



Agricultural Marketing Service  
U.S. DEPARTMENT OF AGRICULTURE



# **USDA AMS Dairy Program Update**

## **National Association of Dairy Regulatory Officials**

### **Tucson, AZ**

### **July 15, 2024**

Chris Thompson, International Standards Director  
USDA/AMS/Dairy Program





# Today's Updates

- **Agricultural Marketing Service**
- **Dairy Program**
- **Dairy Trade Related Activities**

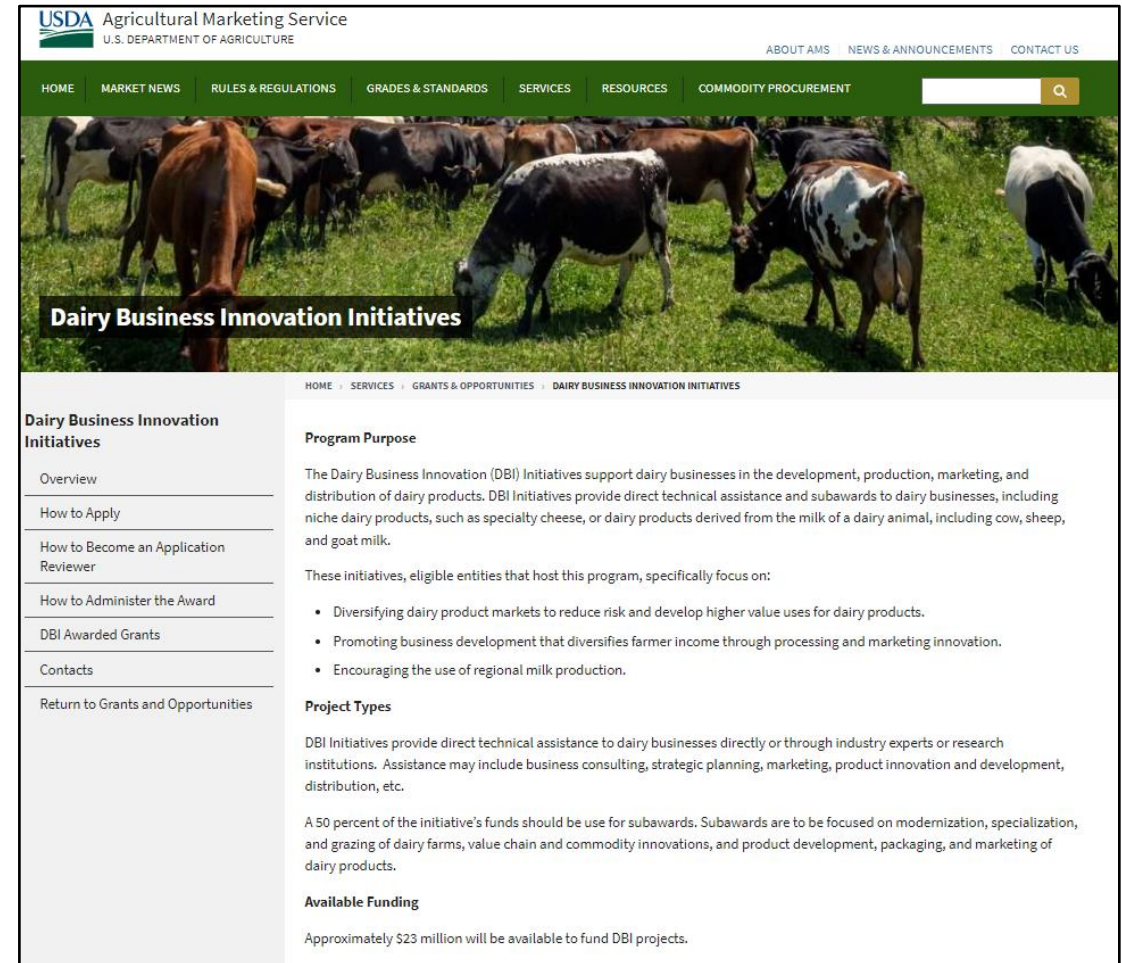




# Transportation & Marketing Program

## Dairy Business Innovation (DBI) Initiatives Grants Program

- ~ \$ 23 M available for funding FY 23-26
- Since 2019 DBI have supported dairy businesses in the development, production, marketing, and distribution of dairy products.
  - California State University, Fresno
  - University of Tennessee
  - Vermont Agency of Ag., Food & Markets
  - University of Wisconsin



