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Testimony to FMMO Virtual Hearing
September 28, 2023

I support:

- reverting the Class I pricing formula to the higher value of Class III or Class IV instead of the average of Class III and Class IV.
- adding mozzarella to the mandatory price reporting system so it can be included in the Class III pricing formula, achieving a more accurate and fair price for farmers.
- reform of the FMMO system to better manage and balance supply and demand, with adoption of mechanisms in the Dairy Revitalization Plan.
<https://dairymarkets.org/GMP/>

If a make allowance for processors is considered it must come with an adequate price for farmers, which can only be achieved with growth management to control oversupply

The Issues

Prices

Persistent periods
of low prices

Wild price swings

Production

Rapid,
uncoordinated
production growth

Expansion when
prices are low

Consolidation

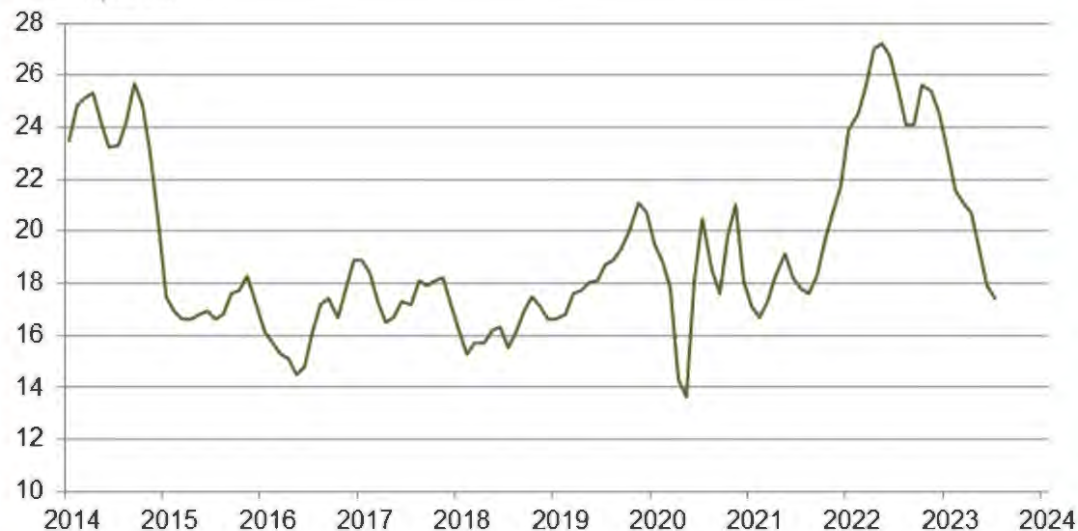
Sharp decline in
farm numbers

Increased average
herd size

Boom and bust prices

Prices Received for Milk by Month – United States

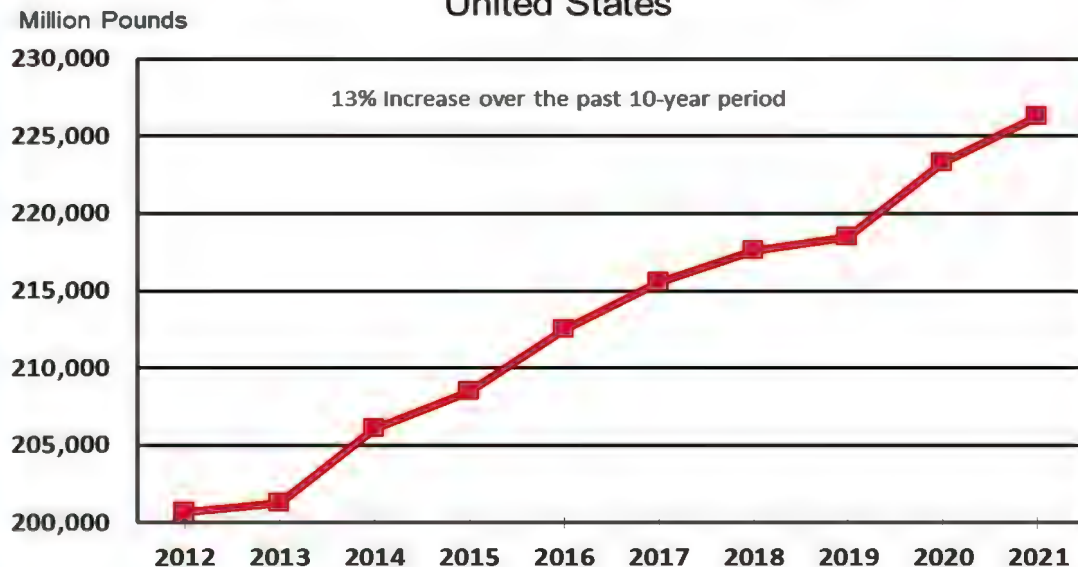
Dollars per cwt



USDA – NASS
8/31/2023

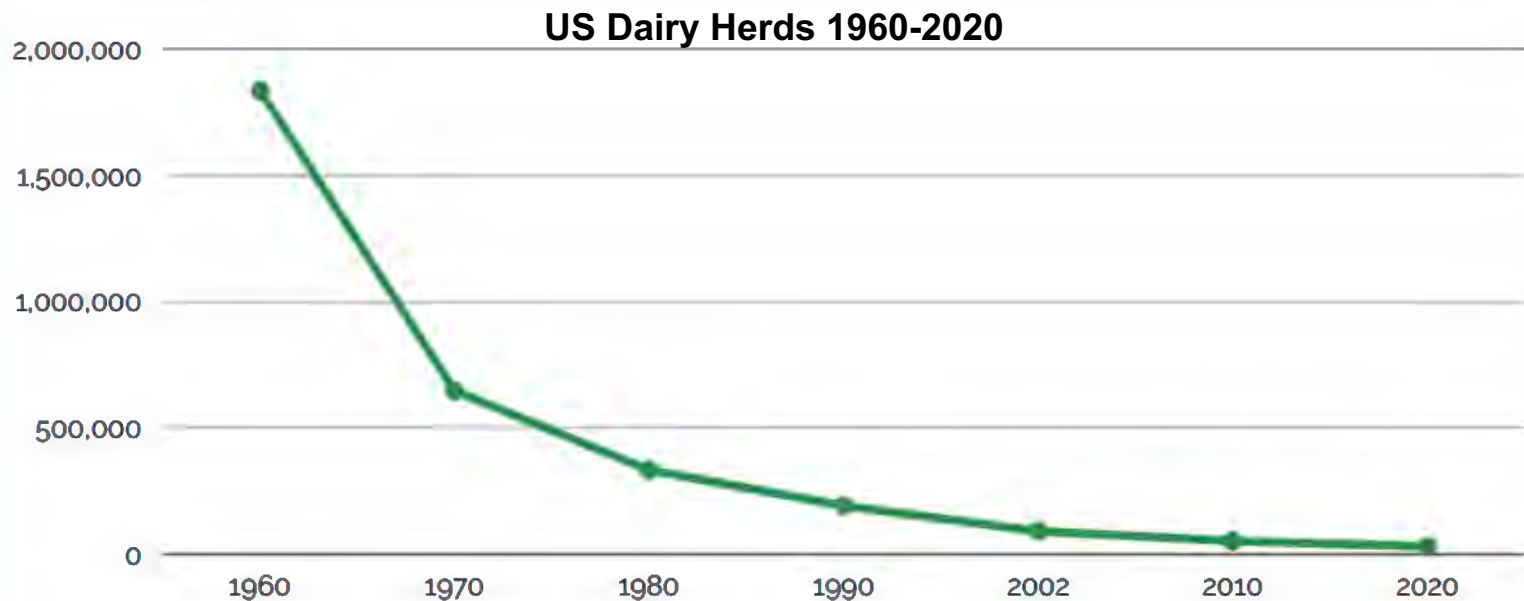
More milk...

