

United States Senate

WASHINGTON, DC 20510-3205

May 31, 2024

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Secretary Vilsack,

Thank you for your department's significant work to undertake a much-needed modernization of the Federal Milk Marketing Order (FMMO) system. In this context, we are grateful for the department's recognition of the urgent need to address the deficiencies with the current Class I mover formula. As you move toward issuing a recommended decision on key issues this summer, we urge you to restore the previous "higher of" Class I mover in that decision.

As you know, the "higher of" Class I mover was in place for nearly two decades prior to being modified in the last farm bill. Despite the best of intentions, the current mover formula has not performed as intended in multiple economic climates, costing dairy farmers nationwide over the past five years more than \$1.1 billion in Class I skim milk revenue that they would not have lost under the previous formula. This phenomenon has now played out numerous times, costing dairy producers more than \$750 million in Class I skim milk revenue from July through December 2020, followed by roughly \$250 million in 2022 and roughly \$140 million in 2023. Additional losses have piled up every month this year, underscoring the urgency of restoring the previous mover.

We believe that reinstating the "higher of" Class I mover closely aligns with the goals of the FMMO system, which are to promote orderly marketing conditions for milk while ensuring stable incomes for farmers and an adequate supply of fluid milk for all consumers. When USDA implemented the current FMMO structure in 2000, the department determined that the "higher of" Class I mover would best fulfill the system's overall objectives. Specifically, USDA believed that the "higher of" formula would enable orderly marketing by promoting the stable pooling and pricing of all milk. The department argued that the "higher of" would result in higher Class I (fluid) milk prices and thus support fluid milk manufacturers as they competed for a milk supply, fulfilling a key objective of the FMMO system that an adequate supply of milk be available for fluid uses. USDA also determined that the "higher of" formula would help reduce the volatility in milk pricing.

Given today's dairy market dynamics, the current Class I mover will continue as a detriment to dairy farmers relative to the previous mover, even with the \$0.74/cwt. adjustment factor. We

understand that some stakeholders have suggested maintaining the “average of” structure but including a look-back mechanism to help farmers recoup losses later. We are concerned that this approach would not serve farmers well as it would not reflect the true value of milk, instead paying producers based on their milk production one or two years ago, instead of their current milk production. This approach is cold comfort to the many dairy producers who cannot wait years to be paid the money they have previously earned. Distorting the value of milk misaligns prices paid to farmers and the ability to determine the true value of Class I milk, which subsequently undermines the overall FMMO system.

Finally, we are confident that reinstating the “higher of” will not raise consumer prices. When the current mover replaced the “higher of” in 2019, the monthly Consumer Price Index (CPI) for fluid milk did not decrease and actually increased at roughly the same rate as the monthly CPI for all dairy products for several years.

Accordingly, we urge the department to restore the “higher of” mover which served producers well for decades. This structure encourages the orderly marketing of milk by determining its actual value in real time, accurately reflecting the marketplace. We appreciate your consideration of our request and hope to work with you to ensure support for this change.

Sincerely,



Kirsten Gillibrand
United States Senator



Roger Marshall, M.D.
United States Senator



Robert P. Casey, Jr.
United States Senator



Mike Braun
United States Senator



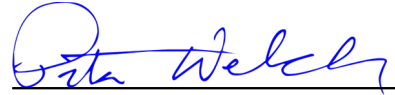
Sherrod Brown
United States Senator



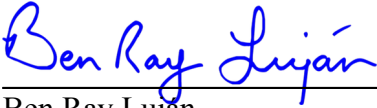
Cindy Hyde-Smith
United States Senator



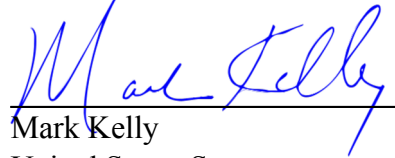
John Fetterman
United States Senator



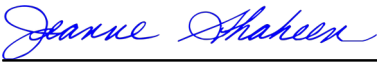
Peter Welch
United States Senator



Ben Ray Lujan
United States Senator



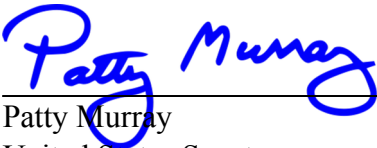
Mark Kelly
United States Senator



Jeanne Shaheen
United States Senator



Alex Padilla
United States Senator



Patty Murray
United States Senator