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Dairy Industry Framework for Self-Regulation Proposal

By Thomas L. Olson

Summary: This proposal seeks to eliminate all undercutting in the marketplace by milk handlers and the resulting race to the bottom in farm milk pricing through “re-blends”, “market adjustments”, pooling on distant Federal Milk Marketing Orders (FMMO), and de-pooling. In return for this mandate on handlers, farmers will only supply the market with milk that is needed.

Definition of milk handler for this document: 1. Any party that is buying milk from any farm or collectively from a number of farms 2. Any party that is buying raw or unfinished milk components that require additional processing before they are ready for retail from a dairy plant

This proposal will be implemented by the FMMO in which the milk is produced. If a milk handler is in a region not covered by a FMMO, rates will be set by the closest order to the plants location.

The Class I milk price will go back to the higher of the advanced Class 3 or Class 4 milk price.

All milk handlers shall pay all producers the Federal Order price on all milk components shipped by producer with no other deductions that lower the pay price.

Any milk handler paying producers on a base price plus components are not allowed to deduct from components a higher rate than the federal order value of said component. The base price formula will be paid on 3.5% butter fat, 3.0% protein, and 5.6% other solids.

Make allowance for processors should be passed on to consumers and not deducted from farmers.

All milk handlers will pay federal order rates on milk or separated milk components purchased from any other milk handler. All separated milk component buyers will give 7 day notice to milk component sellers of an oversupply of component before lowering amounts of components purchased. Right now as an example. Buyers of cream from plants that have extra cream may pay less than the FMMO rate. This will put all processors on a level playing field when it comes to competing for milk at the farm gate.

PPD must be paid at FMMO rate. Handler may subtract any zone differential and fees charged by order.

All milk will be pooled in the Federal Order of where it was produced. No exceptions--Even on milk moved to and sold in an Order other than where it was produced. This will bring financial

security because they can set the rate on a fairly stable milk supply instead of guessing on how much milk is de-pooled and having to constantly adjust rates to meet their operating costs.

Grade B milk is not pooled and shall be paid at FMMO minimums with no PPD.

All milk handlers have the authority to balance their milk supply by disposing an equal percentage of milk on all of their farms. Farms will be notified by handler at least seven days prior to this action and at what percent of a baseline production needs to be reduced and for how long. Farmers must make this reduction by dumping (or not producing) raw milk at the farm. This milk may be used for animal feed or must be disposed of in a sanitary manner. Milk hauler will have the authority to release milk to accomplish desired production. Farmers are not allowed to turn off cooling tank and let milk separate and release only skim milk. Farmers filling directly into tankers will be responsible for the disposal of milk by obtaining scale or meter tickets when tanker is unloaded. Milk handler may let direct ship loads meet their disposal amount by extending the period for one week to allow for complications that may arise from not being able to be weighed on the farm. Handler may lift disposal action early if their milk supply is interrupted for any reason.

Farmers' milk production can be based off the previous month or the same month from the previous year in case of seasonal freshening, grazing or an on farm event that significantly lowered production for the previous month.

Dairy plants may allow for new producers and/or expansions as their market determine the need.

Milk hauling rates assessed by milk handler on producer will be assessed on a per hundred weight basis and may have a dollar amount cap per month. Hauling rates may not be used to discriminate against producers due to size or distance. Hauling rates may be adjusted from time to time due to increased cost of operating trucks. Hauling cost may not exceed actual cost by more than ten percent. Any hauling over charges must be refunded to producer as decided by the FMMO. FMMO shall allow co-mingling of milk among handlers to make transportation as efficient as possible.

Milk handler will notify FMMO of this action so FMMO may audit milk handlers' farm records to ensure equal treatment of farms during their routine audits.

All milk handlers buying milk from another milk handler will give that milk handler a 45 day notice of changes to the amount of milk they will accept during a Holiday schedule or a planned plant shut down.

In the event of an emergency plant shut down where milk cannot be processed and must be moved to another plant the FMMO will oversee the transportation cost and may allow lower prices to be paid on this type distressed milk in the event that milk supply is long and milk is not needed at other plants.

The Enforcement of the Dairy Industry Framework for Self-Regulation

For any producer who does not comply with disposal order. The processor will give the producer one extra week to comply before turning the producer over to the producer's state Department of Agriculture Trade and Consumer Protection Agency (DATCP). The Department of Agriculture Trade and Consumer Protection Agency will then revoke the milk producer's license for a minimum of one farm pickup which may be one or two days milk depending on the pickup frequency or longer if this does not cover the disposal amount. Direct ship farms shall have license revoked for one day or more to meet disposal amount.