

What is Price Discovery?

The current USDA NASS Survey of dairy product prices is inadequate for today's rapidly changing marketplace:

DPAC believes USDA reporting of dairy product prices should be more frequent (daily instead of weekly), should include more products and should have increased auditing to assure accuracy and timeliness of the reporting of daily negotiated trades. USDA NASS currently requires only the reporting of prices for 'spot market' sales of four commodities.

But as the Dairy Policy Analysis Alliance-made up of FAPRI at the University of Missouri along with dairy policy analysts at the University of Wisconsin-"...this represents less than 20% of butter production and less than 40% of cheese production... and these prices are pegged to the CME, which may not consistently reflect broad supply and demand conditions."

Implementing and then expanding USDA price reporting essentially paves the way for other federal order pricing policies, including a move from four classes of milk to two. This, along with ending the dairy product price support program, will help move milk to its highest value use as long as good reporting is available.

The official definition of the term "price discovery" is: "The process of determining market prices through the interactions of buyers and sellers in a free marketplace."

By expanding the reporting to include more products, the market becomes more transparent in revealing broader supply and demand conditions and thus would do a better job of helping to "discover price" or real value based on the supply and demand for various products made from milk.