



UPPER MIDWEST MARKETING AREA  
Federal Order No. 30

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January 10, 2005

TO: Handlers, Cooperative Associations and Interested Parties

SUBJECT: Dairy Forward Pilot Program Expiration -- **Clarification Letter**

A December 27, 2004 letter from this office informed you that efforts to pass legislation to make permanent the Dairy Forward Pricing Pilot Program were not successful. Therefore, effective January 1, 2005, milk under forward contracts beyond December 31, 2004, will not be exempt from minimum Federal order prices.

The purpose of this clarification letter is to respond to some questions and issues that have been raised since the December 27 letter regarding the impact of the expiration of the dairy forward pricing pilot program.

With the expiration of the pilot program, all producers may still choose to (but are not required to) have forward pricing contracts. For producers being paid by proprietary plants, however, such contracts do not exempt the proprietary plant from its obligation to pay the producer at least Federal order minimums on milk pooled on the order.

For producers being paid by proprietary plants, pricing contracts may be acquired from the proprietary plant or from a third party source. Pricing agreements between producers and third parties (i.e. commodity brokers) who are totally independent from the proprietary plant paying for the milk may be balanced through the handler's payroll, and 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 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 email address is [pkyburz@fmma30.com](mailto:pkyburz@fmma30.com).

/s/ H. Paul Kyburz  
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