



United States  
Department of  
Agriculture

Agricultural Marketing Service

# **An Overview of the Federal Milk Marketing Order Program**



*The U.S. Department of Agriculture (USDA) oversees the Federal Milk Marketing Order (FMMO) program which includes 11 milk marketing orders and applies to about 75 percent of total U.S. milk production. The regulatory provisions of the individual orders apply to handlers, not dairy farmers, and specify how dairy farmers supplying a marketing area will share the money from their raw milk sales.*

## **What is a Marketing Area?**

A geographic area where dairy processors compete for their sales. FMMO regulations and area-specific provisions in each marketing area are administered by a regional “Market Administrator.” Areas not covered by an FMMO are either unregulated or are regulated by a state system. A map of the 11 marketing areas is at:

**<https://tinyurl.com/FMMOmap>**

## **What is a Handler?**

A handler is a processor of raw milk or a cooperative (an association of dairy farmers which has full authority in the sales of its members). There are two types of handlers: fluid (beverage milk) and manufacturing (cheese, ice cream, butter, etc.). An FMMO must regulate fluid milk handlers—manufacturing handlers typically participate when it is economically beneficial.



# What does the FMMO Program do?



## 1 Establishes Minimum Uniform Prices

FMMOs establish minimum prices paid to farmers through a three-step process:

- 1. Collect dairy commodity market prices**
- 2. Determine handler prices based on end-use**
- 3. Establish minimum uniform prices through pooling**

FMMOs establish monthly uniform prices paid to farmers by first classifying milk by its end-use. The FMMO then combines the value of that milk (this is referred to as pooling) and shares the value among those farmers whose milk is pooled. There are four uniform “classes” throughout the FMMO system:

- **Class I:** fluid milk
- **Class II:** milk used to make soft products (ice cream, cottage cheese, yogurt, etc.)
- **Class III:** milk used to make hard cheese products
- **Class IV:** milk used to make butter and powdered dry milk products



## 2 Ensures Proper Payments

Through auditing, each FMMO ensures payments to farmers are accurate and timely. In addition, FMMO dairy scientists establish or verify tests of milk components (butterfat, protein, other solids) to ensure farmers are paid for the proper component levels in their milk.



## 3 Provides Market Information

Industry, academia and other government agencies rely on the dairy-related regional and national data collected and analyzed by the FMMO program. The weekly, monthly and annual publication of FMMO program data is a comprehensive and timely source of dairy information currently not reported by any other entity.

# How Does Pooling Work?



FMMOs establish monthly uniform prices paid to farmers by first classifying milk by its end use. The FMMO then pools the value of that milk and shares that value among the farmers participating on that marketing order. Pooling allows farmers to receive the uniform price of all milk in the pool regardless of what end product their milk was used for. In this way, pooling makes a farmer's payment independent of how the milk was used.

*The chart on the following page shows a simplified example of how pooling works for two different dairy farmers, Farmer A and Farmer B. CWT stands for hundredweight, or 100 pounds.*

Farmer A sells milk to bottling plant.



Bottling plant  
buys milk for

**\$18/CWT**  
the Class I  
milk price.

**\$17/CWT**  
pays Farmer A  
for milk.

**\$1/CWT**  
goes into pool.



Cheese plant  
buys milk for

**\$16/CWT**  
the Class III  
milk price.

**\$1/CWT**  
from pool goes  
to cheese plant.

**\$17/CWT**  
pays Farmer B  
for milk.



Farmer B sells milk to cheese plant.



# How can an FMMO be amended?

Changes to the FMMO require a rulemaking process that is:

- 1. Industry-driven:** changes are proposed by the industry, not USDA.
- 2. All-inclusive:** anyone can take part in the hearing and public comment periods.
- 3. Transparent:** decisions are based solely on the record of the rulemaking proceeding.
- 4. Farmer-approved:** farmers must approve any change via a voting process.

More information about Understanding the Milk Order Amendment Process is at:  
<https://tinyurl.com/MilkAmendment>

To learn more about FMMO's, visit:  
<https://tinyurl.com/learnaboutFMMOs>

*This booklet is designed to provide an overview of the Federal Milk Marketing Order program. It is not intended to provide comprehensive guidance. Program rules can be found in Title 7 of the Code of Federal Regulations (CFR), Part 900-General Regulations.*

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