



Recent Changes to FMMO Provisions

Sue Mosley
Market Administrator
Federal Orders 6 & 7
Atlanta, GA

35th Annual Southern Dairy Conference

January 28, 2009



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Ex-Parte Restrictions

- Not discussing merit (7 CFR §900.16)
- This will be published on USDA website



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Issues Facing the Southeast

- **Declining milk production**

- **Increasing cost of supplying fluid markets**
 - ✓ Class I price surface gives insufficient incentive to move milk for fluid use
 - ✓ Transportation credits cover only a portion

- **Manufacturing class prices (esp. Class II) do not reflect transit cost/location value**



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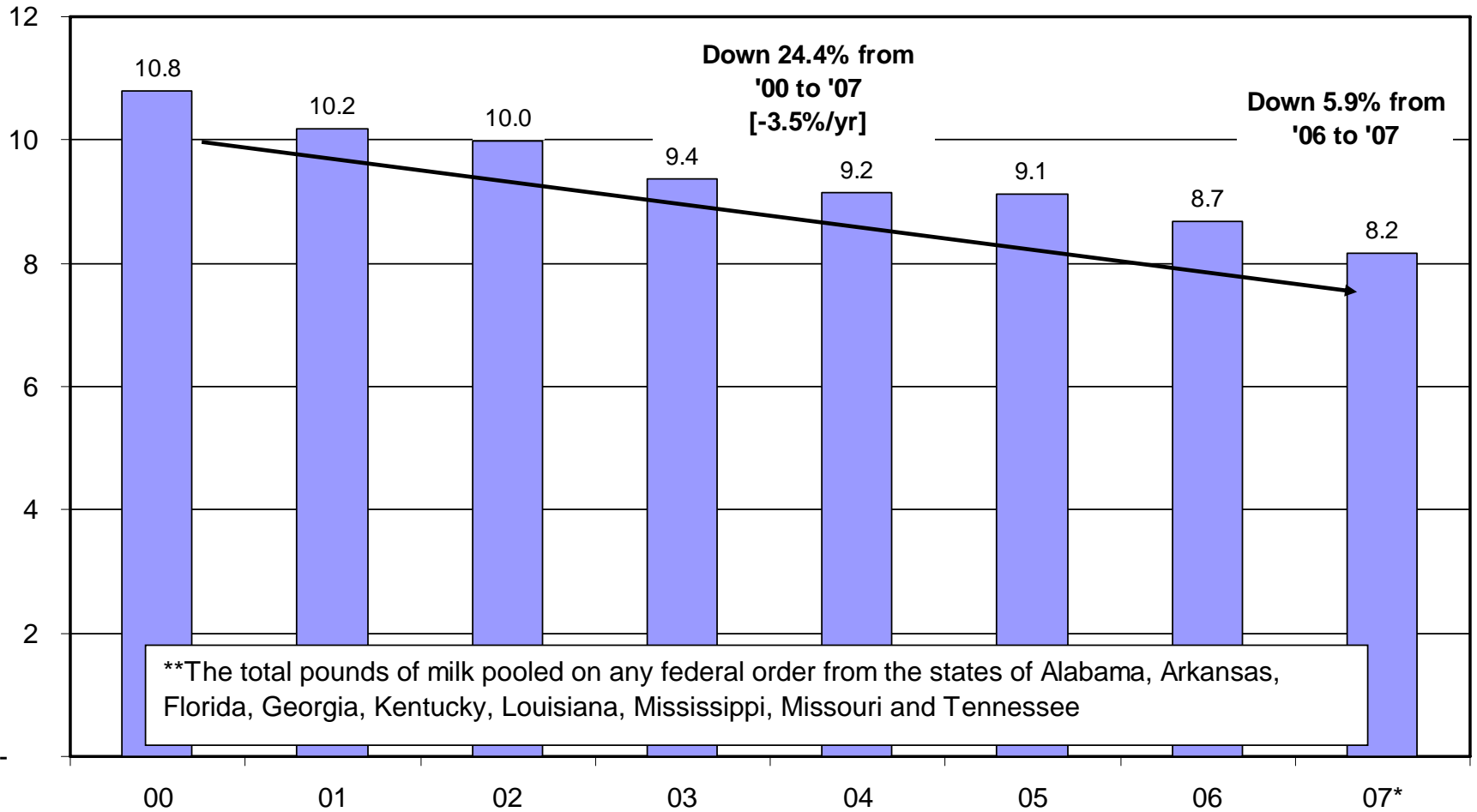


SE & FL Combined State Production (bil)

