# Dairy Price Restructuring

This down turn is providing us with the opportunity to have an open discussion about our industry. To generate a discussion;

Is it time to completely restructure how milk is priced? What if two classes of milk were traded on the Markets?  What about fat, protein and NFS also trading on the Markets?  What if the classes were based on the quality of milk a producer produces?   As a dairy producer we produce milk which contains fat, protein and NFS.  We do not control what end products are made with it.  We can and do produce a high-quality product.  Shouldn't we be paid based on what we produce, not based on the end use?  Processors are already demanding high quality milk regardless of the end use.

Examples of the two Classes;

Class I/ Tier I

Milk that meets a high-quality definition and qualifies for all exports.

Example; less than 250,000 SCC and low bacteria counts.

Class II / Tier II

Milk that does not meet Class I/ Tier I standards but does meet the minimum Federal standards.

There would still be a need for an average price per month for each class of milk, fat, protein and NFS.  The blend price could be created using the average monthly price of Fat, Protein and NFS along with Class I or II.  Producers should get paid for what they produce and processors should pay for what they receive/ demand.

There should be a way to curb production during times of low demand and/ or excess production.  A base surplus production system could be developed to help control over production during such times.  A basis, per cwt, could be deducted during low demand periods. The base could be implemented within the federal orders. We know there is a market for X amount of milk, which changes with demands.   The problem is when demand drops and prices drop there is an incentive to produce more milk, either to help with cash flow or growth opportunity.  Producers would still be free to grow as they choose without having to deal with another level of government regulation that a quota system would create.