



NEWS RELEASE



AGRICULTURAL MARKETING SERVICE

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USDA ISSUES FEDERAL MILK ORDER FORWARD PRICING PILOT PROGRAM RULES

WASHINGTON, July 17, 2000 -- Dairy farmers will have a new, voluntary tool for marketing their milk used in non-fluid products, beginning Aug. 1. USDA has issued final rules to implement a dairy forward contracting pilot program for milk marketed under the Federal milk marketing order program. The pilot program will be in effect for milk marketed Aug. 1, 2000, through Dec. 31, 2004.

Under the new program, handlers may enter into forward contracts with dairy farmers or cooperative associations to buy milk that will be used to make non-fluid products such as butter, powdered milk, cheese, ice cream, and yogurt. For milk covered by forward contracts, a handler will not be required to pay dairy farmers the mandated minimum Federal order price. Instead, dairy farmers and handlers will agree to a price as specified in a forward contract. The pilot program is voluntary and intended to offer an additional marketing tool for dairy farmers.

"We hope this new program will be a positive experience for dairy farmers," said Kathleen Merrigan, AMS administrator, "but it is important that producers understand this program is voluntary and that they still have the provisions of the milk marketing order program if they do not choose to forward contract. AMS will be monitoring all aspect of contracting under this pilot program to ensure that dairy farmers are not adversely affected."

To help dairy farmers become familiar with forward contracting, USDA has prepared a tip sheet of guidelines for contracting, which must accompany any contract offered to a producer by a handler. The contract must also contain a disclosure statement which, when signed by the producer, acknowledges that the producer received the USDA tip sheet. In addition, initial contracts may not be written for a period longer than 12 months. Both the signed disclosure statement and a copy of the contract must be submitted to the appropriate milk market administrator to be considered eligible for the pilot program.

Any handler participating in the pilot program will still be subject to all other provisions of an order and must submit all required reports, including reports of receipts, milk utilization reports, and monthly payroll reports that show how much milk was received, how it was used, and the prices paid for that milk.

Handlers participating in the pilot program will also have to keep, and make available to market administrators, such records that verify and establish the handler's obligations under the order. Handlers will be required to submit a copy of each forward contract, together with the disclosure statement signed by a producer or cooperative association, to the market administrator.

Frequently asked questions and answers, and a fact sheet explaining the program are available on the AMS web site at <http://www.ams.usda.gov/dairy> and are also available from market administrator offices. The final rules will be published in the July 18 Federal Register.

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