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2000-2007



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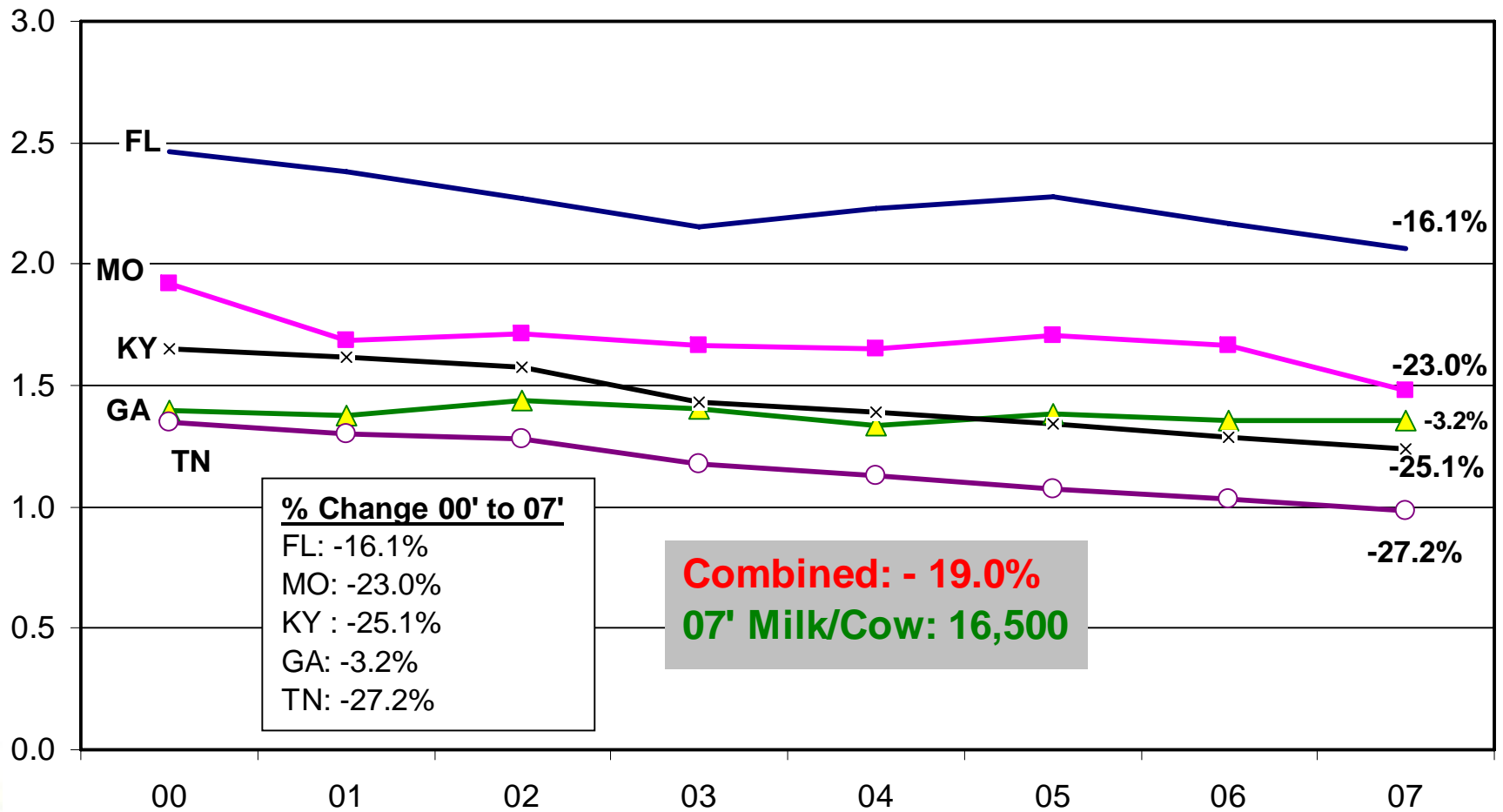


State Milk Production (bil)

