

## **Dairy Industry Framework for Self-Regulation Proposal**

By Tom 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, de-pooling, and extra charges associated with transportation of milk. In return for this mandate on handlers, farmers will only supply the market with milk that is needed. Excess milk will not leave the farm.

**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 Federal Milk Marketing Order 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.

All milk handlers shall pay all producers the Federal Order price on all milk components shipped by producer.

All milk handlers will pay federal order rates on milk or separated milk components purchased from any other milk handler.

PPD must be paid at Federal Order 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.

Grade B milk shall be paid at Federal Order 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.

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 a on farm event that significantly lowered production for the previous month.

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 Order. Milk Marketing Order shall allow co-mingling of milk among handlers to make transportation as efficient as possible.

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