

# FMMO Alert

An Update from USDA's Federal Milk Marketing Order Hearing

The past week's discussion at USDA's Federal Milk Marketing Order (FMMO) hearing has focused heavily on make allowance proposals offered by the International Dairy Foods Association (IDFA) and the Wisconsin Cheese Makers Association. The organizations are proposing adjustments to make allowances that would be highly disruptive to farmers without sufficient grounding in factual data, with key questions about production costs avoided during witness testimony. Make allowance discussions may wrap up this week, followed by discussion of the Class I mover as soon as today and other proposals still ahead as a potential government shutdown Oct. 1 holds the potential to disrupt proceedings.

## Recent Developments

Discussions of the proper extent of any USDA adjustments to the make allowance has dominated recent FMMO testimony and cross-examination.

Testimony on NMPF's Proposal #7, which requests a moderate increase in Class III and IV make allowances while efforts are pursued to give USDA authority to conduct mandatory and audited cost surveys, ended last Tuesday, immediately followed by discussion of proposals offered by the Wisconsin Cheese Makers Association and IDFA that call for substantially higher Class III and IV make allowances. NMPF stressed in its testimony the need to strike a fair balance between supporting manufacturing through increased make allowances and the negative impact of higher make allowances on dairy farmers' milk checks. Proposals 8 and 9 offered by the Cheese Makers and IDFA, meanwhile, would dramatically affect dairy farmers' profitability and disrupt orderly milk flows because of the large negative effect on farm-level prices.

NMPF witness testimony on those proposals advanced our balanced approach while questioning the justification for proposals 8 and 9, which are based on plant survey data already widely understood as significantly flawed. Testimony for IDFA and the Cheese Makers relied heavily on manufacturers who were wildly inconsistent in their willingness to share data, with costs at smaller plants explored in detail while costs at larger, often newer and highly efficient plants were left undisclosed in the name of confidentiality. Throughout testimony and cross-examination, that lack of adequate data only emphasized further the need to give USDA the authority to conduct mandatory and audited surveys of manufacturing costs that would provide the industry necessary information for any future adjustments. While processors and NMPF are aligned on that need, the processor plan would be highly disruptive to farmers and tilt the scales toward processors based on tortured and tenuous connections to facts.

The hearing picked back up on Monday with dairy economist Mike Brown retaking the stand to testify on make allowances – IDFA's final witness supporting their make allowance adjustments. Unsurprisingly, Brown attacked NMPF's data and approach before attempting to substantiate IDFA's flawed proposal. Despite IDFA's claims of a "scientific" approach, the arbitrary slicing and dicing of data done to arrive at IDFA's proposed adjustments fails to conceal the fact that no available data even remotely justifies the dramatic increases in make allowances found in IDFA's proposal. NMPF's proposed make allowance adjustment is the only common-sense approach that supports the entire industry while we work to secure USDA authority to conduct mandatory cost surveys.

Following Brown's testimony, the hearing flew through a slate of witnesses from Select Milk Producers advocating for their Proposals 11 and 12 (updating farm-to-plant shrink and the updating nonfat solids yield factor) before beginning testimony on Select's Proposal 10 (butterfat recovery). Testimony on Proposal 10 resumes this morning.

## Special Thanks to

NMPF would like to thank the following individuals for their expert participation in the past week of testimony and cross examination:

### Producer Testimony:

- Frank Doll, Prairie Farms
- Bryan Hendricks, Prairie Farms
- Neil Hoff, DFA
- Sietse Tollenaar, DFA
- Brian Hemann, Lone Star Milk Producers

### Co-op Testimony:

- Jeff Lyon, FarmFirst
- Ed Gallagher, DFA

## The Week Ahead

The remainder of testimony related to Select's proposals finishes this morning. IDFA witnesses will next present rebuttal testimony in opposition to Select's Proposal 10 on butterfat recovery. AFBF also intends to present testimony on Class III and IV formula factors before the Higher Of discussion begins, with NMPF's Peter Vitaliano retaking the stand as early as this afternoon leading off NMPF testimony in support of Proposal 13 to return to the "Higher Of" Class I mover. Wednesday will likely consist entirely of NMPF witnesses supporting Proposal 13 before testimony for the week ends because of conference center logistics that left USDA without a hearing venue Thursday or Friday.

The hearing is scheduled to resume next Monday with additional Higher Of discussion. With the anticipated lengthy debate around the Higher Of as well as Class I Differentials still needing to be discussed, it's becoming increasingly clear the hearing will not conclude by the end of the month. Additionally, a possible government shutdown starting Oct. 1 could put the hearing on hold, with timing for its resumption depending on factors well beyond USDA's control.

For anyone interested in following the Carmel, IN hearing live, you can view the webinar [here](#) when in session. Our Federal Order webpage is [here](#) for additional background on the topic and a detailed look at NMPF's proposal, as well as the reasoning behind it, that's been unanimously backed by our Board of Directors. Also, note that farmers interested in participating are encouraged to testify virtually at the hearing, with information on how to do so [here](#). Please contact us at [info@nmpf.org](mailto:info@nmpf.org) for support should you wish to participate, or for any other questions as this process continues.

This week's [Dairy Defined Podcast](#) features NMPF's Senior Director for Economic Research and Analysis, Stephen Cain, discussing hearing developments and the importance of NMPF's proposals. Also, NMPF Senior Vice President for Member Services & Governance Chris Galen discussed the basis of NMPF's plan for the make allowance on the [Ag Info Network](#).



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