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2000 - 2007



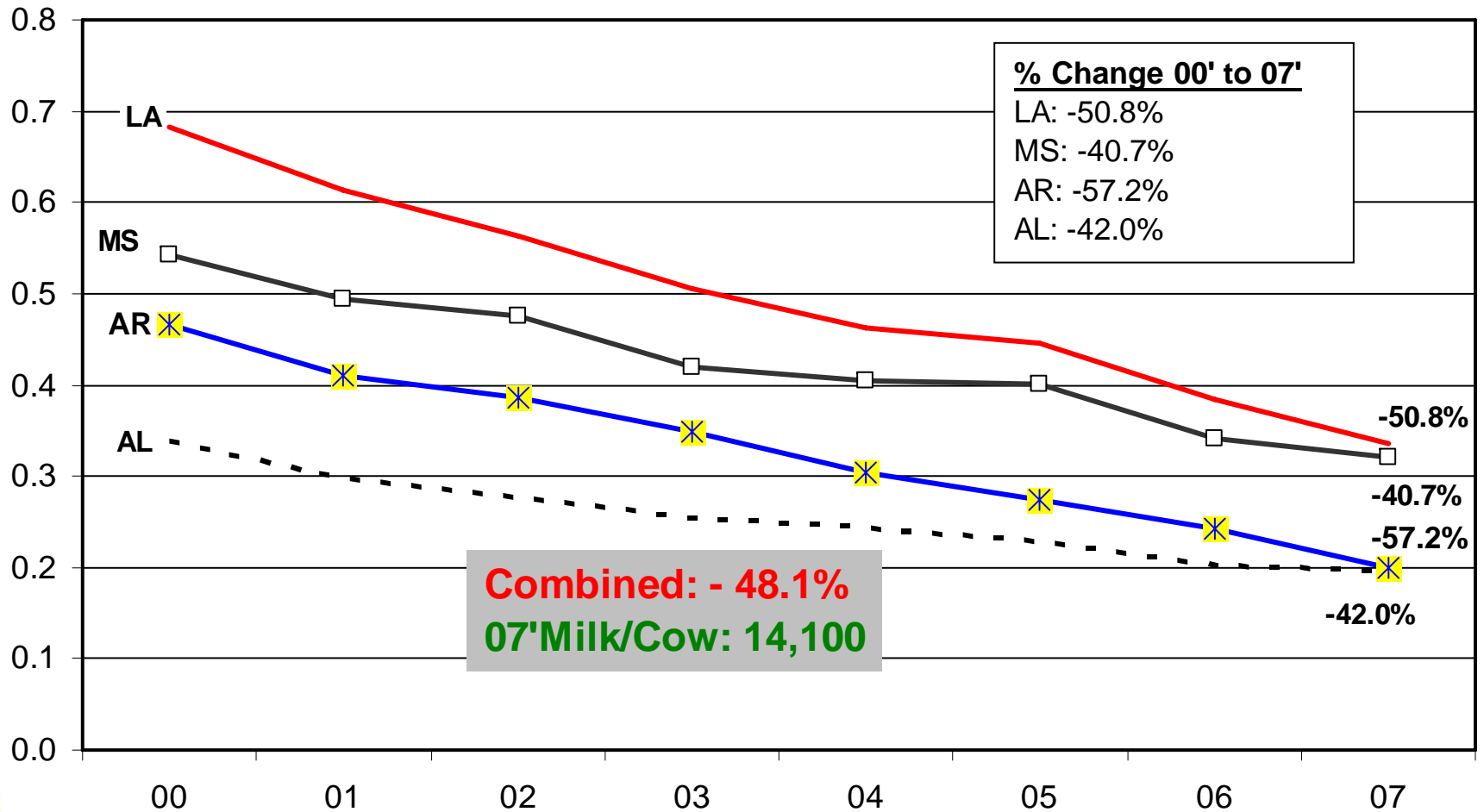


State Milk Production (bil)