Milk Production, 2012-2021 United States



USDA-NASS
02-23-2022

From fewer farms

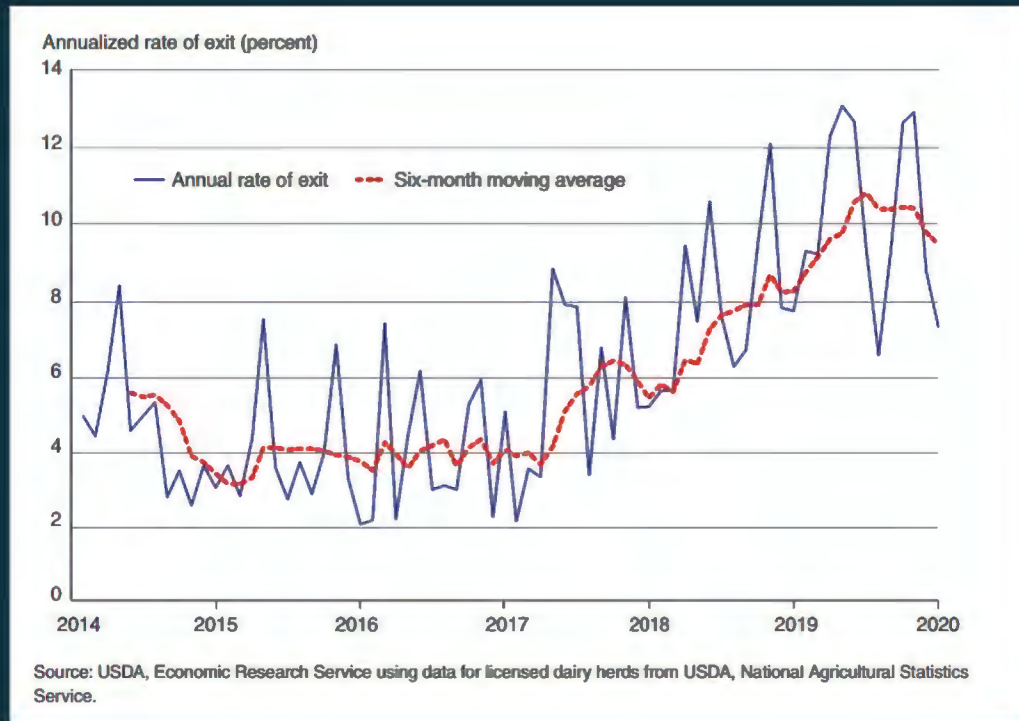


**US Farms with Milk Cows, Licensed herds
USDA National Ag Statistics Service*

Rate of dairy herd exits accelerating

We've lost an average of
5 dairy farms each day
over the last decade

Farm exits peaked in
2019 at 3,281, roughly
10% of the total



More Farms, Not Fewer

A system that creates a more better coordinated milk supply, that manages growth would keep more dairy farms on the land and allow beginning farmers to enter



Environmental Sustainability

Curbing overproduction and reducing concentrated air and water pollutants would create a more sustainable industry



Rural Economies

More money in farmers' pockets
supports rural economic vitality



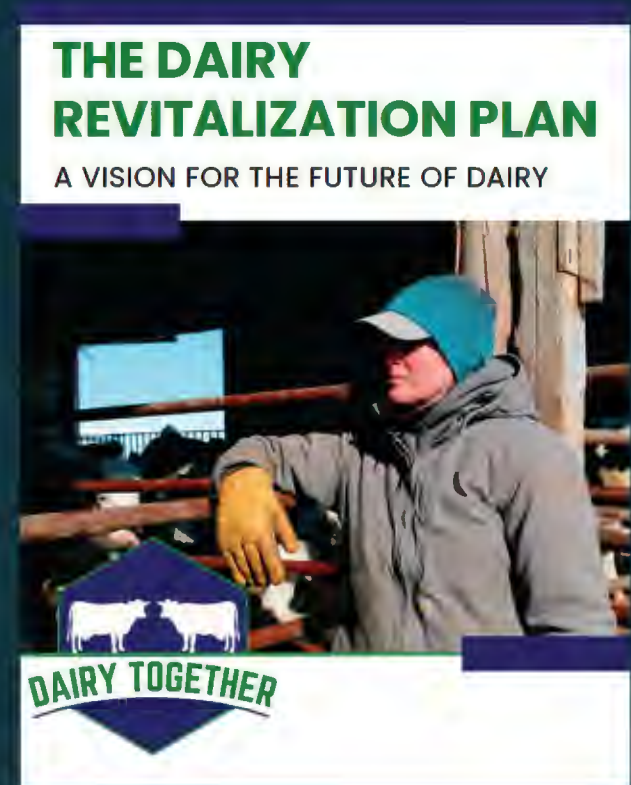
Food Security

Distributed food production and processing reduces the risk of supply chain disruptions and other threats to food security



Dairy Revitalization Plan Proposal

- Developed by a group assisted by University of Wisconsin Center for Integrated Agricultural Systems
- Policy plan based on analysis performed by University of Wisconsin-Madison dairy economists
<https://dairymarkets.org/GMP/>
- Example of how growth management could work, using a Market Access Fee mechanism
- Economic analysis is proof of concept



Dairy Revitalization Plan

- National plan that applies to all U.S dairy farmers
- Requires congressional authorization
- Governed by an elected board of dairy farmers
- Base cannot be bought or sold
- Creates a carveout for new farmer entry

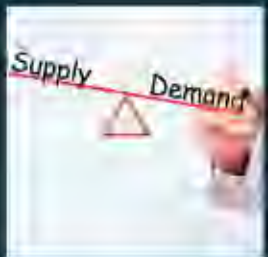
Dairy Revitalization Plan: How it Works



Impacts

Higher milk prices

Milk prices would have been up an avg. of \$1.41/cwt if the Plan was in place. For those within their base, up \$2.13/cwt



More stable prices

The degree of milk price variability would have been reduced by 50% under the Dairy Revitalization Plan



Increased farm income

Net Farm Operating Income was significantly higher for all farms that stayed within allowable growth.



Impacts

Domestic demand

Retail prices on a gallon of milk could increase by \$0.15 and American cheese by \$0.11. Demand growth is slightly reduced.



Exports

The value of exports would be less under the DRP than without it, but exports would still continue to grow under the plan.



Dairy subsidies

Because farmers would get a better market price, the plan would cut government spending on programs like DMC by up to 50%



DAIRY TOGETHER Dairy Together

A vision for the future of dairy

www.dairytogether.com

What would the Market Access Fee mean for my farm? Check online app at
https://dairymarkets.org/GMP/GMP_app.html