The screenshot displays the USDA Agricultural Marketing Service website. The header includes the USDA logo and navigation links: ABOUT AMS, NEWS & ANNOUNCEMENTS, and CONTACT US. A green navigation bar contains links for HOME, MARKET NEWS, RULES & REGULATIONS, GRADES & STANDARDS, SERVICES, RESOURCES, and COMMODITY PROCUREMENT, along with a search bar. The main banner features a photograph of a herd of cows in a field, with the text "Dairy Business Innovation Initiatives" overlaid. Below the banner, a sidebar on the left lists navigation options: Overview, How to Apply, How to Become an Application Reviewer, How to Administer the Award, DBI Awarded Grants, Contacts, and Return to Grants and Opportunities. The main content area is titled "Dairy Business Innovation Initiatives" and includes sections for Program Purpose, Project Types, and Available Funding.

**Program Purpose**

The Dairy Business Innovation (DBI) Initiatives support dairy businesses in the development, production, marketing, and distribution of dairy products. DBI Initiatives provide direct technical assistance and subawards to dairy businesses, including niche dairy products, such as specialty cheese, or dairy products derived from the milk of a dairy animal, including cow, sheep, and goat milk.

These initiatives, eligible entities that host this program, specifically focus on:

- Diversifying dairy product markets to reduce risk and develop higher value uses for dairy products.
- Promoting business development that diversifies farmer income through processing and marketing innovation.
- Encouraging the use of regional milk production.

**Project Types**

DBI Initiatives provide direct technical assistance to dairy businesses directly or through industry experts or research institutions. Assistance may include business consulting, strategic planning, marketing, product innovation and development, distribution, etc.

A 50 percent of the initiative's funds should be use for subawards. Subawards are to be focused on modernization, specialization, and grazing of dairy farms, value chain and commodity innovations, and product development, packaging, and marketing of dairy products.

**Available Funding**

Approximately \$23 million will be available to fund DBI projects.

## Commodity Procurement

### Commodity Requirement Documents (CRDs)

<b>Evaporated Milk</b> Effective July 2013	<b>Infant Formula</b> Effective August 2013	<b>Instant Nonfat Dry Milk</b> Effective August 2013
<b>Fluid Milk</b> Effective November 2018	<b>Mozzarella Cheese*</b> Effective September 2019	<b>Natural American Cheese</b> Effective September 2019
<b>Natural Pepper Jack Cheese</b> Effective October 2020	<b>Package Butter</b> Effective March 2022	<b>Pasteurized Process American Cheese and Kosher Certified Process Cheese Product</b> Effective May 2023
<b>Natural Swiss Cheese</b> Effective August 2022	<b>Ultra-High Temperature Milk</b> Effective February 2021	<b>Yogurt Products*</b> Effective October 2020

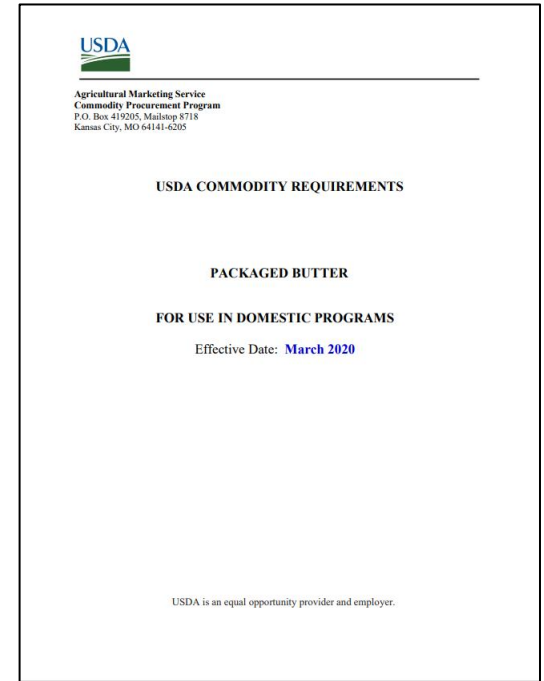
## Commodity Procurement CY 2023 Purchases