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2000 - 2007



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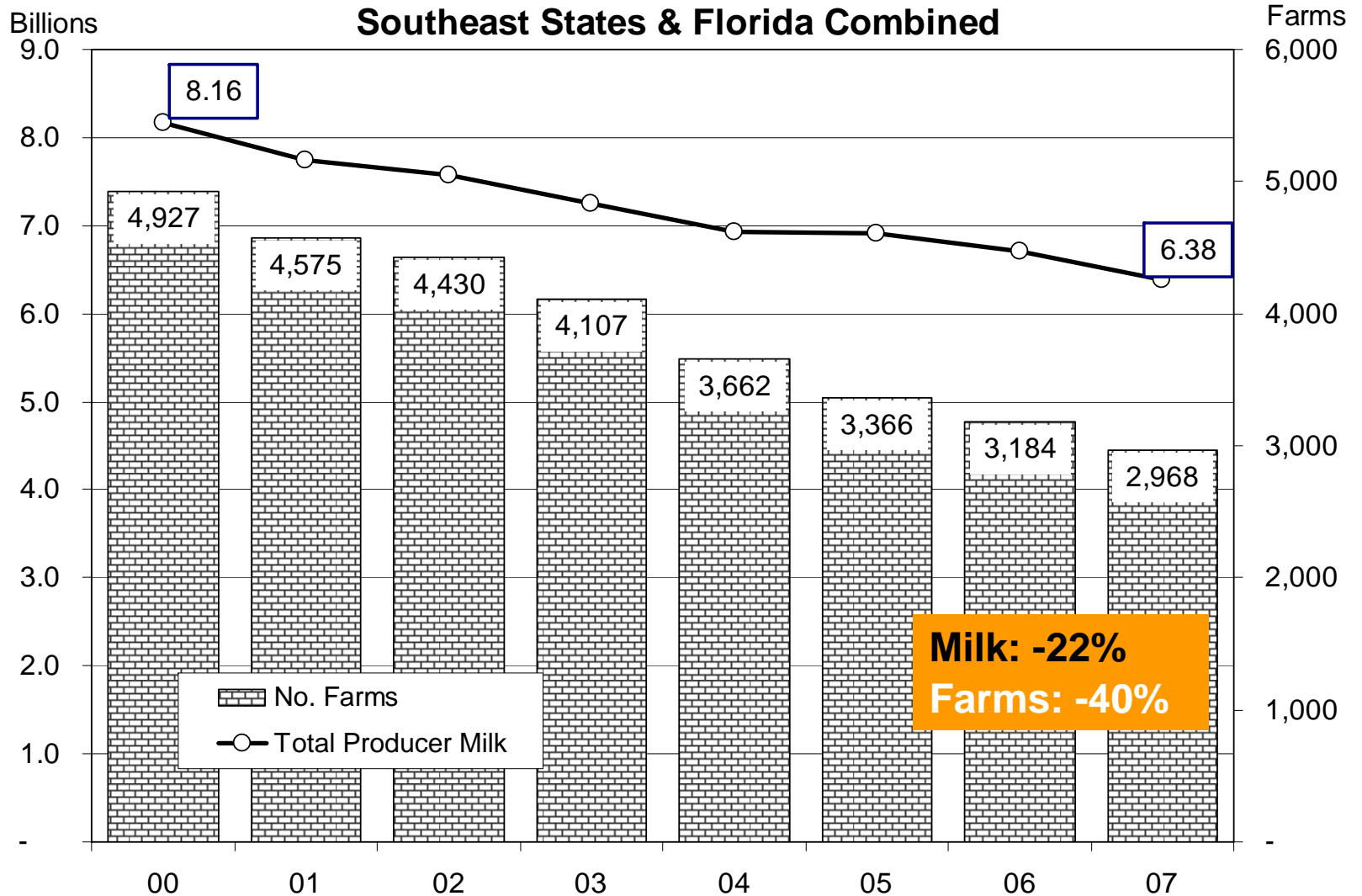
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Total Producer Milk and Number of Farms *

(*Pooled on Southeast & Florida Orders only)

2000 - 2007

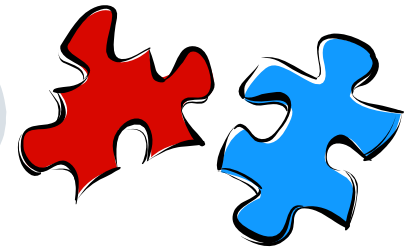


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Interim Final Rule Issued – March'08

→ Temporary Adjustments to Class I Prices in Appalachian, Florida and Southeast

1. Temporary adjustments to Class I pricing surface
2. Lower diversion percentage limits
3. Change delivery day requirements
4. Expand transportation credits

NOTE: *Increase to maximum administrative assessment (From 5 to 8 cents) addressed separately*





1 – Price Adjustments (Effective 5/1/08)

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<u>City</u>	<u>State</u>	<u>Class I Differential</u>	<u>Class I Price Adjustment</u>	<u>Adjusted Differential</u>
Clewiston,	FL	4.30	1.70	6.00
Deerfield Beech,	FL	4.30	1.70	6.00
Green Cove Springs,	FL	3.70	1.30	5.00
Lakeland,	FL	4.00	1.40	5.40
Miami,	FL	4.30	1.70	6.00
Orange City,	FL	4.00	1.40	5.40
Orlando,	FL	4.00	1.40	5.40
Plant City,	FL	4.00	1.40	5.40
Tampa,	FL	4.00	1.40	5.40
Winter Haven,	FL	4.00	1.40	5.40

