



# Federal Milk Order Reform:

What Do You Like

*and*

What Don't You  
Like?

What Impact Has it Had and What Will it  
Have?






# Federal Milk Marketing Order Reform USDA Goals

- **Simplification of the Federal Order System**
- **Provide Equity Among Market Participants**
- **Insure Orderly Marketing**
- **Minimize Government Intervention**

# Identical Provisions

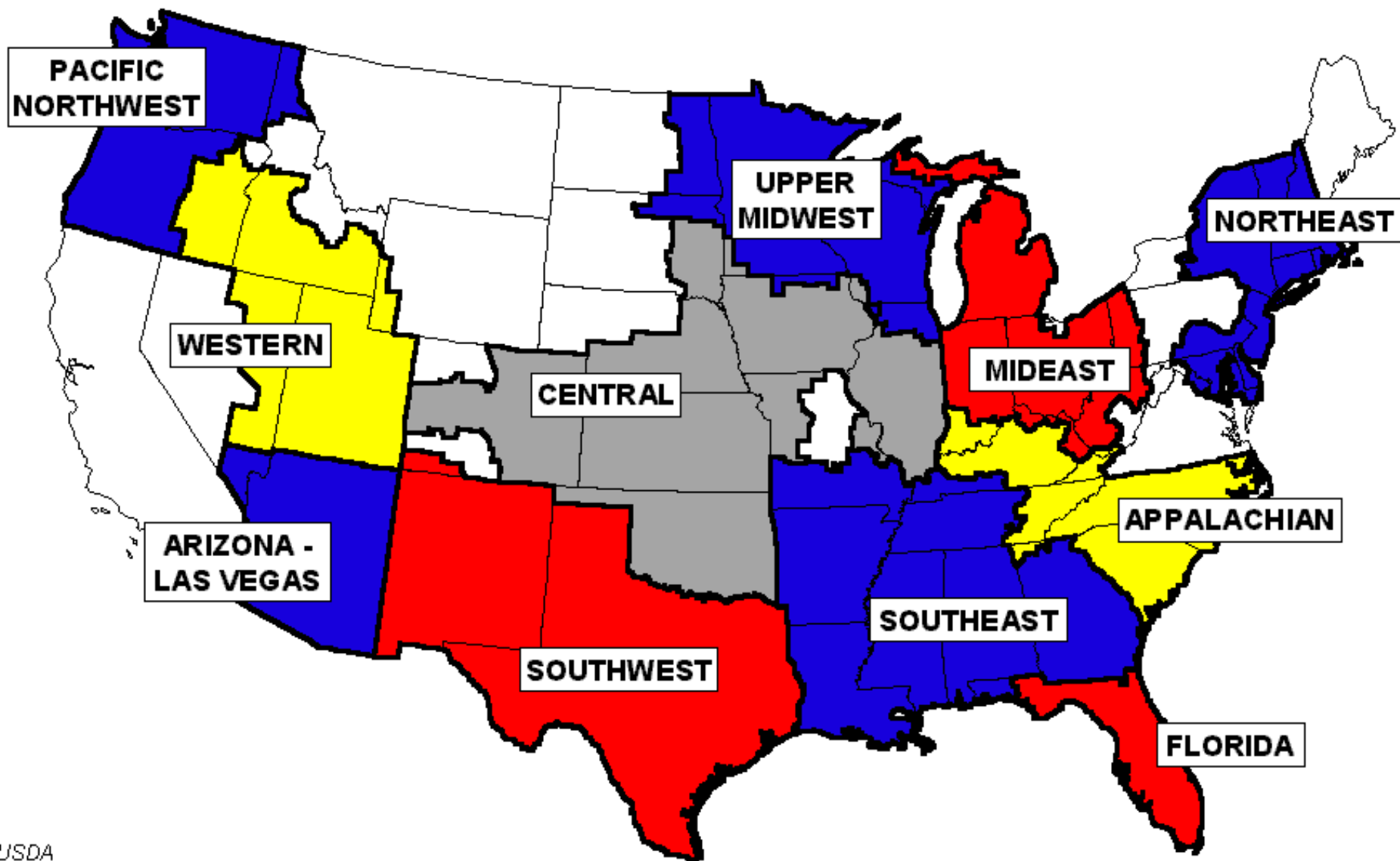
- 
- A large, stylized green map of the United States, including Alaska and Hawaii, which serves as a background for the list of provisions. The map has a 3D effect with darker green shading on the edges.
- Modern Order Language
  - Standard Definitions
  - Uniform Reporting
  - Uniform Classification
    - Uniform Allocation
    - Class I Differentials
    - Uniform Pricing Methods

# Criteria Considered in Consolidation

- 
- A large, stylized green map of the United States with a 3D effect, serving as a background for the text.
- **Overlapping route disposition**
  - **Overlapping areas of milk supply**
  - **Number of handlers within a market**
  - **Milk utilization in common dairy products**
    - **Cooperative association service areas**
    - **Features common to existing orders**
    - **Natural boundaries**

# FEDERAL MILK MARKETING ORDER AREAS

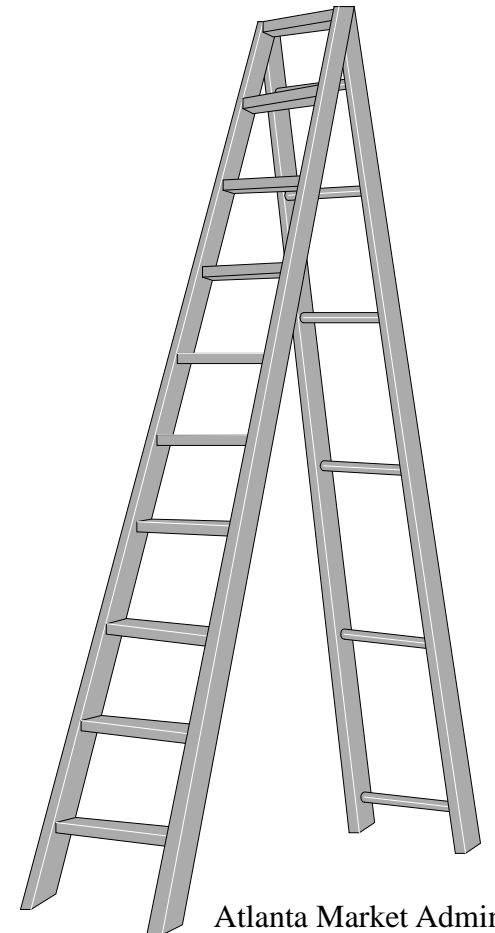
January 1, 2000





# Classified Pricing System

- Class I Price: Higher of Class III or Class IV + Location Differential
- Class II Price: Class IV Price + 70 Cents
- Class III Price: Cheese & Whey Price Survey
- Class IV Price: Butter & Powder Price Survey



Atlanta Market Administrator



# Reform Class I Differentials

- Aligned Class I pricing surface in every county of United States
- Class I price at any location would be the same regardless of order under which handler is regulated
- Adopted Class I price structure uses the generally higher differential levels as proposed in Option 1A while generally retaining the pricing surface of the preferred option.

