are low. Larger make allowances – due to higher commodity prices – would send the financial signal to processors that additional processing capacity is needed.

Improved price discovery for milk prices

Currently less than 10% of the milk solids produced in the U.S. are captured in USDA's mandatory price reporting survey. Products not captured likely include other value-added dairy products such as whey protein concentrate and mozzarella cheese. Products with prices agreed to under the terms of a forward contract are also excluded, as are products with different ages or product specifications.

The working group proposes an expansion of mandatory price reporting for dairy, with an emphasis on capturing the prices of most wholesale dairy products and the prices paid for milk and milk solids. Importantly, the working group emphasizes that additional price discovery should not be immediately used to modify milk pricing formulas. The working group believes that enhanced mandatory price reporting can be used by dairy farmers, processors and cooperatives to better, and transparently, negotiate the value of milk, milk solids and any potential premiums or deductions from the milk check.

The working group was also supportive of efforts that may increase the volume of dairy products that are traded on the spot Chicago Mercantile Exchange – as these markets directly influence the prices currently captured in USDA's mandatory price reporting survey.

Pricing and pooling provisions should be simplified with emphasis on uniform pooling provisions in the Southeastern FMMOs

The working group acknowledged the complexity in milk pricing and marketing rules across the U.S. Provisions that could be simplified in the future include but are not limited to end-product pricing formulas, pool qualification criteria and transportation credits. The working group recommended the elimination of transportation credits and more difficult pool qualification criteria (on an order-by-order basis). Priority should be given to eliminating transportation credits in the Appalachian and Southeast FMMOs, and also to making the pool qualification criteria similar in all Southern FMMOs (Appalachian, Southeast and Florida).

An effort should be made to make milk pricing regulations less complex. The working group is willing to consider a competitive milk pricing system that moves away from the current complexities of milk pricing.

POLICY CONSIDERATIONS FOR FEDERAL MILK MARKETING ORDER REFORM

1. **Cooperative Bloc Voting**

We oppose bloc voting by dairy cooperatives.

We oppose modified bloc voting.

We support dairy farmers being able to vote independently and confidentially during an FMMO approval or referendum process.

2. **"No" Vote Terminating an FMMO**

No changes to existing policy.

(Current Policy: We support eliminating provisions on a "no" vote on a referendum causing elimination of the entire Federal Milk Marketing Order.)

3. **FMMO Approval Process**

We support modifying the referendum approval threshold to require a two-thirds majority of the voting producers and a two-thirds majority of the voting milk volume to amend or issue an FMMO.

4. **Class I Location Differentials**

We support flexible Class I location differentials that are adjusted for seasonality.

We support more frequent evaluation of Class I location differentials.

We support an update to Class I location differentials that includes higher differentials in surplus milk production regions to limit milk moving into deficit regions of the U.S.

5. **Transportation Credits**

We oppose transportation credits in all Federal Milk Marketing Orders.

(Current policy: We support a reform of transportation credit regulations to eliminate producers in a deficit area bearing costs of transporting milk into the area.)

6. **FMMO Pool Qualification Criteria**

We support a minimum of 10 delivery days per month days in the Southeast and Appalachian FMMOs. Delivery-day requirements should be increased for other FMMOs on a case-by-case basis.

We support a reduction in diversion percentages. Priority should be given to reducing diversion limits in the Southeast and Appalachian FMMOs to a level similar to or below the Florida FMMO. Diversion limits should also be lowered on an order-by-order basis.

We support higher supply plant qualification criteria. The Southeast and Appalachian FMMOs should be in line with supply plant qualification criteria in the Florida FMMO. Supply plant qualification criteria should be increased on an order-by-order basis.

We support a study on the economic impact of tighter qualification criteria on FMMO pools, including but not limited to the ability to establish competitive pay pricing in the U.S.

7. **FMMO Payment Enforcement**

We support increasing the payment frequency in all FMMO areas to at least three times per month. Consideration should be given to methods that reduce farmer exposure to payment defaults by milk processing plants.

8. **Milk Price Discovery**

We support consideration of removing barrel cheddar cheese from the Chicago Mercantile Exchange spot markets.

We support improvements in milk pricing formulas to eliminate adverse impacts such as a wide block-barrel spread, whey price inversion or other price misalignments.