Product	Volume	Value
Butter	287,280.00	\$ 824,220
Cheese - Cheddar	86,374,920	\$ 204,711,660
Cheese - Mozzarella	67,150,685	\$ 139,080,595
Cheese - Pepper Jack	38,800.00	\$ 107,553
Cheese - Processed	38,887,200	\$ 86,862,085
EVAP	483,327	\$ 477,661
Fluid Milk	33,857,856	\$ 14,124,416
iNDM	3,863,808	\$ 14,242,517
UHT	45,813,720	\$ 20,119,160
Yogurt	2,128,314	\$ 2,128,314
<b>CY 23 Totals</b>	<b>278,885,910</b>	<b>\$ 484,159,784</b>



## Reasons for creating or updating CRDs

- USDA is purchasing a new product
- Alignment with commercial practice
- Market conditions
- Package size changes
- Optimize truckload configuration



**Open Purchase Requests** <https://www.ams.usda.gov/open-purchase-request>

**CRDs** <https://www.ams.usda.gov/selling-food/product-specs>

# Milk for Manufacturing Purposes

- Published in 1963 to promote uniformity
- Referenced when discussing overall U.S. dairy regulatory system
  - Last modified in 2011
  - Public health and animal health items for review
- **Special** thanks to the NADRO Committee!

Karie Williams (PA) Lead

David Hakes (Industry – DFA)

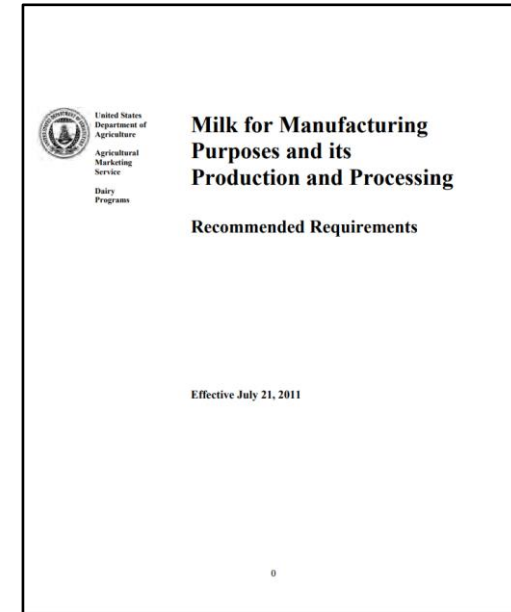
Sean Heijja (VA)

Amanda Johnson (MI)

Audra Phillips (AL)

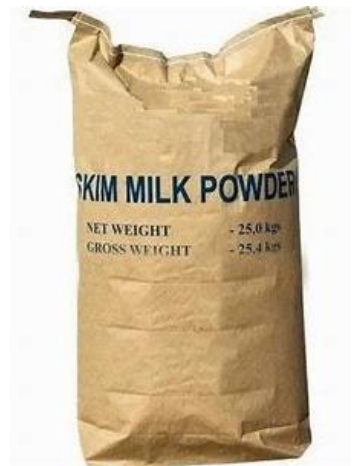
Matthew Siedschlaw (USDA)

Tyson Villarreal (WI)



## **FDA and USDA MOU 225-75-4002** **Exchange of Information and Coordination of Activities**

- Quarterly product and environmental sampling for Salmonella in dry dairy facilities that are a part of the USDA Approved for Grading Service plants; 88 plants
- Alert FDA of any positive product or repetitive environmental samples
- cursory inspections conducted identify Salmonella related issues for plant to be proactive addressing before next plant survey
- Plant Surveys conducted to inspect equipment for review of condition and sanitation; identify problems that could lead to food safety or quality issues





# Federal Milk Marketing Orders (FMMO)

- Hearing was held in Carmel, Indiana for 49 days from August 23, 2023, through January 30, 2024.
- Notice to Trade Issued and Recommended Decision proposing to amend pricing formulas for all 11 FMMOs posted July 1, 2024.
- Federal Register Notice July 15, 2024!
- Public comments due September 13, 2024.
- Inquiries may be submitted to the FMMO Rulemaking Team. [FMMOhearing@usda.gov](mailto:FMMOhearing@usda.gov) 202-720-4392