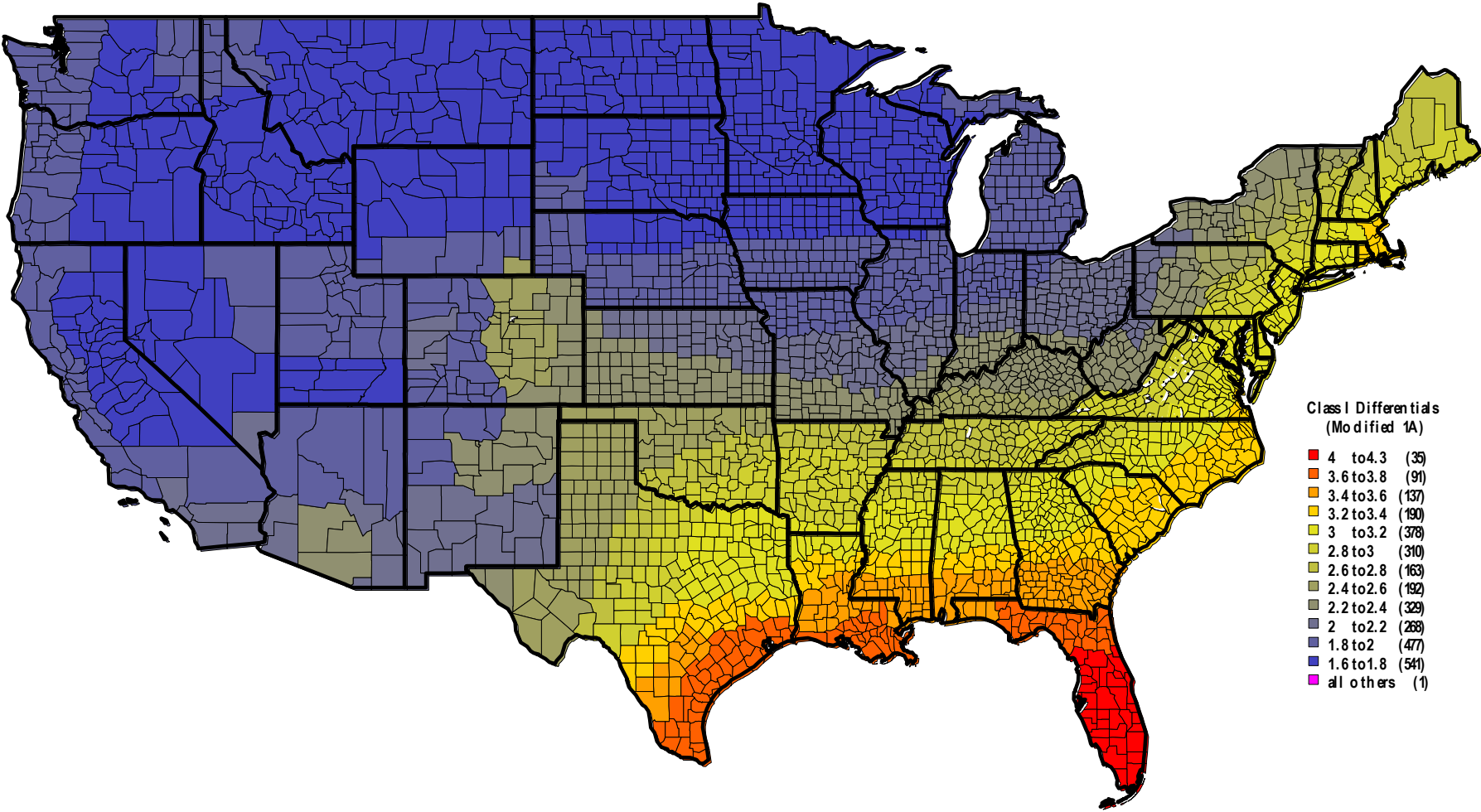


# Reform Class I Differentials Southeast Order

	<b>Pre-Reform</b>	<b>Reform</b>	<b><i>Difference</i></b>
<b>Atlanta, GA</b>	\$3.08	\$3.10	\$0.02
<b>Canton, MS</b>	\$3.18	\$3.10	<b>-\$0.08</b>
<b>Hattiesburg, MS</b>	\$3.40	\$3.40	\$0.00
<b>Kosciusko, MS</b>	\$3.08	\$3.10	\$0.02
<b>Little Rock, AR</b>	\$2.77	\$2.80	\$0.03
<b>Memphis, TN</b>	\$2.77	\$2.80	\$0.03
<b>Nashville, TN</b>	\$2.55	\$2.60	\$0.05
<b>New Orleans, LA</b>	\$3.65	\$3.60	<b>-\$0.05</b>
<b>Springfield, MO</b>	\$2.19	\$2.20	\$0.01



