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May 24, 2023

The Honorable Thomas J. Vilsack, Secretary
U.S. Department of Agriculture
200A Whitten Building
1400 Independence Avenue, S.W.
Washington, D.C. 20250

RE: Petition received by National Milk Producers Federation

Dear Secretary Vilsack,

American Dairy Coalition appreciates the work of National Milk Producers Federation in putting together a USDA hearing petition that is comprehensive and seeks to balance needs within the dairy sector.

We encourage you to hold a hearing on these items with a call for additional proposals. We believe the Class I mover needs attention as soon as possible.

We also applaud the work of American Farm Bureau bringing stakeholders together and hosting the forum last October.

As a grassroots dairy farmer organization, ADC has been focused on several of the items addressed in the NMPF package for Federal Milk Marketing Orders, especially the Class I mover, which we agree should be restored to the previous 'higher of' method as soon as possible. In the 50 months of USDA's implementation of the 'average of' method, farmers lost \$920 million in net cumulative Class I value. The asymmetric risk borne by farmers in the 'average of' method, and the impact on FMMO participation are additional concerns.

We are glad to see the NMPF petition seeks to raise standard milk component levels in classified pricing to more accurately reflect the higher protein and skim solids composition of skim milk today, but we believe standard butterfat levels should also be evaluated to resemble today's milk composition.

As for make allowance updates, we believe they should be based on mandatory audited cost surveys so that the cost data from **all price-reporting plants are included**, which relate to only those products that are used in the FMMO pricing formulas.

At the same time, we know that less than 10% of the milk our farmers sell is used in products that are included in the FMMO milk pricing surveys and formulas, so we want to make sure that the costs to make the other 90% -- maybe even at the same price-reporting plants -- do not inflate the costs reported for the basic products that are included in the FMMO pricing formulas.

If the value of a product is not captured and used in the milk component prices, then the cost to make that product should not be included in the embedded 'credit' known as the 'make allowance.'

All of the other bulk products and value-added products that are NOT captured in the end-product pricing formulas can be sold by processors at prices that cover their costs without that value going into the price that they pay the farmers for the milk. Those costs can be recovered without coming back to the farmer's pricing formulas because the prices for those other products are not included in those formulas.

To be clear, even with defined mandatory and audited surveys in place, ADC believes the collected cost data should be part of a periodic FMMO hearing process, not used for automatic updates, so that all voices can be heard, and evidence presented.

ADC also believes these hearings should be followed by the producer referendum, but with all dairy farmers having an individual and confidential vote.

As for the products included in the weekly price survey that are used in the FMMO pricing formulas, we understand NMPF's concern about 500-pound barrel cheese and their request to remove it from the Class III protein price formula. Would USDA be able to look at adding 640-pound block cheese as a bulk replacement, or would an official petition need to be filed for such a request?

With concerns farmers have about price discovery and milk check transparency, ADC is looking into potential legislative and/or administrative changes that would improve this. We believe it is necessary to have Congress look at expanding USDA's weekly dairy price reporting authority in the Livestock Mandatory Reporting Act to survey more types of bulk products outside of the formula, like mozzarella, 640-pound block cheese, skim milk powder, unsalted butter and whey protein concentrate purely for informational purposes of market transparency.

Another option would be to survey milk checks and issue a monthly report. A farmer should be able to follow market trends, understand in real time the value of their milk, and be able to look at their final payment after four to six weeks of shipping milk out the driveway and clearly see how it was calculated to determine their net payment.

Thank you for your consideration,

Best regards,

Laurie Fischer, CEO, American Dairy Coalition
cc Bruce Summers