**57580** Federal Register / Vol. 89, No. 135 / Monday, July 15, 2024 / Proposed Rules

**DEPARTMENT OF AGRICULTURE**  
**Agricultural Marketing Service**

**7 CFR Parts 1000, 1001, 1005, 1006, 1007, 1030, 1032, 1033, 1051, 1124, 1126, and 1131**

**[Doc. No. AMS-DA-23-0031]**

**Milk in the Northeast and Other Marketing Areas; Proposed Amendments to Marketing Agreements and Orders**

**AGENCY:** Agricultural Marketing Service, USDA.

**ACTION:** Proposed rule.

**SUMMARY:** This decision proposes to amend the pricing provisions in the 11 Federal Milk Marketing Orders (FMMOs).

**DATES:** Written exceptions and comments to this proposed rule must be submitted on or before September 13, 2024.

**ADDRESSES:** Written exceptions should be filed with the Office of the Hearing Clerk, U.S. Department of Agriculture, 1400 Independence Ave. SW, Stop 9203, Room 1031, Washington, DC 20250-9203; Fax: (844) 325-0940 or via the internet at <https://www.regulations.gov>. All comments should reference the docket number and the date and page number of this issue of the Federal Register. Comments will be made available for public inspection in the Office of the Hearing Clerk during regular business hours or can be viewed at <https://www.regulations.gov>. A plain-language summary of this proposed rule is available at <https://www.regulations.gov> in the docket for this rulemaking.

**FOR FURTHER INFORMATION CONTACT:** Erin Taylor, USDA/AMS/Dairy Programs, Order Formulation and Enforcement Branch, STOP 0231–Room 2530, 1400 Independence Avenue SW, Washington, DC 20250-0231; Telephone: (202) 720-7181; Email address: [Erin.Taylor@usda.gov](mailto:Erin.Taylor@usda.gov).

**SUPPLEMENTARY INFORMATION:** This recommended decision proposes amendments to five categories of milk pricing:

1. **Milk Composition Factors.** Update the factors to 3.3 percent true protein, 6 percent other solids, and 9.3 percent nonfat solids.
2. **Surveyed Commodity Products.** Remove 500-pound barrel cheddar cheese prices from the Dairy Products Mandatory Reporting Program (DPMRP) survey and rely solely on the 40-pound block cheddar cheese price to determine the monthly average cheese price used in the formulas.
3. **Class II and Class IV Formula Factors.** Update the manufacturing allowances to: Cheese: \$0.2504; Butter: \$0.2257; Nonfat Dry Milk (NFDML): \$0.2268; and Dry Whey: \$0.2653. This decision also proposes updating the butterfat recovery factor to 91 percent.
4. **Base Class I Skim Milk Price.** Update the formula as follows: the base Class I skim milk price would be the higher of the advanced Class II or Class IV skim milk prices for the month. In addition, adopt a Class I extended shelf life (ESL) adjustment equating to a Class I price for all ESL products equal to the average-of-mover, plus a 24-month rolling average adjuster with a 12-month lag.
5. **Class I and Class II differentials.** Keep the \$1.60 base differential and adopt modified location specific Class I differential values.

In conjunction with this Recommended Decision, the Agricultural Marketing Service (AMS) conducted a Regulatory Economic Impact Analysis to determine the potential impact of amending FMMO pricing formulas on producer revenue and nationwide pool values. AMS used a static analysis incorporating actual data reported from January 2019 to December 2023 to determine the estimated price impacts of the package of amendments included in this Recommended Decision. The full text of the Regulatory Economic Impact Analysis may be accessed at <https://www.regulations.gov> or <https://www.ams.usda.gov/rules-regulations/moa/dairy/hearings/national-fmmo-pricing-hearing>.

**Prior Documents in This Proceeding**

**Notice of Hearing:** Published July 24, 2023 (88 FR 47396).

**Notice of Reclassified Hearing:** Published November 6, 2023 (88 FR 76143).

**Notice of Reclassified Hearing:** Published December 29, 2023 (88 FR 90134).

This administrative action is governed by sections 556 and 557 of title 5 of the United States Code and, therefore, is excluded from the requirements of Executive Orders 12866, 13563, and 13175.

