

# Sustainable Milk Inventory System Act (SMISA)

Proposed Solution to the US Dairy National Milk Crisis

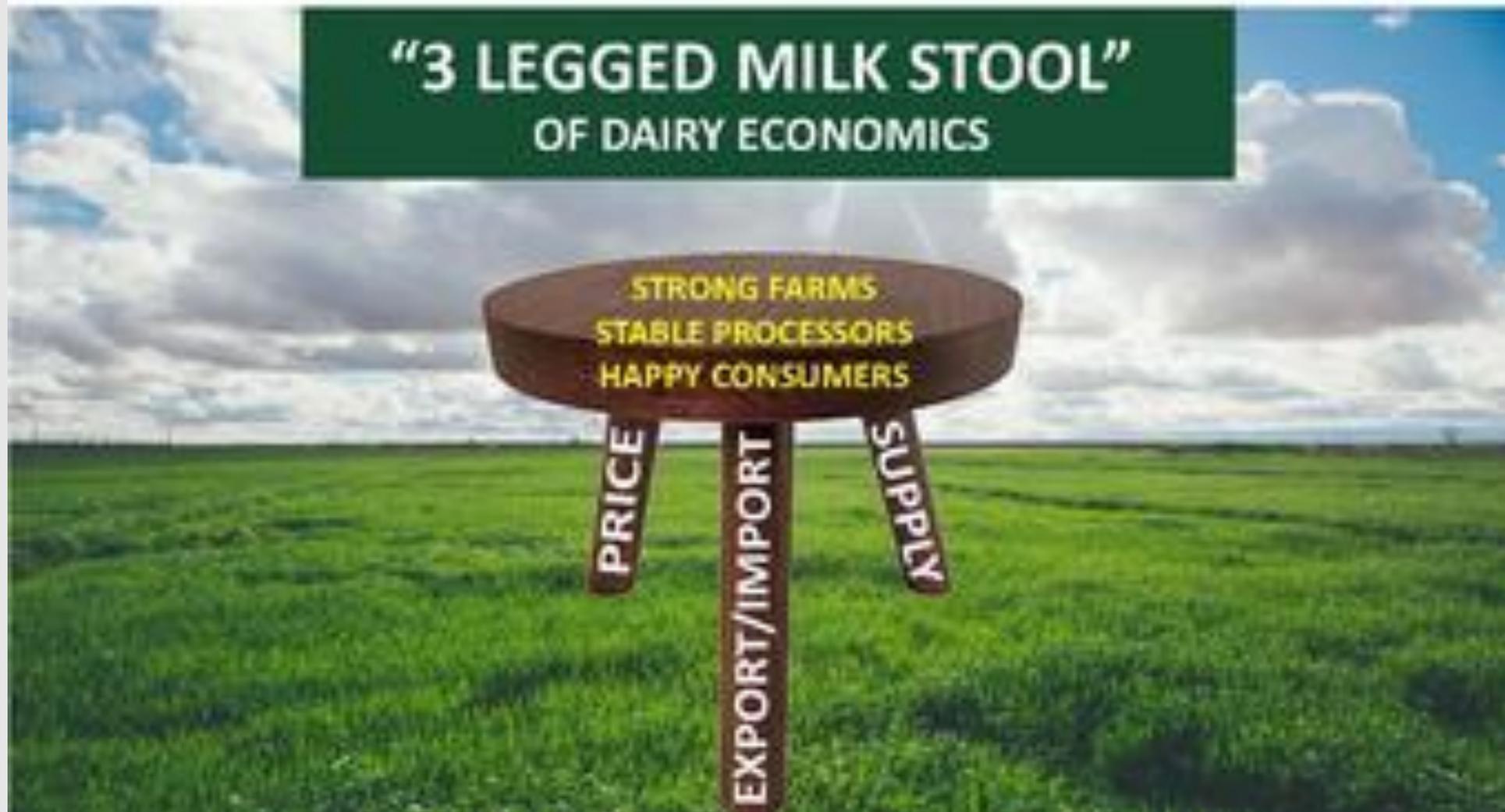
## “3 LEGGED MILK STOOL” OF DAIRY ECONOMICS

