

A Structured Dairy Pricing Program

It's Time We Leveled the Playing Field for American Dairy Farms of All Sizes

USDA data show that production costs are higher for family-sized farms than for very large dairies. Because of this production cost difference, a price high enough to make family farms profitable can induce a flood of milk from very large farms. On the other hand, a price that makes very large farms profitable can be too low to stem the loss of family-sized farms.

In other words, a policy that provides opportunities for dairy farms of all sizes must have more than one price. Overcoming the production cost imbalance among dairy farms requires a higher pay price for milk produced on smaller farms.

Our program proposal is so simple we can say it in a single sentence: Establish a national Federal Milk Marketing Order with a \$4.00 per cwt price adjuster for up to one million pounds of monthly production for every dairy farm in the country.

THREE BIG ADVANTAGES

1. The program preserves farmer freedom and does not tell any farmer how many cows can be on his or her farm. All farmers, including those newly entering the business, compete under the same payment system without having to purchase quota. Every farm, regardless of size, gets the \$4.00 price adjuster for up to one million pounds of production per month. Every farm, large and small, is free to operate as they see fit in response to price signals sent by the program.
2. The program does not increase costs for consumers or taxpayers. Instead, it reduces the cost of production difference between family-sized farms and very large farms in a way similar to FMMO procedures that account for different class prices.
3. Some farms with production higher than the cutoff will also benefit from the program. Why? The higher price for the first million pounds of production is blended with the lower price for production in excess of the cut off level. The resulting pay prices can be higher or lower than prices paid without the program.

TIME IS NOT ON OUR SIDE

We must do more than stand by and wring our hands as independent family-sized dairy farms disappear at such a staggering rate. Nothing will change until we account for the cost of production differences among dairies. Time is not on our side. Getting a new policy in place requires urgent action among dairy farmers across the country.

Please join us in crafting a dairy policy that levels the playing field for all American dairy farms.