We support the separation of modifications to mandatory price reporting from modifications to end-product pricing formulas and minimum price enforcement.

We support revisions made by USDA to the National Dairy Product Sales Report being prominently featured in the price release, including an analysis of the farm-level price impact of the revision.

We support improving price discovery through mandatory daily electronic reporting of most dairy products including reporting and auditing of prices and inventories, including high-value dairy products as well as prices paid for milk and milk components. Consideration should be given to including different product specifications and products sold under terms of a forward contract.

(Current policy: Improving price discovery through mandatory daily electronic reporting of more common dairy products including reporting and auditing of prices and inventories. The number of plants being surveyed should be increased as well as the penalties for inaccurate dairy reporting.)

9. Milk Price Make Allowances

We support modifying make allowances to make them equal to a percentage of the commodity value.

We support capping make allowances to no more than 10% of the value of wholesale dairy commodities or classified milk prices.

We oppose milk price make allowances being indexed for factors such as inflation, labor or energy costs.

We support an economic examination of changes to milk price yield factors and the impact on farm-level milk prices.

10. General Milk Pricing Provisions

We support simplified milk pricing provisions.

We would be willing to consider modifications to milk pricing regulations that facilitate enhanced export opportunities.

We support Class I beverage milk pricing and pooling provisions including all beverage-style products using milk or dairy products as an ingredient.

We support faster price discovery in dairy markets, which may include daily pricing of milk and milk components.

We do not support component pricing in the Appalachian and Southeast FMMOs.

(Current policy: Federal milk marketing orders 5 and 7 should be based on multiple component pricing instead of skim/fat pricing.)

We would be willing to consider a competitive milk pricing system.

(Current policy: We support a competitive pay price.)

11. Producer/Handler

We support an economic analysis of the impact of non-volume regulations on the ability of producers/ handlers to expand.

We support a process to appeal decisions by market administrators that result in a producer-handler losing their status.

(Current policy: We support the producer/handler exemption being limited in all Federal Milk Marketing Orders to 3 million pounds per month to protect other pool producer members from unfair competition, but do not support its elimination.)

CURRENT AFBF POLICY 238 / NATIONAL DAIRY PROGRAM

1. **Federal Milk Marketing Orders (FMMOs)**
    1.1. Price Discovery
        1.1.1. We Support:
            1.1.1.1. A market-oriented national dairy program that allows U.S. producers to compete in a world market based on fair and open trade policies; (Prev. 1.1)
            1.1.1.2. Any changes needed to facilitate the long-term market development of value-added products; (Prev. 1.11)
            1.1.1.3. A competitive pay price; (Prev. 1.3)
            1.1.1.4. An expanded role for markets and private enterprise in establishing prices for all classes of milk; (Prev. 1.2)
            1.1.1.5. Improving price discovery through mandatory daily electronic reporting of more common dairy products including reporting and auditing of prices and inventories. The number of plants being surveyed should be increased as well as the penalties for inaccurate dairy reporting; (Prev. 1.21) and
            1.1.1.6. 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. (Prev. 1.32)
    1.2. Changes in FMMOs
        1.2.1. We Support:
            1.2.1.1. Modifications in the Federal Milk Marketing Order structure, formulas and price classes used to compute milk prices in order to better reflect current market conditions and enhance transparency and take into account the regional differences in the cost of milk production and incorporate multiple component pricing into all classes of milk; an economic analysis prior to any major revisions to the number of milk classes or Federal Milk Marketing Orders. This analysis should include economic impacts to the dairy industry and farmer income; (Prev. 1.4)
            1.2.1.2. Modifying the Federal Milk Marketing Order system to encourage the production of milk protein concentrates in the United States; (Prev. 1.20)
            1.2.1.3. The producer/handler exemption being limited in all Federal Milk Marketing Orders to 3 million pounds per month to protect other pool producer members from unfair competition, but do not support its elimination; (Prev. 1.29)
            1.2.1.4. USDA to immediately promulgate regulations on the pricing of domestically produced MPCs; (Prev. 1.30)
            1.2.1.5. A reform of transportation credit regulations to eliminate producers in a deficit area bearing costs of transporting milk into the area; (Prev. 1.35)
            1.2.1.6. Revisions to the Federal Milk Marketing Order, including fluid milk pricing, progress through the normal channels at USDA that will provide thorough economic analysis and public hearings for producers to be engaged, rather than through legislative override; (Prev. 1.36)
            1.2.1.7. Revisions to the Federal Milk Marketing Order System to increase touch-base days required by milk handlers, producers and sellers outside an order; (Prev. 1.37) and
            1.2.1.8. Federal milk marketing orders 5 and 7 should be based on multiple component pricing instead of skim/fat pricing. (Prev. 1.38)