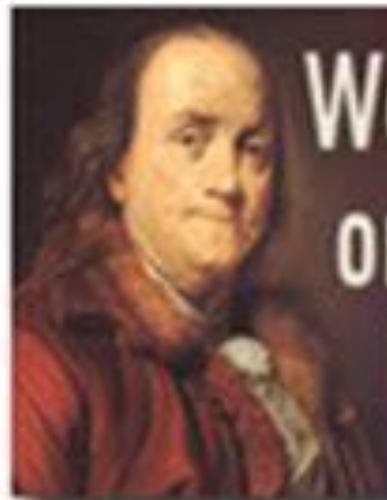
STRONG FARMS  
STABLE PROCESSORS  
HAPPY CONSUMERS

PRICE

EXPORT/IMPORT

SUPPLY

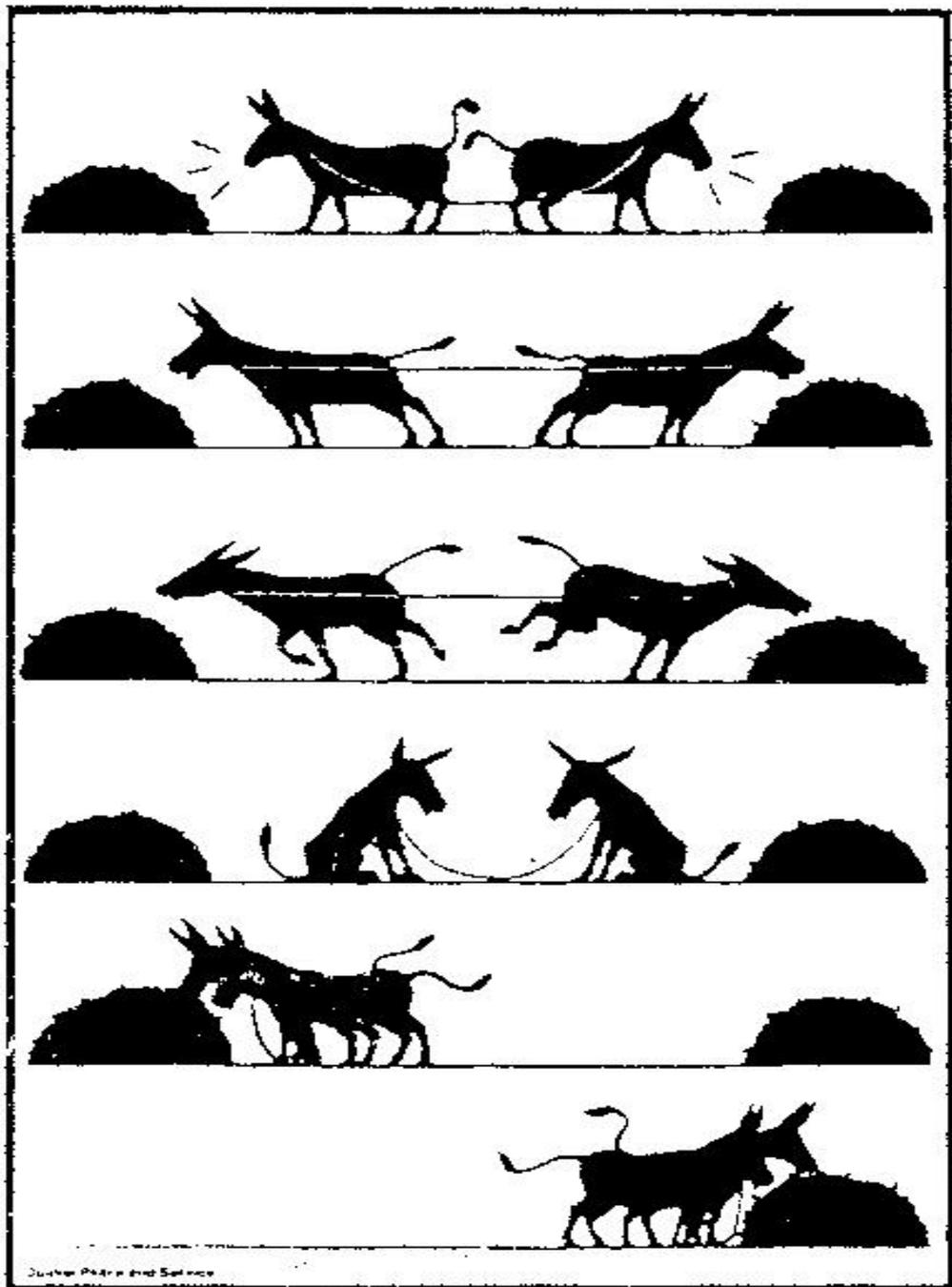




We must indeed hang together,  
or most assuredly, we shall all  
hang separately. - Ben Franklin



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***Just think about this for a minute...***



***Pull together or Pull apart?***

# Dairy price study finds Canadians don't pay more for milk

“Milk prices in Canada are lower on average than in Australia, New Zealand, and the U.S. Canadians currently pay less on average than Americans for butter, yogurt, and cheese,” reads the report



