

The Honorable Thomas J. Vilsack
Secretary, U.S. Dept. Of Agriculture
200A Whitten Building
1400 Independence Avenue S.W.
Washington, D.C. 20250

FMMO Milk Pricing
February 19th, 2024

Dear Mr. Secretary,

On behalf of America's dairy farmers I would like to recognize the important role the U.S. Department of Agriculture provides through its many services to our farmers and this country.

I am a dairy farmer, and also serve on the Vermont Dairy Producer Alliance board of directors. The purpose of this letter is to underscore the importance of determining the true value of milk through discovery, as it pertains to the integrity of our Federal Milk Marketing Order's (FMMO's). Next, in light of the dire situation farmers find themselves in, I am compelled to ask that you Declare an Emergency and IMMEDIATELY restore the Class I Mover to the previous "higher of " milk pricing formula.

The FMMO system establishes an orderly process, with respect to integrity and fairness, its design serves to function in the better interest of the dairy industry to feed a hungry world. Nonetheless, when the intrinsic values of a system, as such, become subject to tinkering, particularly a value of vital importance, the expected outcome should be well researched and highly predictable prior to taking any action; we are well aware that was not the case. Presently, our dairy farmers are dealing with a lesson learned through hardship, the result of policy change finds them grappling with a 1.2 Billion dollar shortfall in their milkchecks, thus far.

Today, dairy farmers clearly understand, without question, "the average of " milk pricing formula DOES NOT work as intended. Collectively, the dairy industry must understand, "the average of " pricing formula DOES NOT reflect the true value of milk through a discovery process, fact is it's a bureaucratic tool which results in price distortion. Furthermore, it calls the entire system into question. Distorting the value of milk misaligns prices and the ability to determine the true value of Class I milk, which subsequently corrupts the system as evidenced in the debacle of 2020. Large volumes of milk were depooled at that time, Class III milk was paying \$9.00 more than Class I. We now understand why associating milk with the FMMO system requires an incentive to do so.

Our Primary concern today, ahead of any other change, is to focus on immediately returning to "the higher of " pricing formula to determine the actual value of milk, through price discovery, in real time; such action would true up the alignment of prices and restore integrity to the system.

According to an estimated comparison of price for 2024 (using CME Futures prices of 2-15-24, provided by Dairy Economist Ed Gallagher) using "the average of " pricing formula versus "the higher of ", it appears that milkchecks under that formula will fall short by \$400.49 Million dollars for the year based on milk production of 228.2 Billion lbs. The \$400.49 Million dollars in addition to the accrued loss will tip the scale at more than \$1.6 Billion dollars.

I am concerned for the longevity of the FMMO system, since the 2020 debacle we have continued along embroiled in crisis, have identified a component responsible for compromising the entire system yet fail to correct it. I understand that it is of substantial effort to update the system, but there are a couple of items that require immediate attention, others are less pressing.

I wish you and your team the best Mr. Secretary. Thank you for your consideration.

Sincerely,