The amendments to the rules proposed herein have been reviewed under Executive Order 12068, Civil Justice Reform. They are not intended to have a retroactive effect. If adopted, the proposed amendments would not preempt any state or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule.

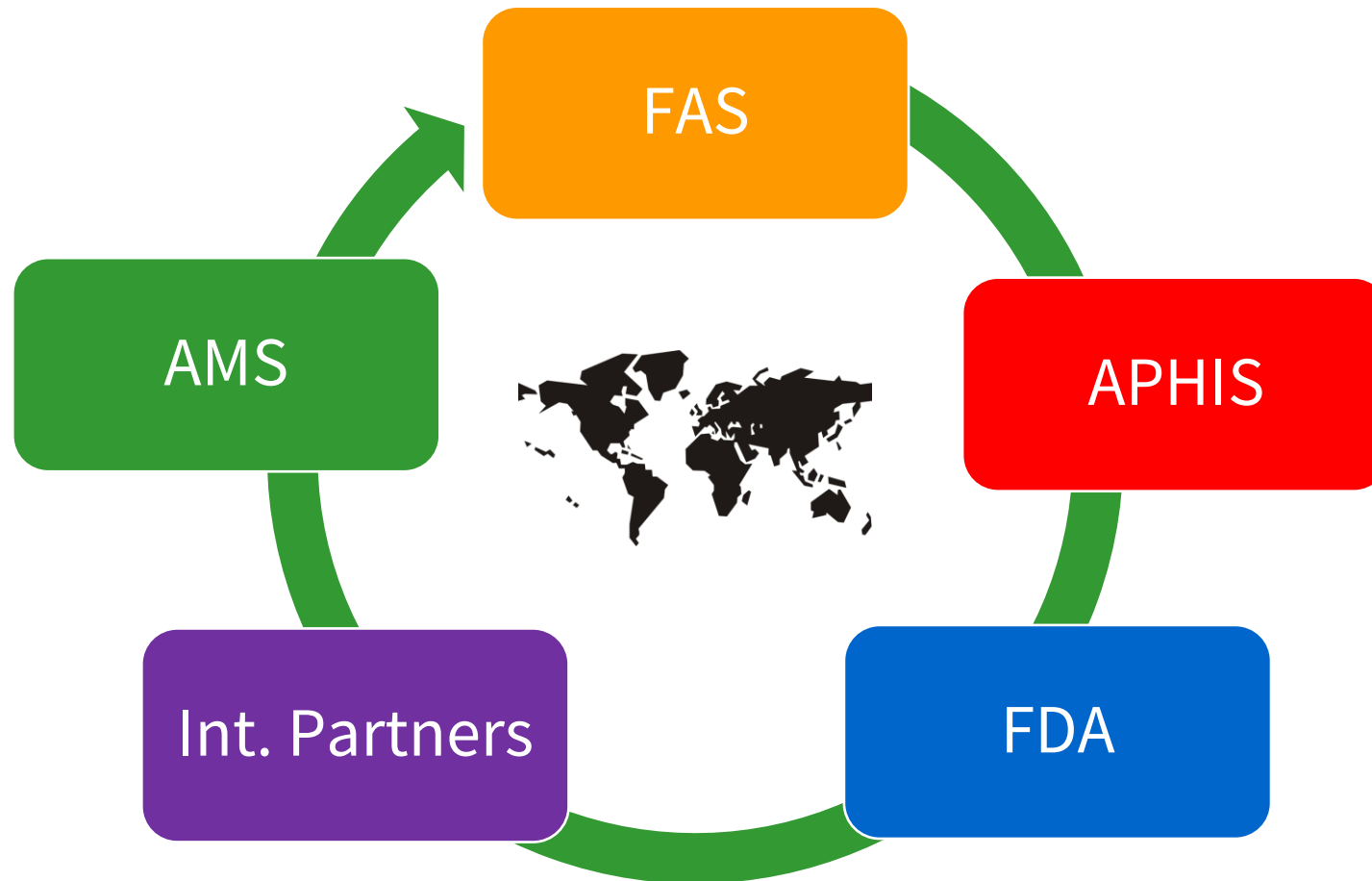
The Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601–674) (AMAA), provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608(15)(A) of the AMAA, any handler subject to an order may request modification or exemption from such order by filing a petition with the USDA stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with the law. A handler is afforded the opportunity for a hearing on the petition. After a hearing, USDA would rule on the petition. The AMAA provides that the district court of the United States in any district in which the handler is an inhabitant, or has its principal place of business, has jurisdiction in equity to review USDA's ruling on the petition, provided a bill in equity is filed not later than 20 days after the date of the entry of the ruling.

