



## TENNESSEE FARM BUREAU FEDERATION

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September 13, 2024

The Honorable Thomas J. Vilsack  
Secretary, U.S. Department of Agriculture  
200A Whitten Building  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250

**Re: Docket No. AMS -DA-23-0031-0002, Milk in the Northeast and Other Marketing Areas;  
Notice of Hearing on Proposed Amendments to Marketing Agreements and Orders**

Dear Secretary Vilsack,

The Tennessee Farm Bureau Federation (TFBF) appreciates the opportunity to provide comments to the United States Department of Agriculture (USDA) regarding Federal Milk Marketing Order (FMMO) policies. We urge USDA to consider these comments and those submitted by the American Farm Bureau Federation (AFBF).

With over 695,000 members, TFBF is the largest general farm organization in Tennessee, representing the varied commodity producers across the state. Our policy is developed through a grassroots network of farmer members who identify, research, deliberate, vote on, and adopt policies on various issues related to agriculture and rural living, including dairy markets. Our dairy policy is crafted by Tennessee dairy farmers utilizing our organization's Dairy Commodity Advisory Committee made up of leading dairy farmers in Tennessee, and then is discussed and adopted by our voting farmer members at our annual convention each year.

The FMMO system was designed to ensure orderly marketing conditions and an adequate supply of milk for fluid use. Unfortunately, many of the current provisions have led to artificially suppressed Class 1 prices which has had a drastic negative impact to the dairy farmers of Tennessee. Tennessee, through the Southeast and Appalachian Orders, are fluid markets and the farmers in these markets rely on receiving the true market potential for the Class 1 price to remain profitable. The current method of determining the Class 1 price has led to the continued decline of dairy farms in Tennessee and other southern states. This is having a dramatic impact on the rural Tennessee economy. Tennessee has less than 120 active dairy cow farms which is down from several hundreds just years ago. To save our dairy industry, there must be modifications to the FMMO System so Tennessee dairy farmers receive the true market potential for their milk in mailbox prices.

To better reflect current market conditions and improve overall pricing for farmers, TFBF supports the proposed amendments to return to the "higher-of" Class I base price, the elimination of the barrel cheese price, and the increases in composition factors and Class I differentials.

TFBF and AFBF strongly support the reinstatement of the higher-of Class I mover formula. This formula is critical for ensuring dairy farmers receive fair and adequate compensation for their milk, particularly in the face of volatile market conditions which has characterized the industry in recent years. Although well-intentioned to provide revenue neutrality and risk management opportunities, the switch to the “average-of” formula in 2019 has proven to be detrimental to dairy farmers. The substantial divergence between Class III and Class IV prices has led to significant revenue losses, as producers have lost over \$1.24 billion in pooled class value since the implementation of the current formula. The higher-of formula, developed through extensive deliberation and strongly endorsed by dairy farmers at AFBF’s Federal Milk Marketing Order Forum, should be reinstated to safeguard dairy producers from further financial harm. We are disappointed with USDA’s rejection of the request to omit a recommended decision for this specific issue, which would have allowed for the immediate implementation of the higher-of formula. The evidence of reduced pool values and corresponding milk checks clearly demonstrates the urgent need for this change to protect dairy farmers from further financial distress.

TFBF and AFBF support the proposed increase in Class I differentials, which are based on updated analysis and testimony that accurately reflect the cost of servicing the Class I market. The current differentials, largely based on the pre-2000 differentials with modest adjustments based on data from the 1990s, no longer account for significant changes in dairy economics, including increased transportation costs and market consolidation. The proposed updates align the Class I differentials more closely with the actual costs incurred by producers and cooperatives to ensure an adequate supply of fluid milk to urban markets, which are increasingly distant from milk production areas. A comprehensive review of long-term studies shows fluid milk demand is relatively inelastic, meaning modest price increases, such as those resulting from updated differentials, are unlikely to significantly impact overall consumption.

The FMMO system is designed to ensure orderly marketing conditions and an adequate supply of milk for fluid use, not to artificially suppress Class I prices to encourage consumption. The proposed differentials are necessary to maintain the economic viability of producers efficiently supplying Class I markets; this is, perhaps, the core objective of the FMMO system. We strongly support the proposed increase in Class I differentials and urge USDA to reconsider its position on the Class II differential. These updates are crucial for maintaining the financial stability of dairy producers and ensuring the FMMO system continues to fulfill its mandate of maintaining an adequate supply of milk for fluid use under orderly marketing conditions.

TFBF and AFBF oppose the proposed increases in make allowances by USDA pertaining to the Class III and IV formula factors. While we understand the need for make allowances to reflect current manufacturing costs, we believe any such adjustments must be grounded in robust, accurate, and unbiased data. Unfortunately, the voluntary surveys currently being utilized fall short of these standards. We oppose the proposed values of \$0.2504 per pound for cheese, \$0.2653 per pound for dry whey, \$0.2268 per pound for NFDM, and \$0.2257 per pound for butter and urge USDA to defer any increases in make allowances until access to comprehensive and audited processor cost and yield data is available. We believe the evidence of substantial construction of new cheddar cheese production capacity, in particular, demonstrates increases in the make allowances are inappropriate. The proposed increases in make allowances, if implemented based on the current data, could have severe financial repercussions for dairy farmers. When these allowances are set too high, they reduce the price

paid to dairy farmers, squeezing already thin margins and threatening the livelihood of family farms in Tennessee and across the country. The potential reduction in milk prices could force many farmers out of business, exacerbating the ongoing decline in the number of Tennessee dairy farms and undermining the stability of the milk supply in the United States.

Tennessee dairymen provide wholesome, nutritious milk products for consumers and deserve realistic prices for their products. It is time the dairy farmers of Tennessee and other southern states be given an equal playing field allowing them to realize the rewards of good management and efficiency. To save our dairy industry, the measures described in these comments must be supported and implemented. The goal of any amendments to the FMMO system should be to enhance the stability, fairness, and equity of milk pricing, ensuring all dairy farmers receive a fair and consistent price for their milk.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Eric Mayberry". The signature is written in black ink and is positioned below the word "Sincerely,".

Eric Mayberry  
President  
Tennessee Farm Bureau Federation