1.2.2. We oppose a "no" vote on a referendum changing the order, causing elimination of the entire federal order. (Prev. 2.3)

2. **Labeling and Standards of Identity**
   2.1. We Support:
      2.1.1. Plain and flavored whole milk be required to contain a minimum of 3.5 percent butterfat; (Prev. 1.8)
      2.1.2. Banning the sale of artificial or imitation dairy products not labeled imitation; (Prev. 1.16)
      2.1.3. Labeling a product cheese only when it is produced from natural milk products; (Prev. 1.18)
      2.1.4. A definition of milk protein concentrate (MPC) and a standard of identity that will define appropriate use of these components as well as a means of enforcement; (Prev. 1.26) and
      2.1.5. The FDA allowing milk to be labeled by its fat-free content instead of total fat content. (Prev. 1.33)
   2.2. We oppose the FDA changing the definition of milk. (Prev. 2.4)
3. **Milk in Schools**
   3.1. We Support:
      3.1.1. The placing of milk vending machines in public schools; (Prev. 1.19) and
      3.1.2. Whole milk being promoted and advanced through the special milk program through the schools, welfare groups and the U.S. military. (Prev. 1.39)
   3.2. We Oppose any regulations or legislation that will ban or limit flavored milk in schools. (Prev. 2.5)
4. **Trade**
   4.1. We Support:
      4.1.1. Legislation that treats imports of milk protein concentrates, ultra-filtered milk and casein equivalent to and consistent with the importation of similar dairy products; (Prev. 1.6)
      4.1.2. Regulations which provide for and require the inspection of all imported dairy products at the port of entry; (Prev. 1.15)
      4.1.3. An increased effort by the dairy industry to develop domestic and foreign markets; (Prev. 1.23)
      4.1.4. The use of Cooperatives Working Together (CWT) and urge participation by all dairy producers; (Prev. 1.27) and
      4.1.5. The concept of expanding the Export Assistance Program of CWT. (Prev. 1.28)
5. **Dairy: General**
   5.1. We Support:
      5.1.1. Efforts to manage milk supply which account for the regional differences in fluid milk demand and supply; (Prev. 1.5)
      5.1.2. Implementation of the California standards for solids-non-fat in fluid milk at the national level; (Prev. 1.7)
      5.1.3. A national program for dairy product promotion, research and nutrition education and the U.S. Dairy Export Council; (Prev. 1.9)
      5.1.4. USDA moving more aggressively on the collection of promotion fees on all U.S. and imported dairy products including milk protein concentrates; (Prev. 1.10)
      5.1.5. A national dairy plant security program to enhance a producer's ability to recover losses due to the financial failure of milk handlers or cooperatives. All those procuring milk from producers should be included in the program; (Prev. 1.12)
      5.1.6. Producers having a priority lien on their milk; (Prev. 1.17)
      5.1.7. Research to determine a "no-effect" level for any antibiotics and aflatoxins in milk according to Food and Drug Administration (FDA) standards; (Prev. 1.13)

- 5.1.8. Uniform testing procedures for antibiotics and aflatoxins that detect levels according to FDA standards; (Prev. 1.14)
- 5.1.9. The enrollment of all dairy producers in the Milk and Dairy Beef Quality Assurance Program and their participation in the National Dairy Farmers Assuring Responsible Management program; (Prev. 1.22)
- 5.1.10. Inspectors being required to contact the farmer/farm manager upon arrival at the farm; (Prev. 1.24)
- 5.1.11. A state or local inspector accompanying all U.S. Department of Health and Human Services inspectors. Producers should receive a full report and explanation upon completion of the inspection, which includes: deficiencies, items inspected, equipment disassembled for inspection and overall score; (Prev. 1.25)
- 5.1.12. Only pasteurized fluid milk being sold or distributed for human consumption; (Prev. 1.31) and
- 5.1.13. Clearly defined, concise rules and regulations by FDA for automated milking installation systems. (Prev. 1.34)

5.2. We Oppose:

- 5.2.1. A mandatory quota system, but are willing to consider a flexible supply management system; (Prev. 2.1) and
- 5.2.2. Creation of a mandatory fund financed by a checkoff on dairy farmers to guarantee milk checks. (Prev. 2.2)

AFBF FMMO Working Group Members and Staff – September 2019 – Members of the AFBF FMMO working group on the roof of AFBF's Washington, D.C., office.

