Dairy Check-Off Program

Background
- 1984 – First NDB appointed by Sec of Ag
- 1993 – 71% of dairy farmers voted to retain check-off program
- 1995 – Dairy Management Inc. formed
  - Responsible for increasing demand

Dollars Generated by Check-Off
- Mandatory $0.15/cwt
  - Collected by cooperative/processor
- $250,000,000 per year
- In Oregon
  - $0.1075 to Oregon Dairy Products Commission
  - Oregon Dairy Farmers Association
  - $0.05 to National Dairy Board
Sales of Wendy's Cheese-Rich Sandwich Keep Flowing

- Cheddar Lovers' Bacon Cheeseburger
- Wendy's sold more than 12 million sandwiches, each featuring two slices of Cheddar cheese and a zesty Cheddar sauce
- Used nearly 1.7 million pounds of cheese – helped grow the chain's cheese use by 15 percent, compared to same time last year
Dairy Checkoff - Pizza Hut Partnership Increases Cheese Demand

- A medium size “Insider” pizza uses one pound of cheese (double their usual amount)
- Dairy producers invested $7,000 for market testing and menu development
- Pizza Hut contributed more than $40 million in marketing efforts to launch the new pizza
- The ‘Ultimate Cheese Pizza,’ sold more than 6.5 million pizzas nationwide and used more than 5 million pounds of cheese

Check-Off Programs Under Fire

- Mushroom Check-off
  - United Foods – forced speech
- Pork Check-off
  - $50 mil/yr and 20% returned to states
  - National Pork Board (promotion, research)
  - National Pork Producers Council (lobby)
- Beef Check-off
  - $1/head for each animal sold

Federal Milk Marketing Orders and Milk Pricing

Dr. Patrick D. French
Governmental Agencies

- USDA
  - United States Department of Agricultural
- NASS
  - National Agricultural Statistics Service
- AMS
  - Agricultural Marketing Service
- OASS
  - Oregon Agricultural Statistics Service

Federal Milk Marketing Orders (FMMO)

- Created in 1937
  - establish minimum prices that must be paid for various classes of milk
- Purpose
  - establish and maintain orderly marketing
  - establish fair prices to consumers and equitable returns to producers and plants
  - ensure an ample supply of wholesome milk to consumers

Pooling

- Some farmers ship milk to fluid processors
- Other farmers ship to a cheese plan
- Both receive the same price for their milk via pooling
- Market administrator averages, or pools, all revenue
- Idea: government imposed benefit is now shared amongst all farmers
FAIR Act of 1996

- Federal Agricultural Improvement and Reform Act (96 Farm Bill)
- Eliminates price supports for feed grains and oil seeds in 2002
- Eliminates federal dairy price support at the end of 1999 (extended 8 years)
- FMMO Reform
  - market oriented farm policy

Dairy Price Support Program

- Provides a floor on manufacturing milk price
- USDA (CCC) stands willing to purchase unlimited supplies of milk at support price
- Support is really for commodities (cheese, butter, nonfat)

Current Support Prices

- Manufacturing milk
  - Average test (3.67% fat) $9.90
  - 3.5% fat $9.80
- Commodities
  - Butter: $0.8548/lb
  - Cheese: blocks $1.1220, barrels 1.0920
  - NFDM: $0.90/lb
Why Reform FMMO?

- Market oriented milk pricing
  - reduced government involvement
- Shift in US milk production
  - WI is no longer the dairy state

96 Farm Bill

- FMMO's reduced from 65 to 10
- Changes in product classification
- Add Class III and IV prices based on multiple component prices
- Changes in pricing of Class I and II milk

Federal Milk Marketing Orders

- Set minimum prices processors must pay for milk
- Cooperative can pay whatever
  - Farmer owned and try to get highest price

<table>
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<tr>
<th>Cooperative</th>
<th>Rank</th>
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</table>
TCCA Milk Pricing

- Cheese Yield (lb cheese/cwt) = (((Fat% X 0.9) + ((Protein% X 0.827) - 0.1))*1.09)/0.63
- Total lb Cheese = Cheese Yield X cwt Milk
- Payment = Total lb Cheese X Cheese Price ($1.52/lb)

Milk Price Comparison