



National All-Jersey Inc. at Work for You

Summer and fall months on a dairy can be busy. Managing the herd through heat and humidity, monitoring crops, harvesting forages, along with participating and attending county, regional, and state fairs fill the long, daylight hours. Beyond those usual activities the summer of 2023 will also feature off-farm decisions that will impact dairies over the coming years. First, all signs point towards USDA conducting a national hearing to address various facets of the federal milk marketing orders (FMMO). Second, Congress is crafting the 2023 Farm Bill and considering two additional dairy-related pieces of legislation.

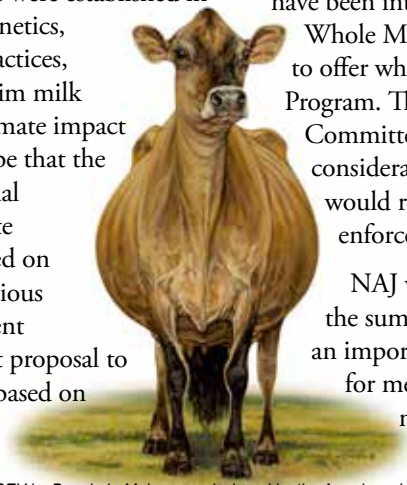
National FMMO Hearing

Following many months of deliberation, in early May the National Milk Producers Federation (NMPF) requested USDA to initiate a hearing to amend the uniform pricing provisions of all federal milk marketing orders. In response, USDA invited other interested industry partners to submit additional proposals. Twelve organizations submitted a total of 38 proposals, including three from National All-Jersey Inc. (NAJ).

One of NMPF's proposals is to update the skim solids factors used in the Class III and Class IV skim milk price formulas. The primary functions of the skim milk price formulas are to set the Class I skim milk price. The equations are:

$$\begin{aligned} \text{Class III skim milk price} &= (\text{protein price} * 3.1) + (\text{other solids price} * 5.9) \\ \text{Class IV skim milk price} &= \text{nonfat solids price} * 9.0 \end{aligned}$$

The Class I price is the average of Classes III and IV, plus \$0.74 per hundredweight. The factors of 3.1 for protein, 5.9 for other solids, and 9.0 for nonfat solids were established in 2000. Over the past 23 years through genetics, feeding, and other herd management practices, producers have significantly increased skim milk components, primarily protein. The ultimate impact of updating the component factors will be that the Class I price will more nearly reflect actual components. NMPF's proposes to update component factors every three years based on national component averages of the previous three years. Analysis shows protein content increasing quickly, prompting NAJ's first proposal to update the component factors annually based on the previous year's components.



NAJ's second proposal is to price Class I on actual milk components instead of using national averages across all orders. Component content varies widely across the orders, and national averages under-represent components in some areas of the country and over-represent components in other areas. The equitable solution is to price Class I on its actual components.

NAJ's third proposal is to expand multiple component pricing (MCP) to all federal orders. The three southeastern orders and the Arizona order still price milk on a skim-fat basis. The manufacturing milk in those orders is undervalued. Furthermore, the southeast orders are deficit for their fluid needs, and require supplemental milk from outside the orders. The lack of MCP serves as an impediment to securing outside milk because it loses its component value when priced on the fat-skim basis.

Legislation

The Farm Bill comes up for reauthorization every five years and is due for renewal this year. The Dairy Margin Coverage program could use two updates. First, the production histories established for most dairies are nearly ten years old and need to be brought current. Second, Tier 1 coverage is limited to the five million pounds of annual production and needs to be expanded. Third, the Farm Bill should authorize and fund USDA mandatory processing plant cost surveys that can be used to establish make allowances in future FMMO hearings. Finally, the Farm Bill funds SNAP, and SNAP is positive for dairy consumption.

The Whole Milk for Healthy Kids Act and the DAIRY PRIDE Act are legislation outside the Farm Bill. Both bills have been introduced in both Houses of Congress. The Whole Milk for Healthy Kids Act would allow schools to offer whole and reduced-fat milk in the School Lunch Program. The bill passed the Education and Workforce Committee in the House and will come up for consideration by the full House. The DAIRY PRIDE Act would require the Food and Drug Administration to enforce standards of identity for dairy terms.

NAJ will be working on all these issues through the summer and fall. NAJ's member voices will have an important role to enact beneficial legislation. Watch for member alerts when Congressional contacts are needed at critical times of the legislative process.