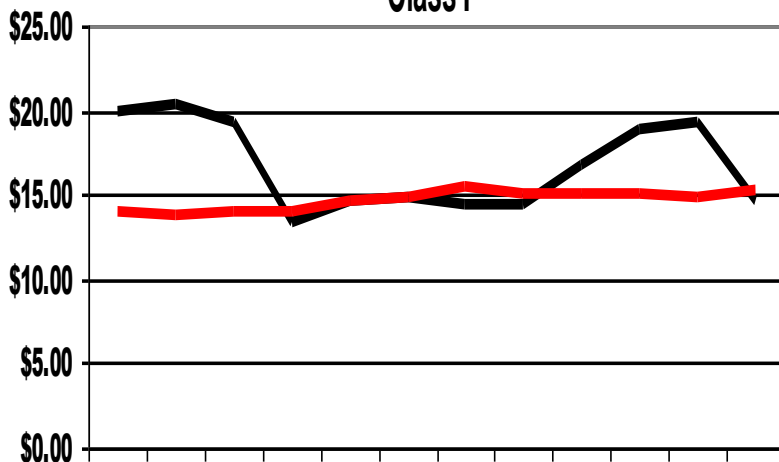
# Reform Class I Differentials



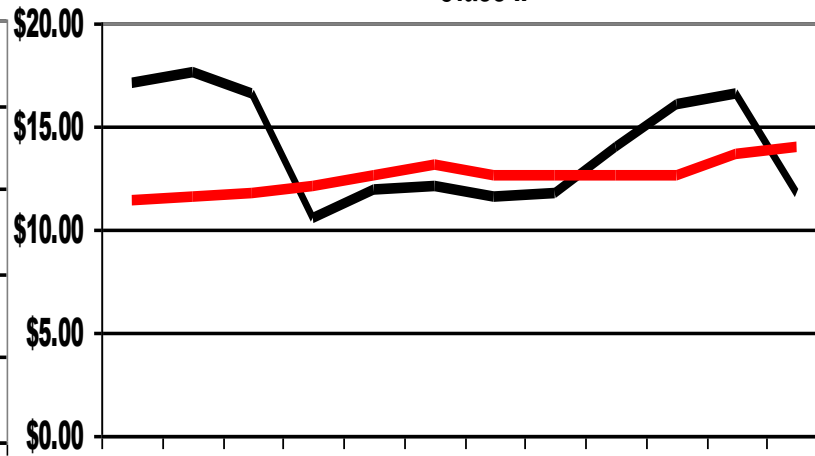


# 1999 & 2000 Class Prices

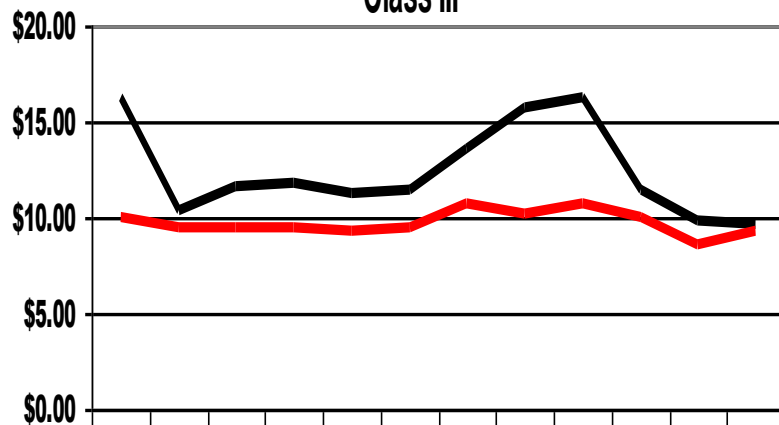
### Class I



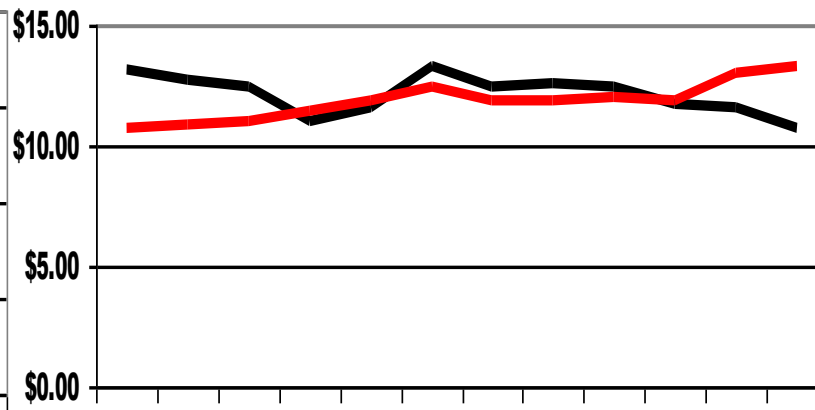
### Class II



### Class III



### Class IV



Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec

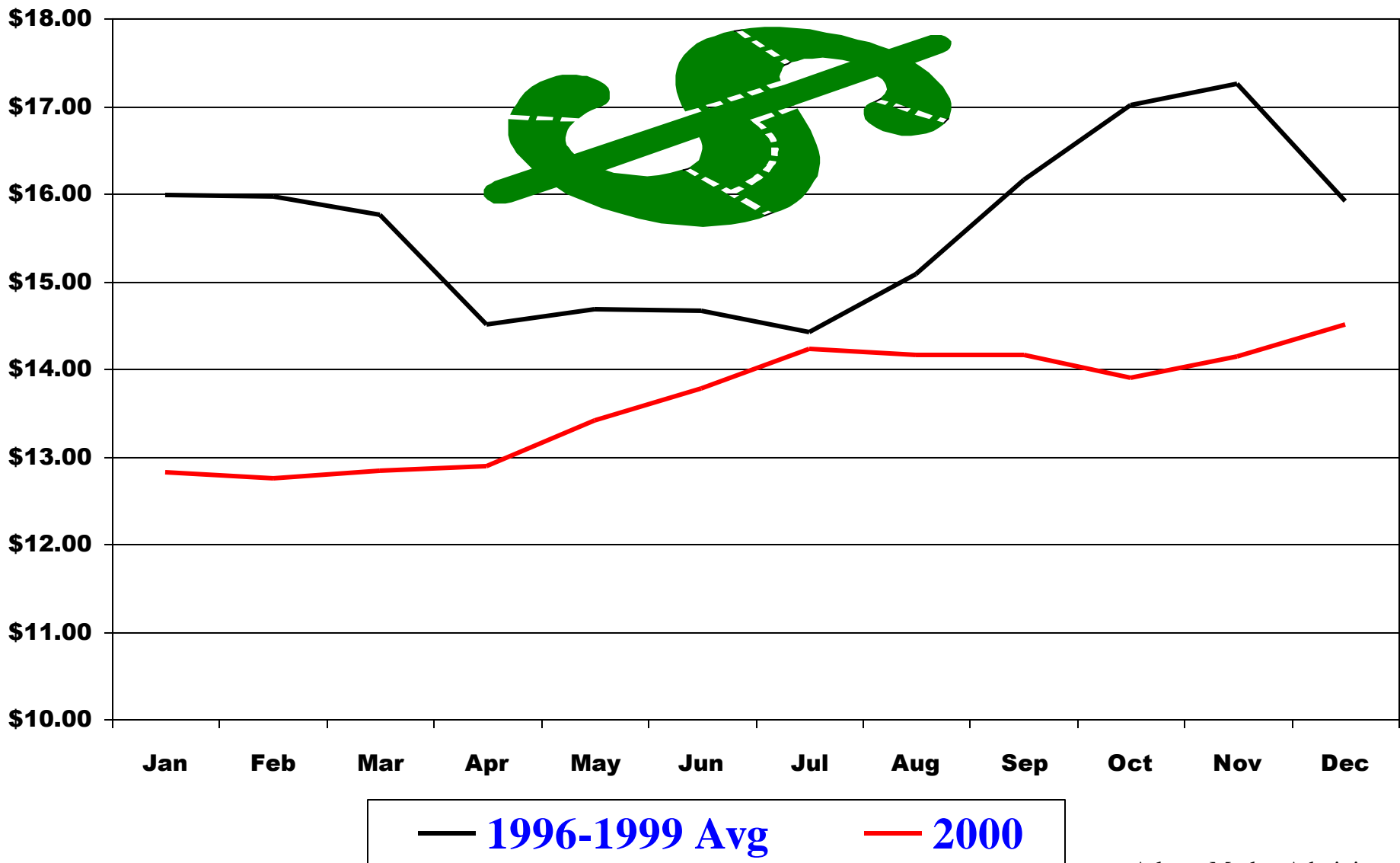
Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec

— 1999

— 2000

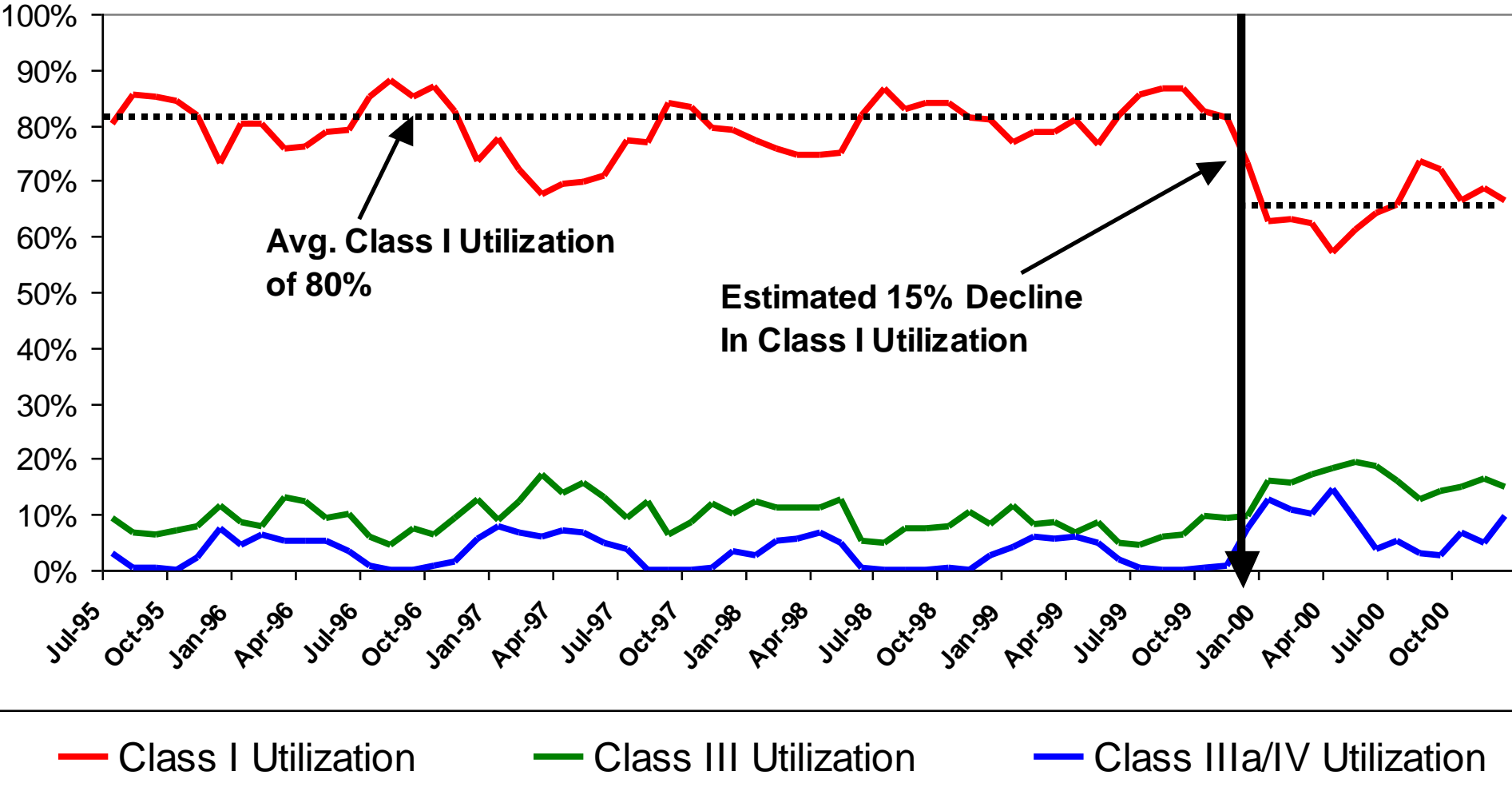


# Southeast Order Uniform Prices



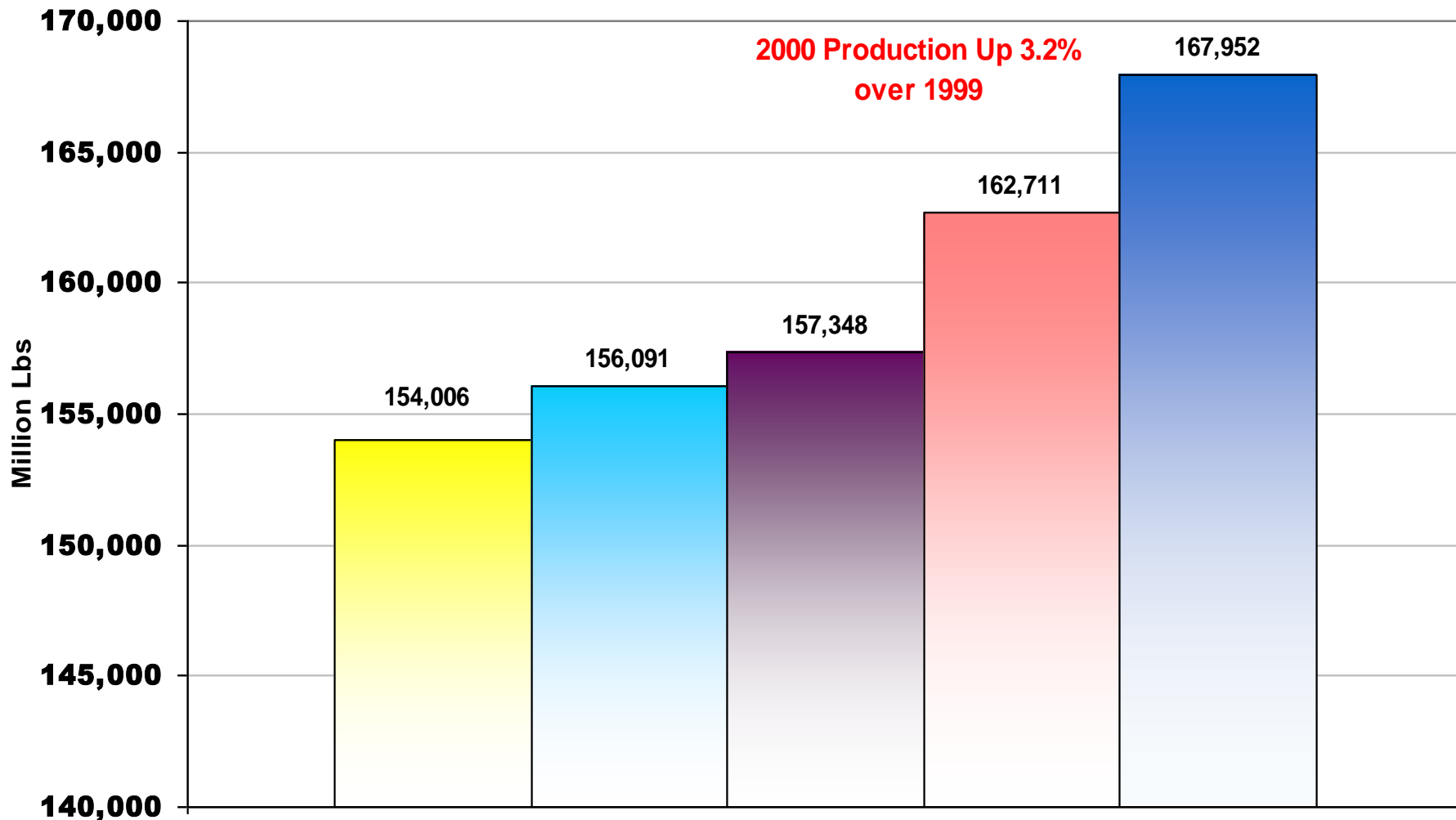


# Southeast Order Utilization: 1995 - 2000

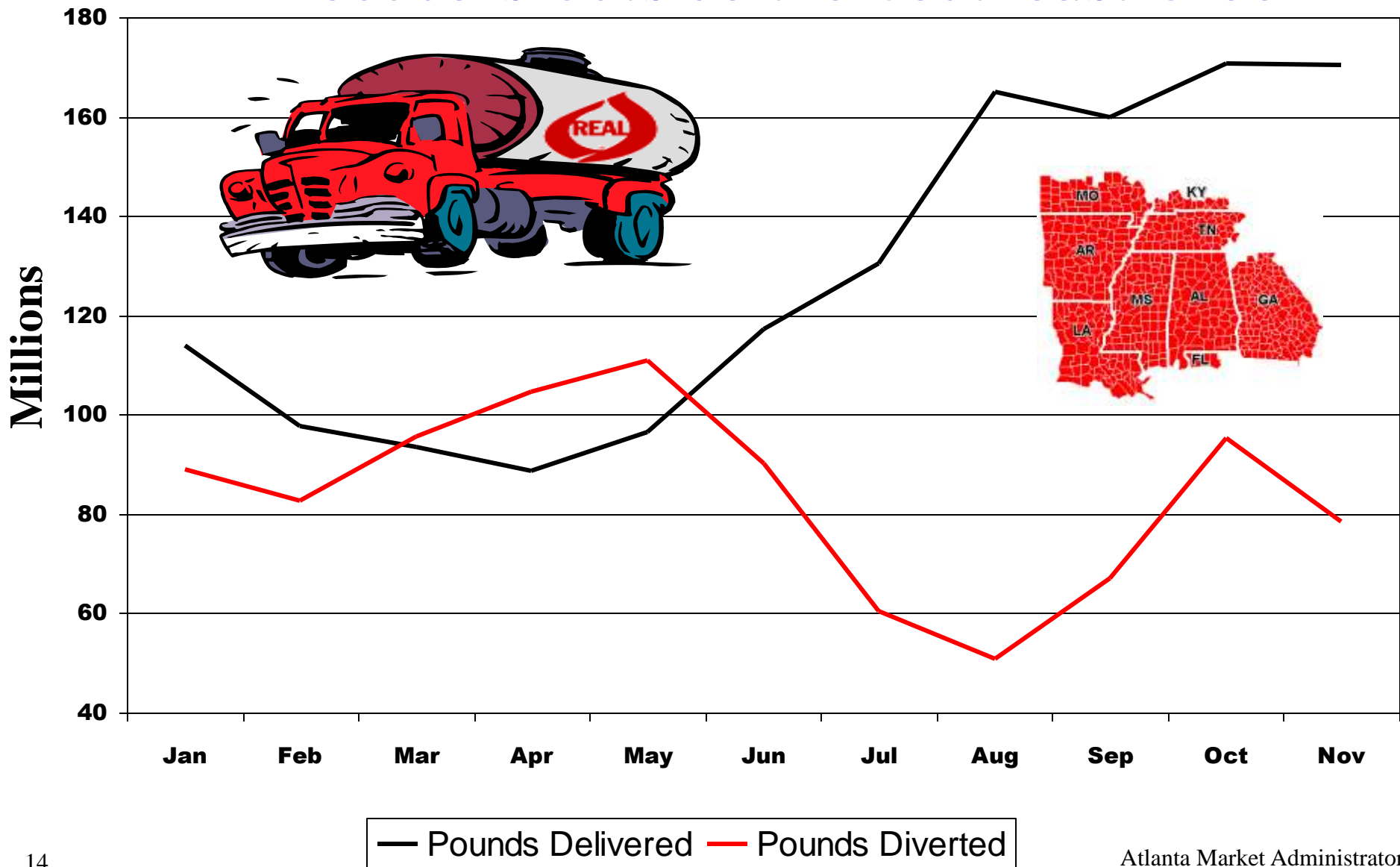




