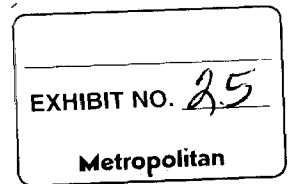


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Western Order Termination



## **DFA supports USDA's proposal to terminate FO 135**

January 15, 2004

Members of Dairy Farmers of America (DFA), who market milk in the Western Milk Marketing Order, are encouraged by the announcement, made earlier this week, that the U.S. Department of Agriculture is considering the termination of the order effective April 1, 2004. The Western Order (Federal Order 135) oversees the orderly marketing of fluid milk from farmers to processors in the states of Idaho, Utah, Oregon and Nevada.

During the USDA voting process, dairy farmers in FO 135 failed to approve the order as amended by a tentative final decision issued in August 2003. According to USDA rules, a two-thirds vote of dairy farmers was needed to approve the amended order. Without that approval, the order no longer complies with the Agricultural Marketing Agreement Act of 1937, therefore, USDA must take action to terminate the order.

"I can't say that our dairy farmers are happy about ending a federal order, but they are relieved that something is being done to change a tough marketing situation," said David Jones, senior vice president and chief operating officer for DFA's Mountain Area. "DFA and its members are strong advocates of classified pricing, the federal milk marketing order system, and farmers working together to gain efficiencies and better returns in the marketplace. But, the disparity between farmers shipping to Class I (drinking milk) and those shipping to non Class I plants are extreme. Sometimes tough issues require tough action. Our members feel this is one of those situations."

Last October, during a USDA poll of cooperatives in the Western Order, DFA voted not to support the amended order. USDA's proposals did not go far enough in correcting the gross inequities caused by pool riding, and other issues related to servicing and balancing the Class I marketplace.

"Eliminating a federal order is not a decision you take lightly, but FO 135 has serious problems," said Tom Camerlo, dairy farmer chairman of DFA's Corporate Board. "Right now, dairy farmers, who market milk to Class I (fluid milk) markets, are shouldering all of the costs related to balancing and servicing this marketplace. At the same time, dairy farmers who sell to Class III (cheese) and Class IV (powder) plants are completely avoiding the expense. We felt this practice should not continue. Unfortunately, this step (ending the Order) corrects some of the practices that have not only gotten out of hand, but are counter to the purpose of federal milk marketing orders."

During last year's Western Order hearing in Salt Lake City, Utah, DFA testified on behalf of its members to tighten pooling provisions, which would have resulted in higher returns for dairy farmers that regularly serve Class I markets. DFA recommended changes that would: 1) create more equitable formulas for sharing the returns from supplying qualified milk to the Class I market, 2) establish market-wide service provisions for sharing the transportation costs of getting milk from farm to plants during weekends and holidays, and 3) reduce the total volume of milk allowed to be pooled on the Order. USDA recognized the disparity issues by recommending some changes to the Order, but DFA members did not feel those actions went far enough to address the fairness issues.

There is still one more step to go through before USDA officially terminates the order. USDA's announcement was published in the January 13 Federal Register. Interested persons will have

30 days to submit written data, views and arguments as to why the order should not be terminated.

[http://www.dfamilk.com/newsroom/pr/10\\_WesternOrder.htm](http://www.dfamilk.com/newsroom/pr/10_WesternOrder.htm)

## **DFA says "no" to proposed amendments to Western Order**

October 31, 2003

It is serious business when Dairy Farmers of America, Inc. (DFA), a champion of the classified pricing and the federal milk marketing order system, casts its vote to eliminate a federal milk marketing order.

Yet that was the action taken earlier this month by DFA's dairy farmer members, who market their milk in Federal Milk Marketing Order 135 (the Western Order). The Western Order oversees the orderly marketing of fluid milk from farmers to processors in the states of Idaho, Utah, Oregon and Nevada.

During an U.S. Department of Agriculture (USDA) poll of cooperatives, conducted on October 6, DFA voted **not** to support amended changes to the Western Order because the proposals did not go "far enough" to correct the gross inequities caused by pool riding, and other issues related to servicing and balancing the Class I marketplace. Although USDA has not completed its voting process, DFA's position could affect the future of the Western Order, possibly eliminating it all together.

"This is not a decision anyone takes lightly. DFA has decided that the Western Order can no longer expect dairy farmers, who market milk to Class I (drinking milk) markets, to shoulder the costs of balancing and servicing this marketplace, while dairy farmers who sell to Class III (cheese) and Class IV (powder) markets completely avoid the expense," says David Jones, senior vice president and chief operating officer for DFA's Mountain Area.

That isn't the only issue under debate within the Western Order.

Since the USDA hearing two years ago, Jones says the situation and the economic disparity has worsened because the same farmers, who are taking advantage of loose pooling provisions, are also depooling milk whenever it is financially beneficial.

"As it stands now, farmers who market cheese milk have the best of both worlds. They can either tap into Class I revenues by pooling their milk and never pay for balancing the Class I market, or they can depool their milk, when it's more beneficial, and never have to share those higher returns with Class I shippers," says Jones. "These issues have caused a huge price disparity among DFA's dairy farm families who primarily supply the Class I market. It's unreasonable to expect this practice to continue."

During last year's Western Order hearing in Salt Lake City, Utah, DFA testified on behalf of its members to tighten pooling provisions, which would have resulted in higher returns for dairy farmers that regularly serve Class I markets. DFA recommended changes that would: 1) create more equitable formulas for sharing the returns from supplying qualified milk to the Class I market, 2) establish market-wide service provisions for sharing the transportation costs of getting milk from farm to plants during weekends and holidays, and 3) reduce the total volume of milk allowed to be pooled on the Order.

USDA recognized the disparity issues by recommending some changes to the Order, but DFA members did not feel those actions went far enough to address the fairness issues.

Tom Camerlo, dairy farmer chairman of DFA's Board of Directors and Mountain Area Council, says that by voting not to approve the amended order in the referendum process, DFA's dairy farmers are making a public statement. They are saying that action must be taken to correct practices that "have gotten out of hand" and are counter to the purpose of the federal milk marketing orders.

"You don't have to know all of the technical details associated with this federal order to understand that these practices are unfair," says Camerlo, a dairy farmer from Florence, Colorado. "Loose pooling provisions in the Western Order have allowed a lot of milk to be pooled on the Order that they say can be used for Class I, but *never really* serves the Class I market. The depooling issues have only added to the problem. Our Mountain Area Council farmers, who are primarily Class I shippers, are tired of the games being played, so they exercised their right under the Order and voted no.

At press time, the results of the Western Order referendum are not final. If the vote fails, the effective date for terminating the Order would be up to Secretary of Agriculture Ann Veneman.

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