Pictured left to right in front row, **Scott Bennett** (Staff, American Farm Bureau Federation), **Zak Miller** (Staff, Idaho Farm Bureau Federation), **Rick Ebert** (Pennsylvania Farm Bureau Federation), **David Fisher** (New York Farm Bureau Federation), **Steve Ballard** (Idaho Farm Bureau Federation), **Everett Williams** (Georgia Farm Bureau Federation), **Geoff Vanden Heuvel** (California Farm Bureau Federation) and **John Newton** (Staff, American Farm Bureau Federation).

Pictured left to right in rear, **Brandon Cobble** (Staff, Tennessee Farm Bureau Federation), **Michael Nepveux** (Staff, American Farm Bureau Federation), **Steve T. Harrison** (Tennessee Farm Bureau Federation), **Ron Gibson** (Utah Farm Bureau Federation), **Scott Mason** (New Hampshire Farm Bureau Federation), **Kevin Krentz** (Wisconsin Farm Bureau Federation), **Frank Doll** (Illinois Farm Bureau Federation) and **Joe Paul Mattingly** (Kentucky Farm Bureau Federation). Not pictured, **Amy Gill** (Staff, American Farm Bureau Federation) and **Joe Heinrich** (Iowa Farm Bureau Federation).

Photo by Philip Gerlach, AFBF

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) and **Joe Heinrich** (Iowa Farm Bureau Federation).

Pictured left to right in rear, **Karen Gefvert** (Staff, Wisconsin Farm Bureau Federation), **Geoff Vanden Heuvel** (California Farm Bureau Federation), **Brandon Cobble** (Staff, Tennessee Farm Bureau Federation), **Steve T. Harrison** (Tennessee Farm Bureau Federation), **Frank Doll** (Illinois Farm Bureau Federation), **Kevin Krentz** (Wisconsin Farm Bureau Federation) and **Scott Mason** (New Hampshire Farm Bureau Federation). Not pictured, **Scott Bennett** (Staff, American Farm Bureau Federation), **Zak Miller** (Staff, Idaho Farm Bureau Federation), **John Newton** (Staff, American Farm Bureau Federation), **Amy Gill** (Staff, American Farm Bureau Federation), **Rick Ebert** (Pennsylvania Farm Bureau Federation), **Joe Paul Mattingly** (Kentucky Farm Bureau Federation) and **Ron Gibson** (Utah Farm Bureau Federation).

Photo by Mary Burns, AFBF

INDIVIDUALS SERVING ON AFBF'S FMMO WORKING GROUP ARE:

Steve Ballard
Idaho Farm Bureau Federation

Frank Doll
Illinois Farm Bureau Federation

Rick Ebert
Pennsylvania Farm Bureau Federation

David Fisher
New York Farm Bureau Federation

Ron Gibson
Utah Farm Bureau Federation

Steve T. Harrison
Tennessee Farm Bureau Federation

Joe Heinrich
Iowa Farm Bureau Federation

Geoff Vanden Heuvel
California Farm Bureau Federation

Kevin Krentz
Wisconsin Farm Bureau Federation

Scott Mason
New Hampshire Farm Bureau Federation

Joe Paul Mattingly
Kentucky Farm Bureau Federation

Everett Williams
Georgia Farm Bureau Federation

Scott Bennett
Staff, American Farm Bureau Federation

Brandon Cobble
Staff, Tennessee Farm Bureau Federation

Karen Gefvert
Staff, Wisconsin Farm Bureau Federation

Amy Gill
Staff, American Farm Bureau Federation

Zak Miller
Staff, Idaho Farm Bureau Federation

Michael Nepveux
Staff, American Farm Bureau Federation

John Newton
Staff, American Farm Bureau Federation

Elizabeth Wolters
Staff, New York Farm Bureau Federation

Dr. Bill Herndon
Consultant