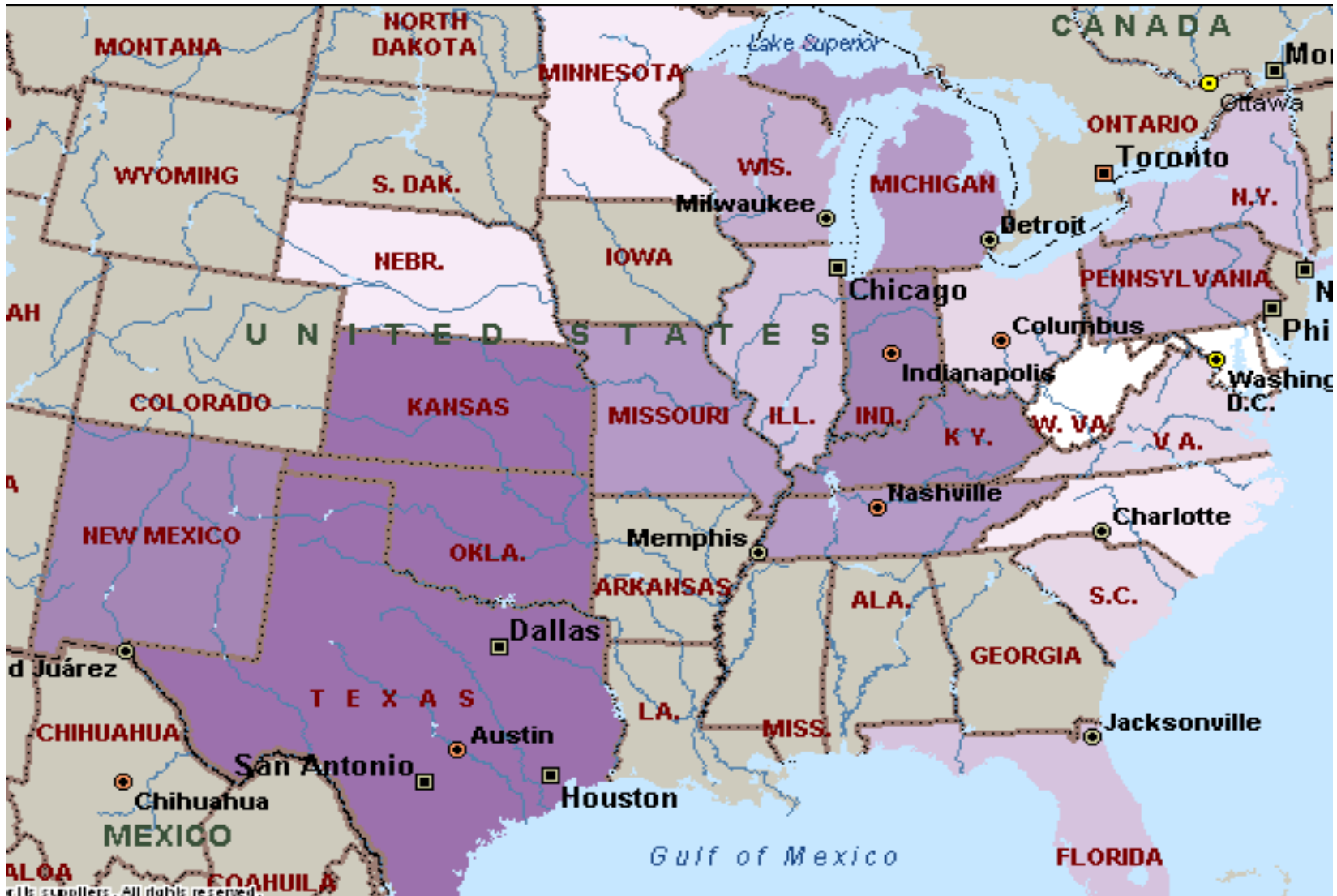
# National Milk Production 1996 - 2000



# 2000 Physical Receipts vs. Diversions by Producers Outside the Southeast Order

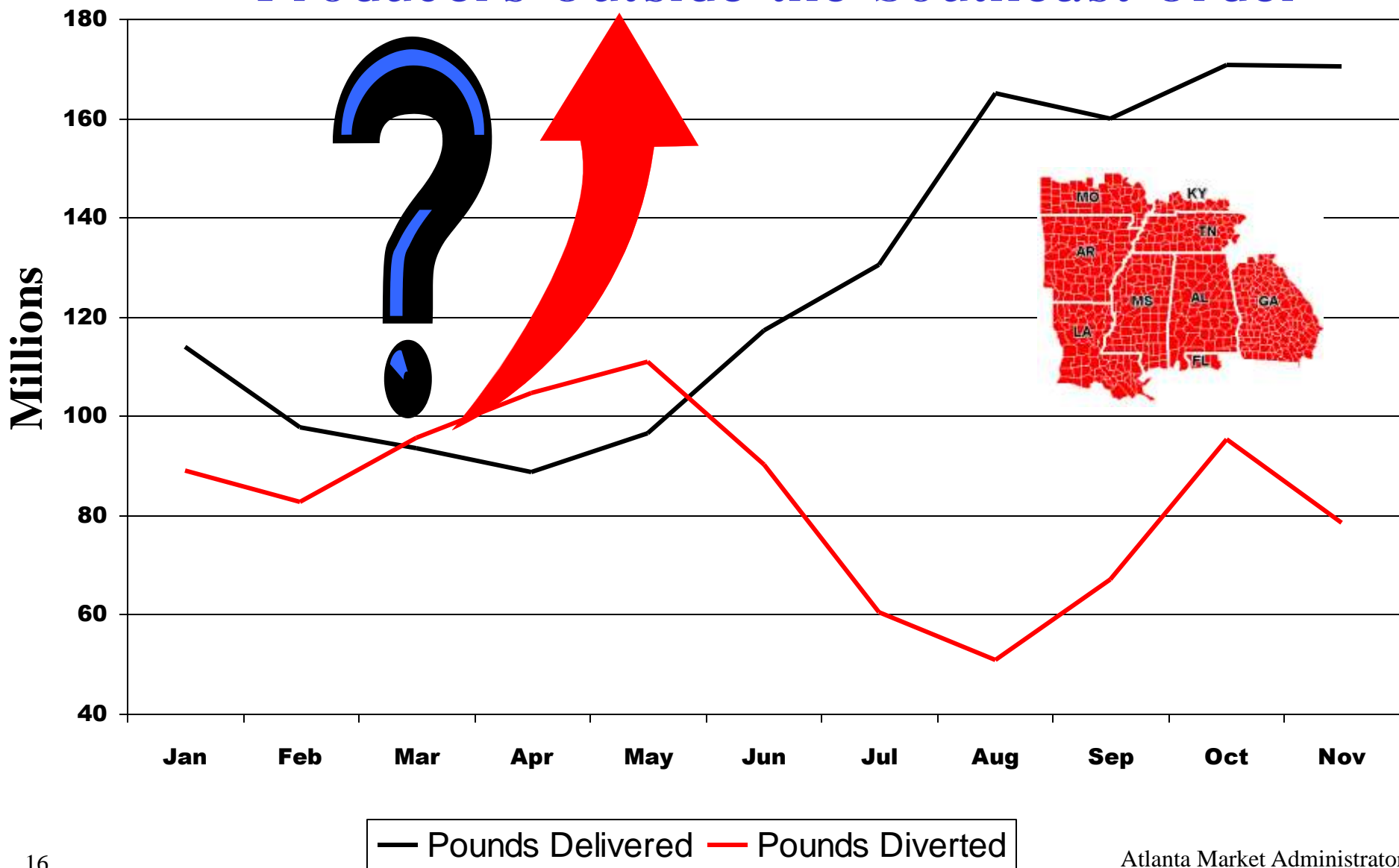


# 2000 Producer Milk Originating From Outside F.O. 