

The Milk Pricing System in the Future

Economic theory posits that the role of pricing is to balance the supply of a product with the demand for it. We have shown that the pricing system that has evolved for milk in the United States is a complex set of market and public institutions. Many of the pricing arrangements that have arisen can be tied to the unique physical properties of milk. Creating a balance between supply and demand for milk requires establishing and maintaining a balance among the following:

- The need for producer prices to remain high enough to maintain production, but not so high as to encourage surplus production,
- The willingness and ability of consumers to pay for milk and dairy products, and
- The interest of producers, handlers, and the public in the orderly flow of milk and dairy products from producers to consumers.

The milk pricing system has been responsive to changes in the economic and political forces affecting dairy farming. The fact that one can trace the various changes through legislative histories illustrates this facet of the system. There is pressure currently to continue making changes—with the elimination of public pricing institutions as a stated goal of some. Whether that happens remains to be seen but further changes in the system will likely be forthcoming. International trade negotiations carry the potential for further import and export regulations of some significance. The continuing restructuring of dairy cooperatives and proprietary dairy companies (such as Dean Foods and Suiza) has included and will likely continue to include joint ventures that could alter milk pricing relationships. We have used the term “evolved” in several instances in the text; that term will continue to describe the milk pricing system into the future.