

POTENTIAL CALIFORNIA FEDERAL MILK MARKETING ORDER

Background on Federal Milk Marketing Orders

The Agricultural Marketing Agreement Act of 1937 authorizes dairy farmers to request that USDA establish a Federal Milk Marketing Order (FMMO) for a particular milk marketing area. A FMMO is a regulation issued by the Secretary of Agriculture that regulates the terms of trade between dairy farmers and manufacturers. FMMOs are voluntary, industry-initiated programs. Currently FMMOs regulate about 60 percent of the U.S. milk supply marketed under ten FMMO areas.

The primary purpose of an FMMO requires that handlers of milk pay no less than certain minimum prices established according to how the milk is used. These raw milk prices are determined using surveyed market prices for wholesale commodity milk products (butter, cheese, nonfat dry milk and dry whey). FMMOs also ensure timely and accurate payments to producers, accurate weights and tests of raw milk, and a substantial amount of market information that is used by all industry stakeholders.

FMMOs are established and amended through a formal hearing process. The purpose of the FMMO hearing process is to gather evidence regarding current marketing conditions. The information presented during the hearing is used to determine whether a FMMO should be established, or whether a current FMMO should be amended. This process allows the FMMO provisions to meet the changing needs of the dairy industry. An FMMO becomes effective only after approval by two-thirds of the voting dairy farmers whose milk is regulated by the FMMO. Current FMMOs operate under language implemented in January 2000.

The FMMO program is overseen by the Dairy Program of USDA's Agricultural Marketing Service (AMS). Each FMMO is administered locally by a Federal Milk Market Administrator. The administrative costs of operating the program are covered by user fee assessments on handlers regulated under each Federal order.

California

California's dairy industry ranks first in U.S. milk production, accounting for more than 20 percent of national milk production. California currently operates under a state-administered milk marketing program overseen by the California Department of Food and Agriculture.

In late 2013 three dairy cooperatives, representing approximately 75 percent of the milk produced in the state, began discussion with AMS to propose establishing an FMMO in California. On February, 5, 2015, AMS received a formal proposal from the three cooperatives petitioning USDA to initiate rulemaking process.

USDA's Response to the Petition

USDA is currently seeking alternative proposals that will be evaluated before deciding to conduct a hearing on establishing a FMMO in California. Alternative proposals are due by April 10, 2015. Information for submitting additional proposals can be found at <http://www.ams.usda.gov/CAOrder>

Effect on Tribe Members

The dairy industry in California is currently regulated by the State. We anticipate the impact of transitioning to Federal regulations will be minimal. If a hearing is held, interested parties can present evidence on the potential impact to Tribes should a FMMO be established.

For additional information on these procedures contact William Francis Director of Order Formulation and Enforcement Dairy Programs within USDA Agricultural Marketing Service.

William Francis | Director of Order Formulation and Enforcement
Agricultural Marketing Service
United States Department of Agriculture
1400 Independence Avenue, S.W. | Washington, D.C. 20250
Voice: (202) 720-6274 | Fax: (202) 690-0552

Additional information can also be found on our website: <http://www.ams.usda.gov/CAOrder>