


Federal Dairy Price Regulation

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History

- **There are fewer buyers than sellers**
- **Farmers are producing more milk than needed for Class I demand in most markets**
- **Class I differentials generally mirror a free market**
 - They are higher in deficit areas

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What's so Wrong?

- **Declining Class I sales**
 - 3 CAGR: -1.1%
- **Are Federal Orders to blame?**
- **Would a 30 cent per gallon reduction bring Class I consumption back?**
 - September 2011- February 2012 Class I price declined 41 cents per gallon
 - Yet, consumption is still down

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**Lets not blame all our problems
on Federal Orders**

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**All they really do is assure fair
terms of trade and translate a
storable commodity value into a
milk price**

We should consider change

Thinking Outside The Box

- **Competitive pricing for cheese milk?**
- **Auction?**
 - Advanced pricing on everything except Class IV?
- **A casein class?**
- **Speed up the price signal?**
- **Fewer orders?**

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Thank You

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