**Civil Rights Impact Analysis**

AMS has reviewed this rulemaking in accordance with USDA Departmental Regulation 4300-004, Civil Rights Impact Analysis, to identify any major civil rights impacts the rule might have on FMMO participants on the basis of race, color, national origin, disability, sex, gender identity, political beliefs, age, marital, family/parental status, religion, sexual orientation, reprisal, or because of an individual's income is derived from any public assistance program. Based on the review and analysis of the rule and all available data, issuance of this proposed rule is not likely to negatively impact low and moderate-income populations, minority populations, women, Tribes or persons with disabilities, by virtue of their age, race, color, national origin, sex, disability, or marital or familial status. No major civil rights impact is likely to result from this proposed rule.

**Regulatory Flexibility Act and Paperwork Reduction Act**

In accordance with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 et seq.), the AMS has considered the economic impact of this action on small entities. Accordingly, AMS has prepared this initial regulatory flexibility analysis. The purpose of the RFA is to fit regulatory actions to the scale of businesses subject to such actions so that small businesses will not be unduly or disproportionately burdened. Marketing orders and amendments thereto are unique in that they are normally brought about through



## Dairy Exports in 2023

### Export value:

- \$~7 billion
- Third time to cross \$7-billion mark

**Export quantity: 2,628,310 – Metric Tons**



## Top Markets in 2023

### Value

1. Mexico – \$2.3 Billion
2. Canada - \$1 Billion
3. China - \$607 Million
4. Philippines - \$372 Million
5. South Korea - \$320 Million

### Quantity - Metric Tons

1. Mexico – 720,767
2. China – 423,022
3. Canada – 219,638
4. Philippines – 136,194
5. Indonesia – 120,356



# Import Requirements Determined by Trading Partners



## AMS issued Certificates (140+)

- Most countries...



## APHIS Issued Certificates (9)

- Albania
- Australia
- Georgia
- Japan
- Mexico
- New Zealand
- South Africa
- Suriname
- Ukraine



## Additional Requirements

- Facilities listing/registration
- Product registration
- Questionnaires
- Testing/COA

