

NEDLT Meeting

June 1-2, 2010



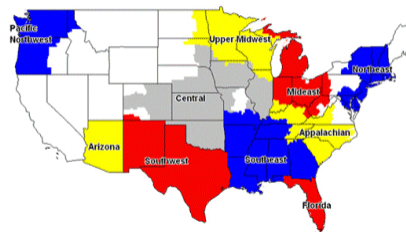
A CENTURY OF COOPERATION
Dairylea
Cooperative Inc. ☙

DMS >
Dairy Marketing Services

DFA
Dairy Farmers of America

FMMO Reform Key Points

1. Some change needed / desired
2. Abrupt deregulation costs Northeast farms \$.50 - \$.80/cwt (our opinion)
3. Changes need some consensus – farms and processors



Key Problem Areas in FMMO / Dairy Policy

1. Price Support Problem



2. Make Allowance

- Zero sum game
- Make allowance \uparrow , farm price \downarrow
- Need competitive survey
(like old M-W)

3. Higher of Class III or IV for Class I Mover



4. Class I Handlers Need to Pay Additional Charge re: balancing/transportation



5. Problem with Powder Pricing & California Separate

- World market
- Need price to reflect
- California is an exporter and is not in FMMO system



Summary of Principles Processors Support

✓ =
Farm & Processors
Agree

- ✓ 1. Farm safety net (milk / feed margin)
- ✓ 2. Foster innovation & growth
- NO 3. Policy to enhance demand vs. control prices
- ✓ 4. Support trade expansion
- ✓ 5. Eliminate price formulas
- Long run? 6. Collapse Class II-IV to one manufacturing class
- ? 7. No manufacturing milk price minimum
- ✓ 8. Current system not providing \$ to move milk to Class I



FMMO Reform Subcommittee
May 10, 2010

Federal Order Reforms

- Class I mover is national weighted average advanced competitive Class III price, no change in differentials
- Class II price is national weighted average advance competitive Class III price plus a 30¢ differential. Class III price is a competitive pay price
 - Survey both regulated and unregulated proprietary cheese plants
 - Processing 500,000 pounds of milk a day
 - Making all varieties of cheese
- Class IV is a formula with indexing for energy costs
- Pool draw base is lowest regional competitive Class III
- Balancing/transportation pool is funded from Class I processors paying in the “higher of” revenue equivalent

Advance Class I & II Base Price

- The weighted average of what proprietary cheese plants paid for milk two months prior updated using CME up to 23rd day of the month prior.