



## NMPF Lauds USDA Decision To Maximize Producer Revenue Through Revised Definition Of Fluid Milk Products

The National Milk Producers Federation hailed a recent ruling by the U.S. Department of Agriculture that low-carbohydrate milk products ought to be classified for pricing purposes the same as conventional fluid milk beverages, a decision that will prevent further farm revenue losses.

At stake in the USDA decision is whether dairy beverages that largely resemble fluid milk – especially the reduced-carb milk drinks – ought to be priced as Class I products, or at the lower Class II price. NMPF argued for the former, and asked the USDA to consider using a protein threshold to determine in which class the beverages should fall.

The USDA's decision basically agreed with NMPF's contention, which will mean that any product at or above a 2.25 percent protein level – including low-carb milk drinks – will now be priced at the higher, Class I level.

“As technology and consumer preferences change, so must government regulations that balance the interests of farmers, processors and consumers,” said Jerry Kozak, President and CEO of NMPF. “We’re very pleased USDA recognized that dairy farmers’ income would be adversely affected if these low-carb products, designed to compete with and replace traditional Class I products like conventional fluid milk, were not reclassified from Class II to I.”

Under a protein standard where any product below 2.25 percent protein is considered Class II, low-carb products, because of their proportionally higher level of dairy proteins, will be returned to the Class I category – meaning that processors of such products are now obligated to pay producers the highest, Class I value for milk under the Federal Milk Marketing Order system.

Last year, a major manufacturer of low-carb dairy beverages successfully petitioned the USDA to reclassify its products from Class I to Class II, and in so doing, it was able to retroactively reclaim money paid to dairy farmers. This new USDA decision will again place these low-carbohydrate products in the Class I category for pricing purposes.

In addition to creating the protein threshold, the USDA still maintains a solids level of 6.5 percent, meaning that in order to be classified under Class I, milk beverages must have at least that level of nonfat solids in them.

The USDA ruling also counts all dairy ingredients – including whey, milk protein concentrates (MPC's), and casein – toward both the solids and the proteins thresholds. Despite some confusion last year in the industry about the stakes involved in this issue, NMPF recognized the ongoing threat to farmers’ milk checks from Class II products that take market share away from Class I products.

“These new provisions will help maintain the integrity of the Federal Order’s classified pricing system, by making sure that new milk-based products that compete with milk will be put into Class I. It levels the playing field for farmers and processors alike,” Kozak said.

### Producers scoring 95 percent or more on Grade A Surveys and Federal Check Ratings

MMPA Carney

*April 2006*

Getz-Milk Dairy LLC\*

Brad Pellegrini

Kenneth Vesser

Brian Hanson

Rivard Farms

Steven & Becky Brock

Clifford Graham & Susan Anderson

Karen Ann & John Strohl

Robert Paidl

Milton Patz

Kraniak Brothers

Klein Brothers

MMPA Country Fresh

*April 2006*

Bernard Baker\*

Robert, Michael & Jason Vandenburg

Melvin Puschel

Alften Dairy Farms Inc.

Lawrence Lenhart

Kenneth & Patricia Fein

Rosebrook Farm

Heritage Farms LLC

Twin Pines Dairy Farm

Mark Hilaski

Lynn Schwartz

Charles Wamhoff

Randy Bender

Katherine Hildebrand & Jack Sipple

*\*Scored 100 percent*