

Milk Marketing Models Concepts – from Jan. 6, 2011 MMM Subcommittee Meeting – *Beginnings of a direction for an alternative pricing choice*

(This Outline represents discussion points for the purpose of getting board and ad hoc member feedback over next 30 days)

What processors want

- 1) Want high quality grade A milk
- 2) Want it when & where they want it
- 3) Want to know price in advance
- 4) Want to buy cheap milk

What producers want

- 1) Want to produce lots of quality milk
- 2) Don't want to deal with balancing
- 3) Want to know what will be paid in future
- 4) Want to sell high value milk

Rationale for building these “models” we keep talking about:

(Discussion)

- Milk pricing is a regulated pricing system between the four classes of milk; not a market price.
- Is complicated, confusing and cumbersome. What we don't like is not knowing how our milk is priced.
- If or when a surplus exists, where is it? Is it in the classes or in a location?
 - Is it product that is already sold, aging, or true surplus?
- Price signal is 3 to 5 months behind the surplus! where is it at?
- We're not connected to the processor or the market (major disconnect)
- We have fear of what the milk price will be last month let alone wondering what
- Next month's price will be because we are always priced behind.

Mission for a potential “company” or “marketing coalition”

(Discussion)

- **Provide an alternative choice for milk pricing by developing a model (entity) around the concept of producing for a market as a means of sharing price risk, achieving a price into the future and managing milk production.** (*Be the change you want to see*)
 - *What has not worked:* Every time we (farmers) ask for change, it is by trying to make a government agency make the change by creating another regulation to fix a regulation... By the time we get that... if we do get it... the problem has already changed. So, we (farmers) are always in the position of trying to fix something that was created by a previous regulation that was supposed to fix something else.

- If we produce for the market... can we bypass that multi-year; lawyered-up administrative process?

Build a reason to create this alternative choice

Create another pricing alternative through negotiation.

Agreement between producer and processor

What would it look like if we could bypass current regulatory mindset

Processors: Are they ready for it? (some seem to be)

If so, then a large bulk of milk could be ready for an alternative right now

Concept: Sell milk as Grade A at the farm gate where farmer loses ownership at the farm gate.

Current system leaves farmer without the opportunity to negotiate a price

Model would have to be developed to do balancing

Market for 100% of the milk; but a % may or may not be at the price you like

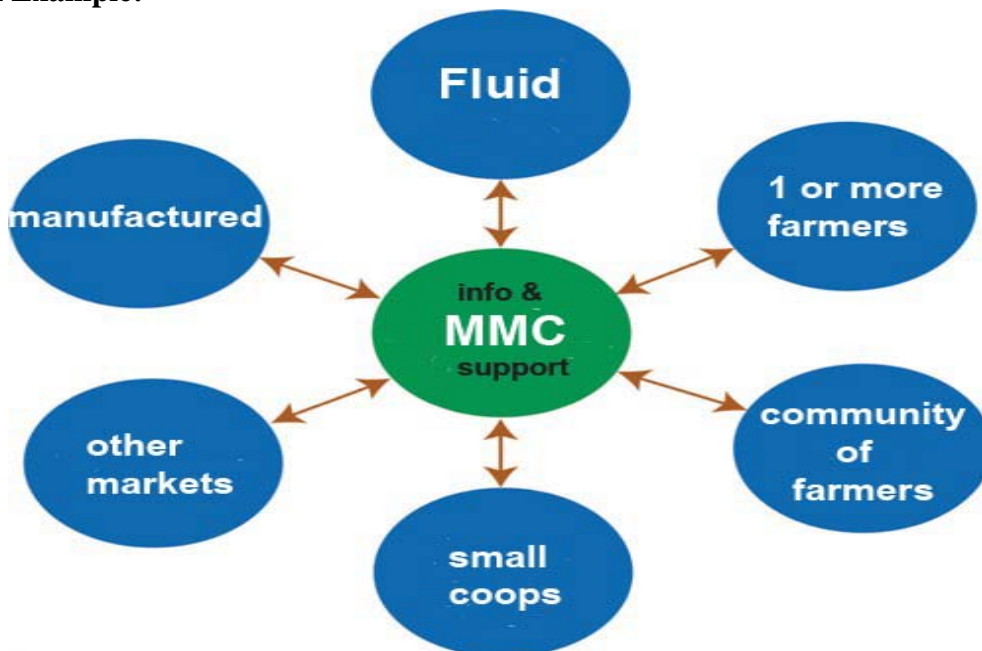
Build coalition with processors but not pricing fluid milk... **pricing on components**

Inquire more into the idea we heard about concerning “quarterly contracts” or quarterly pricing (would fit the retail and distribution model of price change)

Get producer more closely aligned with the market

Visual: *Wagon wheel hub to spokes* – Hub (MMC / other?) would provide a combination of information, resources, and support so that individual farmers or groups of farmers can pursue alternative pricing and/or marketing opportunities / directions. The sole purpose of the hub or multiple hubs is to create alternative choices.

Rough Example:



Expert Review and Input

Get a couple experts to “pick this apart.”

Additional food for thought:

- Forget about milk classes altogether?
- Physically get outside of the system; no MILC; etc.
- The current system facilitates a lack of competition.
- Take a position that producers are not interested in going back to make regulations and to fix regulations and on and on and on... That producers are interested in creating a competitive pricing system.

Concept / Name

- *Freedom Milk* – outside the pricing system
- Use of the 15 cents deduction for farmers to create more markets; not to advertise for stores to sell more milk.
- All products have some value; price by competitive value; not as default balancing