



**UPPER MIDWEST MARKETING AREA**  
Federal Order No. 30

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December 27, 2004

TO: Handlers, Cooperative Associations and Interested Parties

SUBJECT: Dairy Forward Pricing Pilot Program Expiration

Efforts to pass legislation to make permanent the Dairy Forward Pricing Pilot Program have not been successful. Therefore, proprietary handlers with milk under forward contracts beyond December 31, 2004, will not be exempt from paying minimum Federal order prices to producers or producer cooperatives for pool milk received after that date. This exemption termination also applies to cooperatives that have contracts with non-member producers.

Proprietary plant operators who wish to reduce cost variability for pool milk after December 31, 2004, must find a mechanism other than forward contracting with producers. Market Administrators will not recognize contracts between proprietary plants or institutions in which a proprietary plant is a significant owner and producers or producer cooperatives as exempting handlers from paying producers minimum order prices for pool milk.

Independent producers and cooperative producers being paid by proprietary plants who wish to reduce price variability after December 31, 2004, must acquire such protection from third parties (i.e., commodity brokers) who are totally independent from the handler which receives and pays them for their milk. Price hedging agreements which are verified by the Market Administrator as being between producers and third parties may be balanced through the handler's payroll. The handler may charge a nominal fee for handling such transactions. Both the balancing transaction and the handling fee must be authorized in writing by the producer and be separate, clearly identified entries on the handler's producer payroll.

Any questions pertaining to the above should be directed to our Minneapolis office at 1-888-301-8224. You may direct them to Victor Halverson at ext. 207, Henry Schaefer at ext. 208 or myself at ext. 206. In addition, my e-mail address is [pkiburz@fmma30.com](mailto:pkiburz@fmma30.com).

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