## 2023 ~59,000 Certificates

>120 Countries Accept “General Sanitary” Certificate

### Importers with Unique Export Certificates

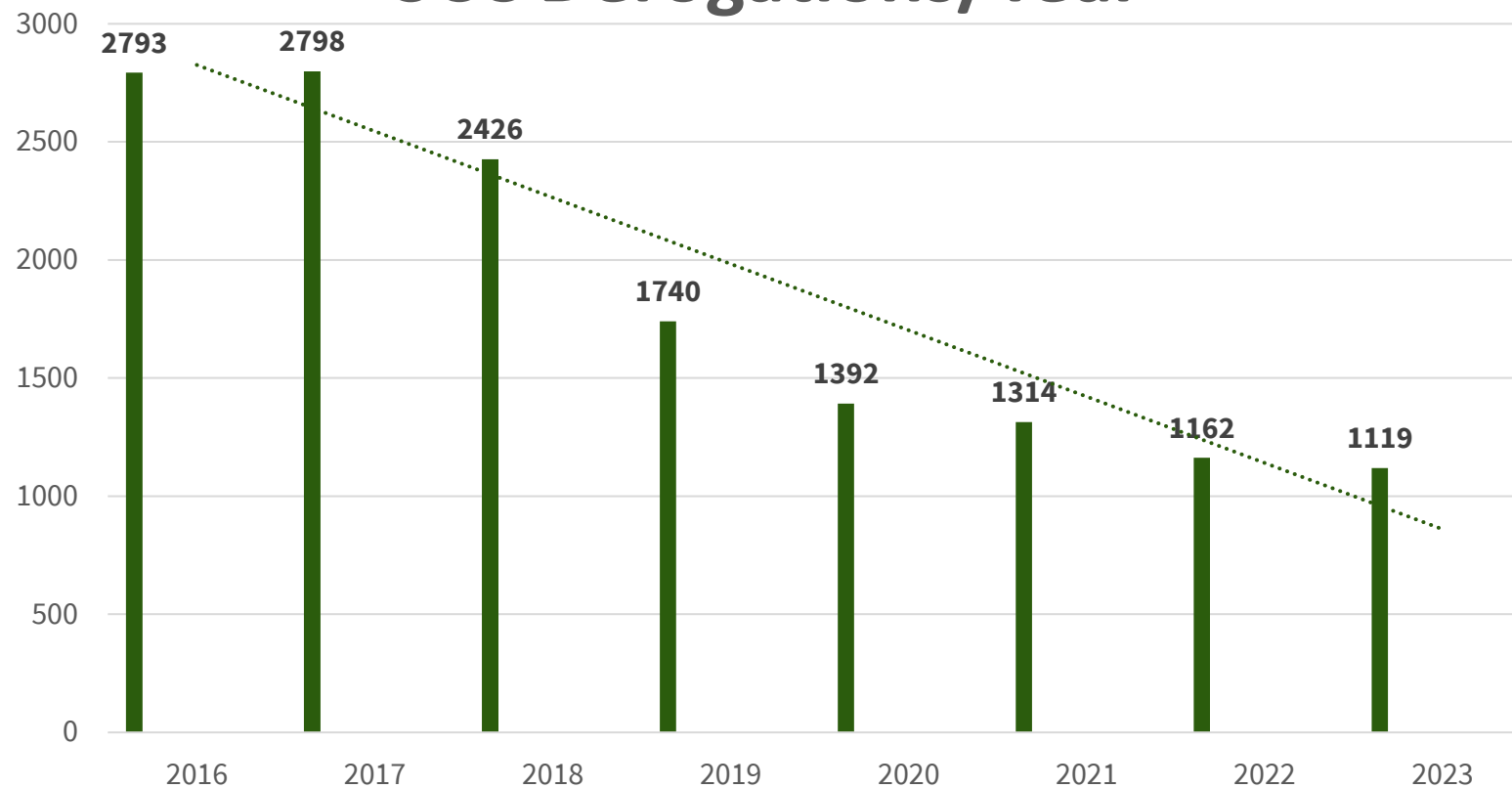
Algeria	Peru
Argentina	S. Korea
Brazil	Taiwan
Chile <sup>1</sup>	Tunisia
China <sup>1</sup>	Turkey <sup>2</sup>
Cuba	United Kingdom <sup>1,2</sup>
European Union <sup>1,2</sup>	Uruguay
Morocco	

<sup>1</sup> Additional “listing” requirements

<sup>2</sup> Additional “market access” requirements



## SCC Derogations/Year



**Questions?**

[dairyauditservices@usda.gov](mailto:dairyauditservices@usda.gov)



# Facilities Must Be in Good Regulatory Standing



## Regulations

e.g., Pasteurized Milk Ordinance,  
Manufacture Grade Requirements



## Inspection

On-site inspection performed by State and Federal inspectors



## Oversight

Federal oversight by FDA, APHIS & AMS



## Non-compliance

Suspension or removal of eligibility for non-compliance



## U.S. Technical Advisory Group (TAG) to ISO Technical Committee 34 / Subcommittee 5 (TC34/SC5) – Milk and Milk Products

- Allows all U.S. stakeholders to provide feedback in the development of international analytical standards for milk and milk products
- U.S. consensus (“voice”) is submitted to ISO via the U.S. National Member to ISO, The American National Standards Institute
- Provides an avenue for direct collaboration with the International Dairy Federation (IDF)
- U.S. Dairy TAG Webinar July 25, 2024





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# Thank you!

Chris Thompson  
International Standards Director  
USDA/AMS/Dairy Program  
1400 Independence Ave. , SW  
Washington, DC 20250

Phone: 202.720.9382

Email: [Christopher.D.Thompson@usda.gov](mailto:Christopher.D.Thompson@usda.gov)