7



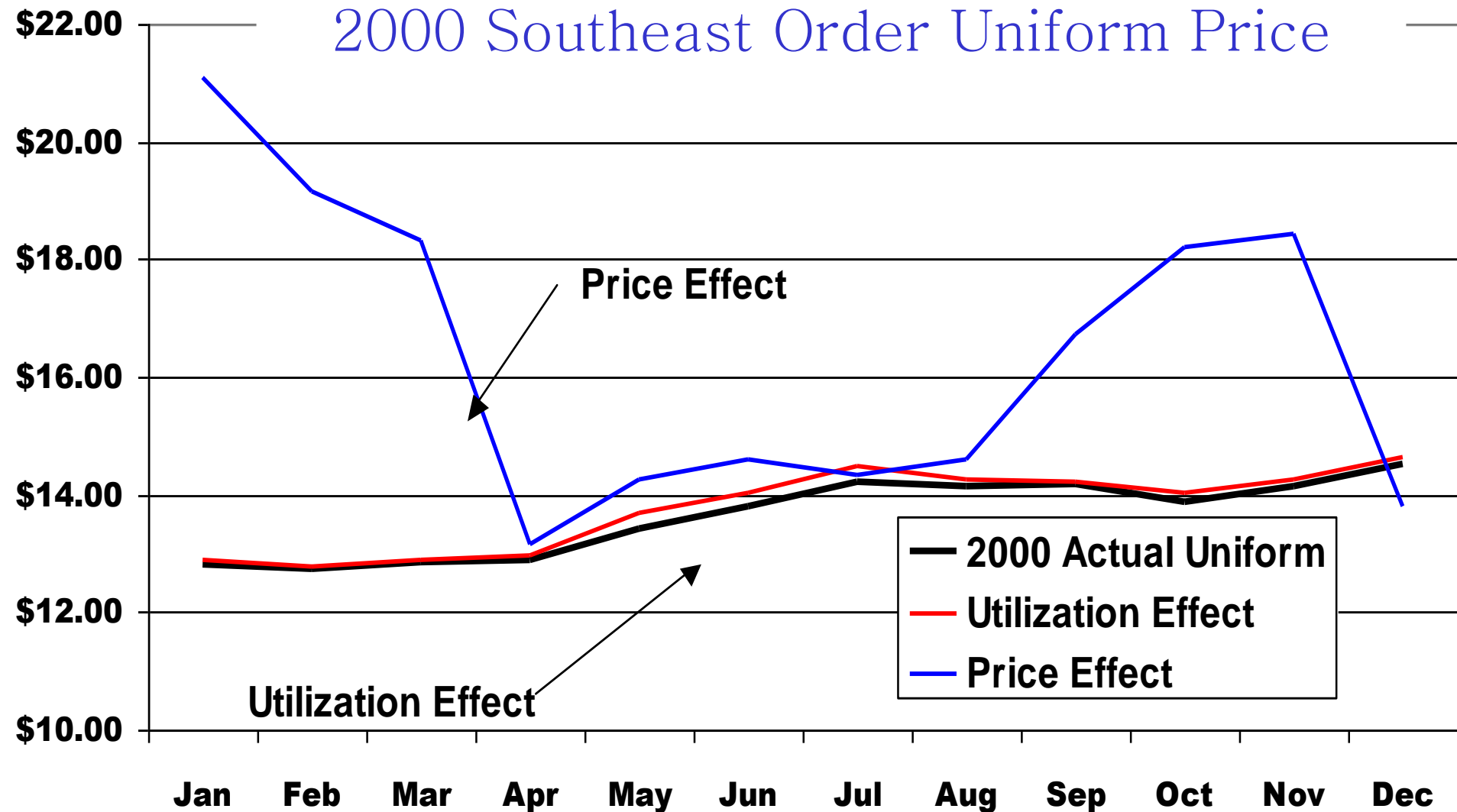


# 2000 Physical Receipts vs. Diversions by Producers Outside the Southeast Order



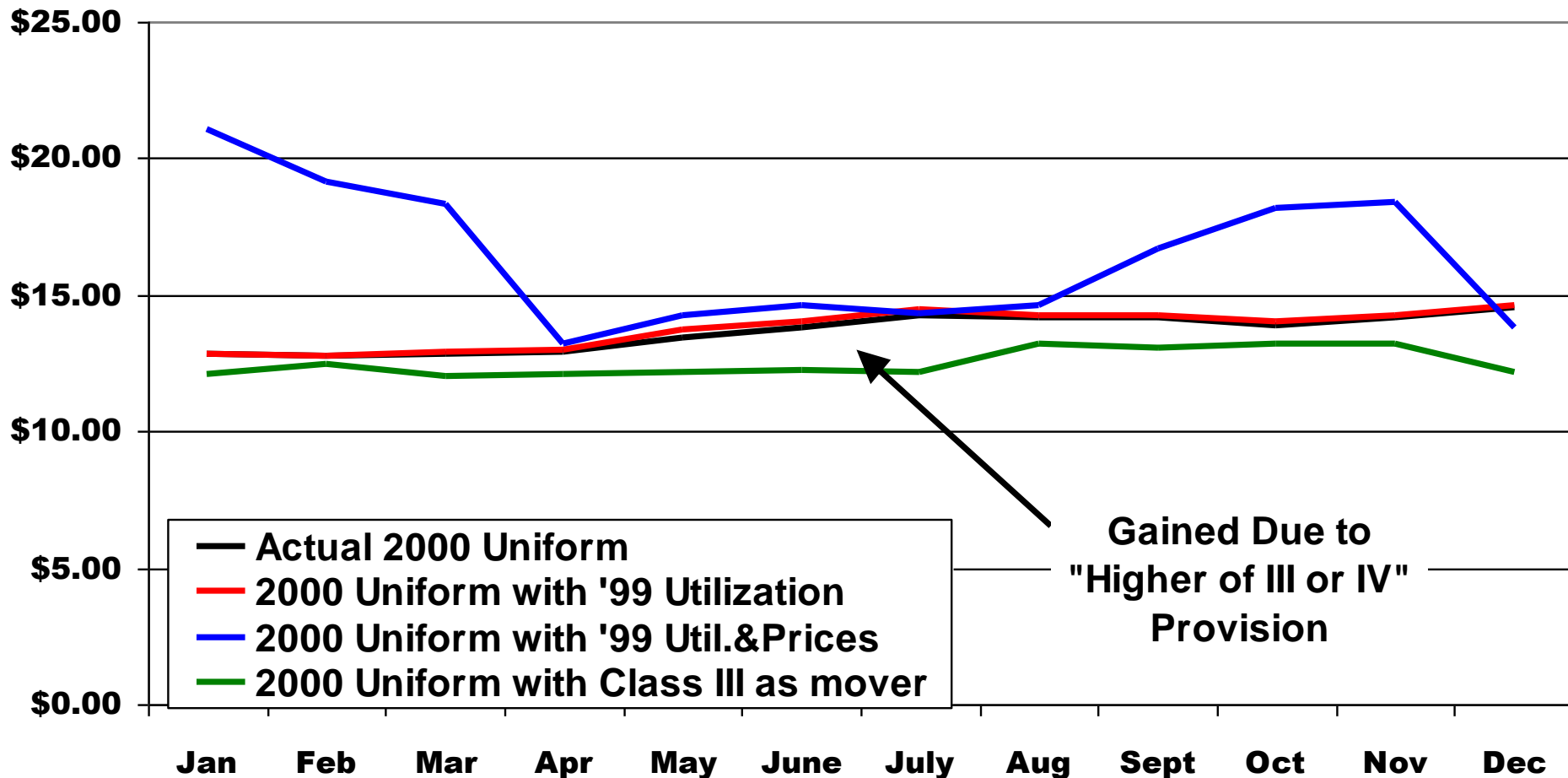


# Looking Back: The Estimated Effect of 1999 Utilization and 1999 Prices