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## **PROPOSALS FOR CONSIDERATION FOR FMMOs 5 & 7**

**Proposal 1:** No diversions on any milk collecting transportation credits

**Proposal 2:** All money collected from any transportation scheme shall go into the producer settlement fund as Class I. Each order shall calculate a blend value of skim and butterfat and subtract the value paid out on producer as transportation credits to show uniform blend price.

**Proposal 3:** A **Line Item** should be included on Producer Checks recognizing the value of transportation dollars.

**Explain the proposal. What is the disorderly marketing condition that the proposal is intended to address?**

- 1) Producers in the Southeastern FMMOs have been harmed by opaque policies that have created and exacerbated the milk deficit situation in the Southeast creating inefficient economic outcomes and poor transparency of milk value in the marketing order that have harmed producers and consumers alike (Gould, 2021).
- 2) Current Federal milk marketing order policies in the Southeast subsidize the hauling of milk from outside the region at the expense of local milk supplies creating an inefficient and non-economic outcome over the last two decades by migrating milk hundreds of miles away.
- 3) As a result of current FMMO policies, farm-gate milk prices have been artificially suppressed, milk production in the

Southeast has declined at a greater rate than fluid milk sales have decreased and consolidation in the region has outpaced national averages (Gould, 2021).

**What is the purpose of the proposal?**

The purpose of the proposals is to increase transparency and visibility into the operations of the orders, which will allow the industry to better understand the economic inefficiencies created by policies, including diversions and transportation credits.

**Describe the current Federal order requirements or industry practices relative to the proposal.**

This proposal is intended to mimic Federal order 51, which shows the value of State quota as a line item.

The proposal will show the direct value of the transportation credit scheme to milk producers-much like the cost of quota is detailed on milk checks in Federal order 51.

In past rule changes in orders 5&7, as transportation credits have increased diversions have decreased.

**Describe the expected impact on the industry, including on producers and handlers and consumers. Explain/Quantify.**

- 1) Proposal will give more visibility to all participants.
- 2) If DMCA proposal is adopted I would expect **IDFA White Paper** to be true as well as the **White Paper written by Matt Gould** addressing impact out of order milk on Southeast milk shed.
- 3) The proposal is not expected to affect producers.

**What are the expected effects on small businesses as defined by the Regulatory Flexibility Act (5 U.S.C. 601-612)? Explain/Quantify.**

Small businesses should have better information to address issues with handlers.

**How would the proposal increase or decrease costs to producers, handlers, others in the marketing chain, consumers, the Market Administrator offices and/or the Secretary?**

- 1) Transparency is essential in orderly marketing.
- 2) Orderly Marketing will give better outcomes to the market.
- 3) This proposal will have minimally increase in cost of administration by modifying current reporting schemes.

**Would a pre-hearing information session be helpful to explain the proposal?**

Yes.

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***Gould, Matthew, A Study of the Appalachian and Southeast Federal Milk Marketing Orders, January 2021.***