



United State Department of Agriculture (Secretary of Agriculture)

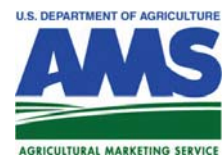
Congress passes and President Roosevelt signs law in 1937 establishing Federal Milk Marketing Orders (FMMO). After many amendments over the last seven decades, the regulations implementing the law now occupy 259 pages of the Code of Federal Regulations.

Congress passes 2002 Farm Bill establishing a new, second dairy safety net, the Milk Income Loss Contract (MILC) program.



United States Congress

Issues specific Federal Milk Marketing Order regulations (FMMO). There are currently 10 orders, regulating about 70% of U.S. milk. Each marketing area is specifically defined by geographical boundary.



Dairy Programs, Agricultural Marketing Service



National Agricultural Statistical Service



Farm Service Agency

Congress passes law in 1949 establishing a dairy farm safety net requiring Commodity Credit Corporation to buy dairy products when prices fall below a set price.



Federal Milk Marketing Order Administrators (10)

Audits who delivers what milk to which processing plant, how it is used, and if proper amounts are paid according to formulas.

Sets FMMO minimum prices for each Class of milk using formulas which include NASS data, make allowances, and yield factors.

Surveys wholesale dairy product prices.

Milk Income Loss Contract (MILC) authorized by the 2002 Farm Bill, compensates dairy producers when domestic milk prices fall below a specified level.



Commodity Credit Corporation Farm Service Agency

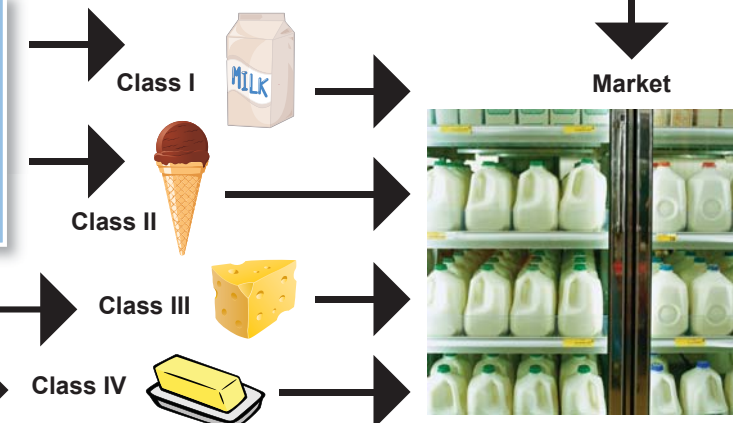
Dairy Product Price Support Program buys, stores, and gives away or sells dairy products that consumers don't want at the higher prices set by Congress and the Secretary of Agriculture.

Wholesale Market Prices:	Product	Price	Direction
	Cheddar Cheese	≤ \$1.13/lb.	>
	Butter	≤ \$1.05/lb.	>
	Nonfat Dry Milk	≤ \$.80/lb.	>

Classifies milk by use.

Raw milk is processed into Class I, Class II, Class III, or Class IV products.

CLASS I PRODUCTS Fluid Milk
 CLASS II PRODUCTS Ice Cream, Yogurt
 CLASS III PRODUCTS Cheese
 CLASS IV PRODUCTS Butter, Milk Powders



Market

Each Market Administrator, based on audits of each processing plant, determines how all milk in the marketing area was used. Each processing plant is charged the minimum Class price for all farm milk used, and all farmers and cooperatives are paid at least the weighted average price of all milk used (the Blend Price). Each month, plants whose use value of milk is higher than this farm blend price pay money into the Market Administrator's Producer Settlement Fund, and plants whose use value is lower than the blend price receive money from this Producer Settlement Fund.

An MILC payment is made when the minimum FMMO price in Boston for Class I milk falls below \$16.94 per cwt as adjusted for changes in dairy feed prices. The payment is equal to 45% of the difference between this target price and the lower Class I price in Boston.



Proprietary Processing Plants

Proprietary processing plants are required by the Market Administrator to pay at least the minimum regulated price to farmers and cooperatives based on how the farm milk is used. Cooperatives do not have to pay their farmers/members that minimum price.



Marketing and Processing Cooperatives



Dairy farmers produce raw milk for processors and cooperatives