on the 2000 Southeast Order Uniform Price



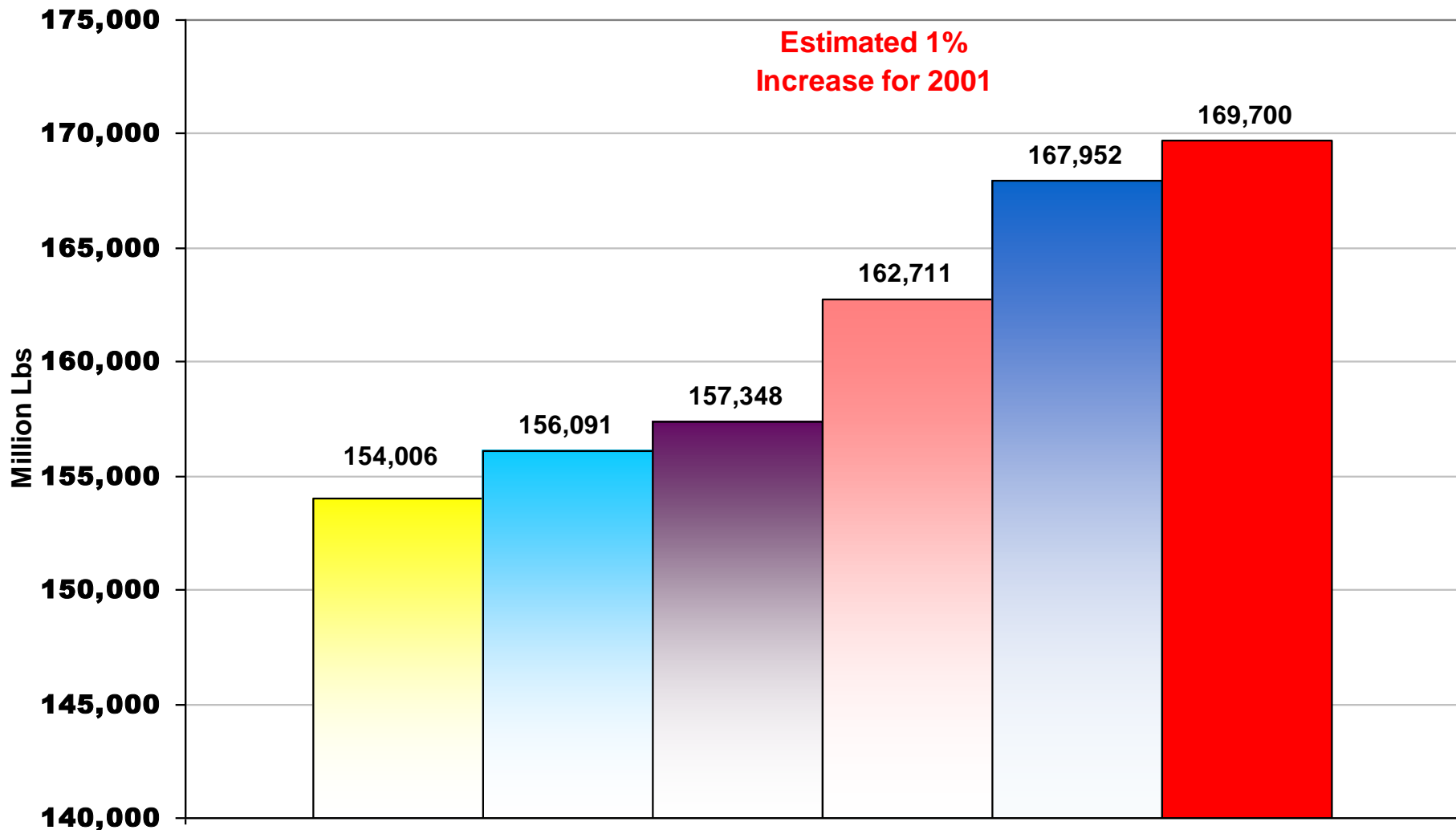


# Southeast Order Price Effect Due to 'Higher Of' Provision





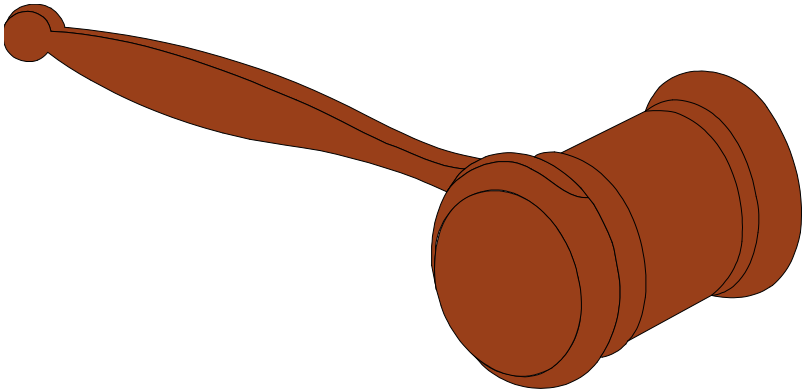
# 2001 Production Forecast





# Tentative Final Decision

- ~~Separate Class~~ ~~IV Butterfat Prices~~
- ~~Butterfat Adjusted from Protein Price~~
- Increased Make Allowances on Butter, NFDM, and Whey
- Reduced Make Allowance on Cheese





# Federal Milk Order Reform



What Do You Think?