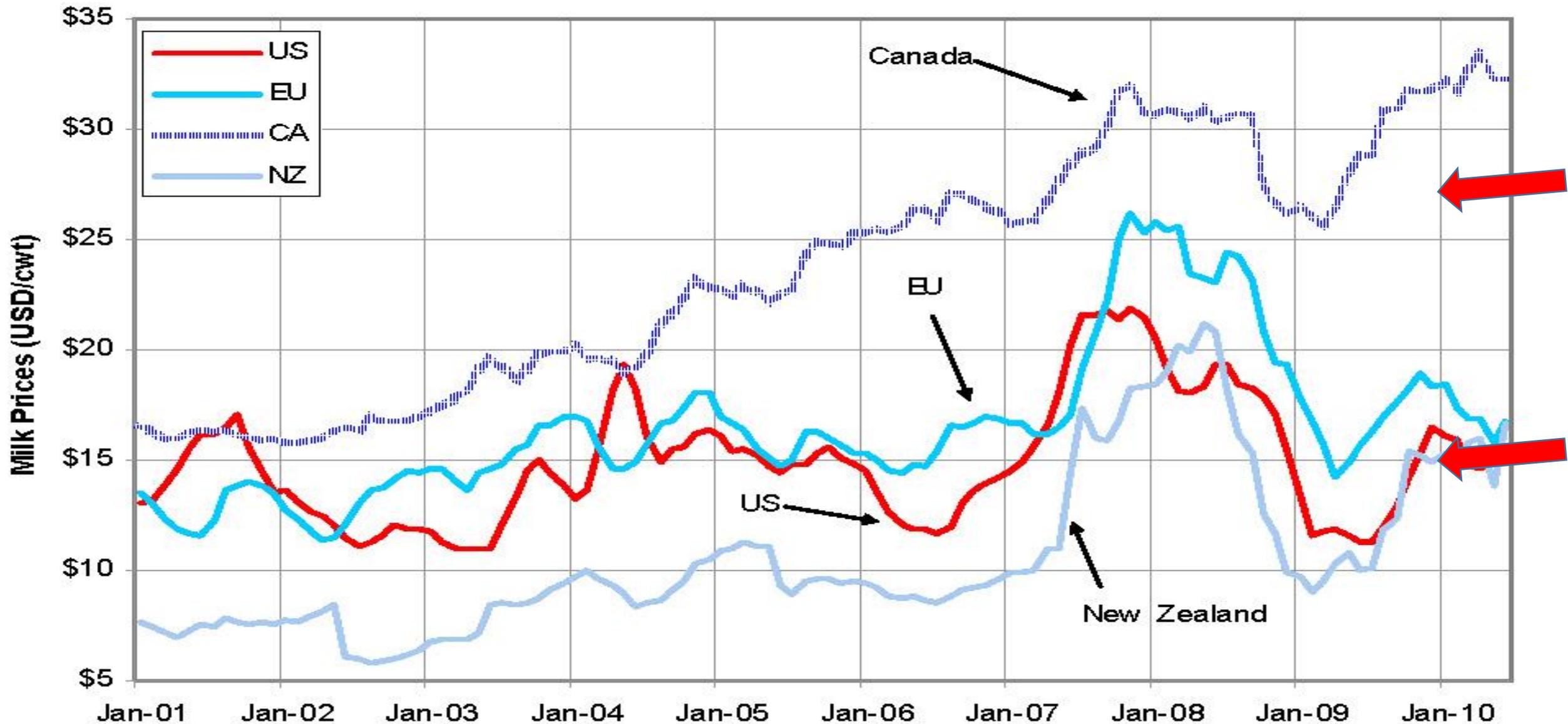
Canadian dairymen are paid nearly twice as much as American dairymen at \$27 CWT verses \$15 CWT

# SMISA PROGRAM OVERVIEW

1. Sustainable Milk Inventory System Act (SMISA) would facilitate the authority for the United States Department of Agriculture (USDA) to establish a national program of dairy inventory management based on a regional farmer board program under the Federal Milk Marketing Order (FMMO) system and accounting.
2. All existing dairies are issued regional QUOTA that allows for production of a designated amount of milk at a predetermined price.
3. Each FMMO region of the country establishes a dairy board made up of dairy farmers with limited processor involvement.
4. Prices are determined by farmers on a region-by-region basis based on cost of production and other cost indices.
5. Using processors forecast demand for milk for dairy products, each region will produce enough milk to meet processors needs.
6. Milk requested for use in export by processors would be included in regional dairy supply demand. Imports are subject to USDA market review to assure that they do not undercut SMISA inventory management.
7. Changes in forecast demand for dairy products will cause issuance of additional QUOTA for those dairies that choose to grow and those dairies that will accept more QUOTA. New dairy farmers can be issued portions of this new quota.
8. New growth QUOTA is issued equally.
9. Dairies can buy and sell existing QUOTA based on the value set on the open market, but new QUOTA is only issued by regional boards based on demand increases.
10. This would be a farmer driven program with mandatory enrollment of all dairies including organic.
11. Organic market inventory would use similar system to set organic prices and manage inventory to meet processor and consumer demand.
12. Vertically integrated producers would be exempt up to 3 million pounds per month as provided under FMMO Producer/Handler exemption.

# Farm Gate Milk Prices

Current prices  
\$15 verses \$27



Sources: USDA, LTO-Nederland, CDC, Informa Estimates

# Canadian System is Smart and Efficient

- Dairies thrive
- Processors thrive
- Consumers thrive
- Communities thrive

- More funds to innovate and perform research
- More funds to promote milk consumption!

50 years is proof

US 50 cents CWT, Canada more than \$1.50 CWT  
for research and promotion