National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

FAMILY FARMING and DAIRY POLICY REFORM
2023 SPECIAL ORDER OF BUSINESS

Although milk prices paid to dairy farmers improved in 2022, feed prices and input costs reached record highs reducing dairy farm profitability. Since 1992, the number of US dairy farms has decreased by 79 percent or more than 103,577 farms due to low dairy farm margins**. To reduce dairy farm closures and improve the outlook for US dairy farmers, we call on Congress to pass a farmer-led incentive-based milk production growth plan to match milk supply with profitable market demand.**

As a result of widespread market concentration and consolidation, dairy farmers have little if any choice about where to ship their milk further depressing milk prices paid due to a lack of competition. The federal milk marketing order system was set up in the 1930s to establish **minimum prices** paid to dairy farmers and guard against non-competitive and predatory practices of milk handlers. Prior to the establishment of the federal milk marketing order system, dairy farmers around the country were at the mercy of milk handlers who controlled milk prices paid. Because milk is a highly perishable product that must leave the farm each day, federal milk market order regulations are vital to ensure dairy farmers are paid a minimum price for the milk they produce.

The last federal order hearing to consider major changes in the pricing formulas occurred 15 years ago and the dairy market has grown dramatically more concentrated since then, making federal order minimum milk pricing more important than ever before. Dairy farmers do not have the ability to change milk handlers given the level of consolidation and concentration that exists today. Therefore, minimum milk prices must ensure that dairy farmers are paid a price that reflects the value of all milk and dairy products sold to sustain dairy farmers and foster a secure food supply for consumers.

During the 2018 farm bill, Congress made a change in the Class I formula that led to more than $1 billion in losses to dairy farmers nationwide. The losses that resulted from the Class I price change demonstrate that amendments to federal order pricing should be made through the 12-step federal order hearing process, not through legislation. However, to immediately restore the Class I formula, we call on Congress to pass legislation to return to the higher value of Class III or Class IV instead of the average plus 74 cents.

Although the federal order system is set up to maximize dairy producer participation in the process, it is difficult if not impossible for dairy farmers to take a public position in opposition to that of their milk handler. Federal order hearings are made up of legions of lawyers and economists representing dairy processor interests that far outnumber dairy farmers and the organizations that represent them. For this reason, it is imperative that USDA convey added weight to positions taken by the limited number of dairy farmers willing to participate in public hearings.

NFU opposes the call for a federal order hearing, but if a hearing is granted by the United States Department of Agriculture (USDA), NFU supports:

- Establishing a price discovery formula at the producer level through a growth management program that incentivizes matching production with market demand;
- Reforming all Class formulas to reflect the value and volume of <u>all</u> dairy products sold in the market today as current milk pricing formulas fail to reflect the actual market value of dairy products, particularly higher moisture, and higher value cheese products;
- Requiring mandatory participation of processors in an audited National Agricultural Statistics Service (NASS) survey and in an audited cold storage report; and
- Establishing a national make allowance that is adjustable to reflect the difference between milk prices and the producer's cost of production. This allowance should be generated from the market, not deducted from the established price through end-product pricing.