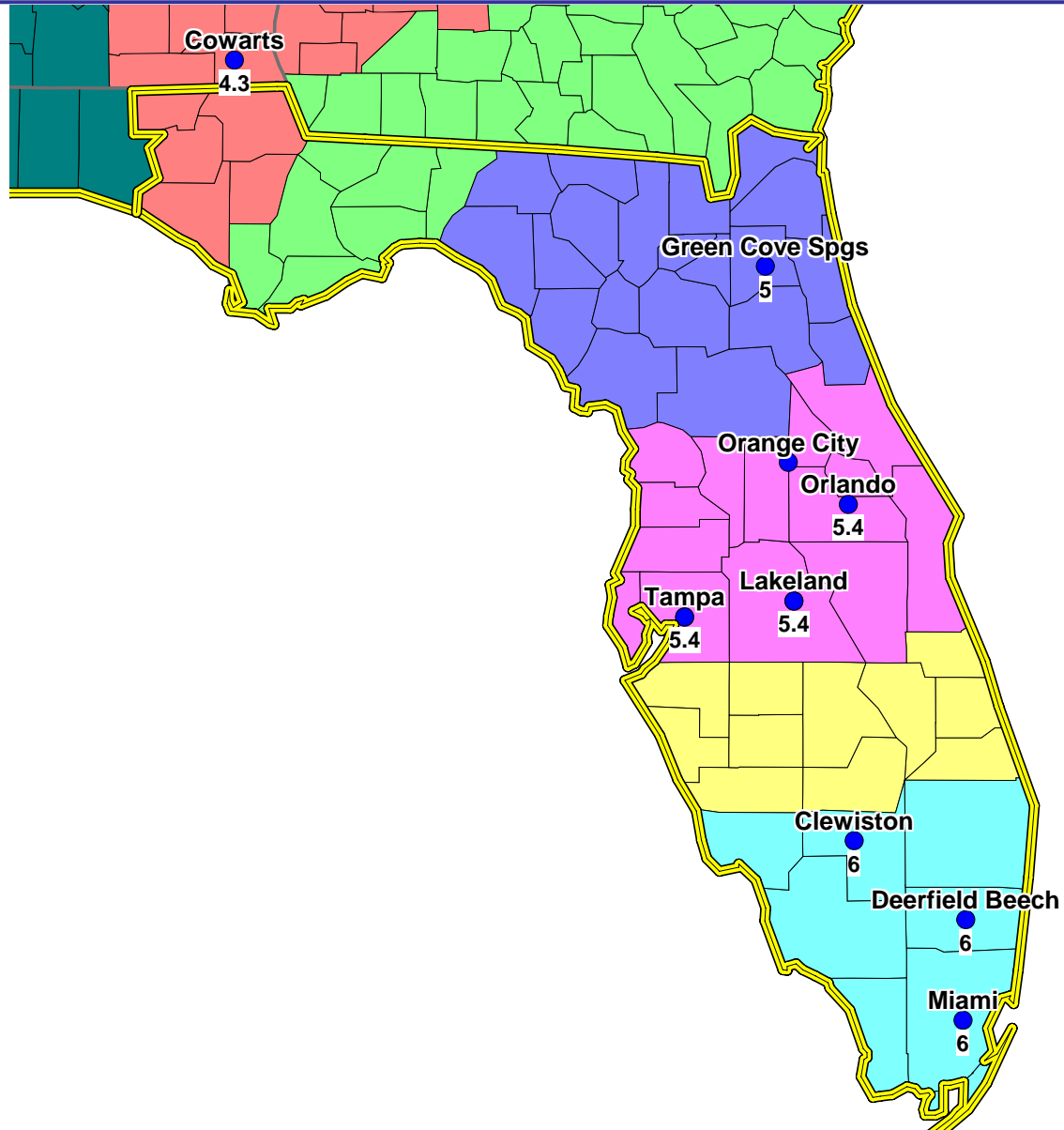




1 – Price Adjustments (Effective 5/1/08)

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1 – Price Adjustments (Effective 5/1/08)

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<u>State</u>	<u>City</u>	<u>Class I Differential</u>	<u>Class I Price Adjustment</u>	<u>Adjusted Differential</u>
AL	Birmingham	3.10	0.30	3.40
AL	Cowarts	3.45	0.85	4.30
AL	Decatur	2.90	0.30	3.20
AL	Prichard	3.50	0.50	4.00
GA	Atlanta	3.10	0.70	3.80
GA	Baxley	3.45	1.15	4.60
KY	Fulton	2.40	0.30	2.70
KY	Murray	2.40	0.30	2.70
LA	New Orleans	3.60	0.20	3.80
MO	Springfield	2.20	0.20	2.40
MS	Hattiesburg	3.40	0.40	3.80
MS	Kosciusko	3.10	0.20	3.30
TN	Memphis	2.80	0.10	2.90
TN	Murfreesboro	2.60	0.30	2.90
TN	Nashville	2.60	0.30	2.90



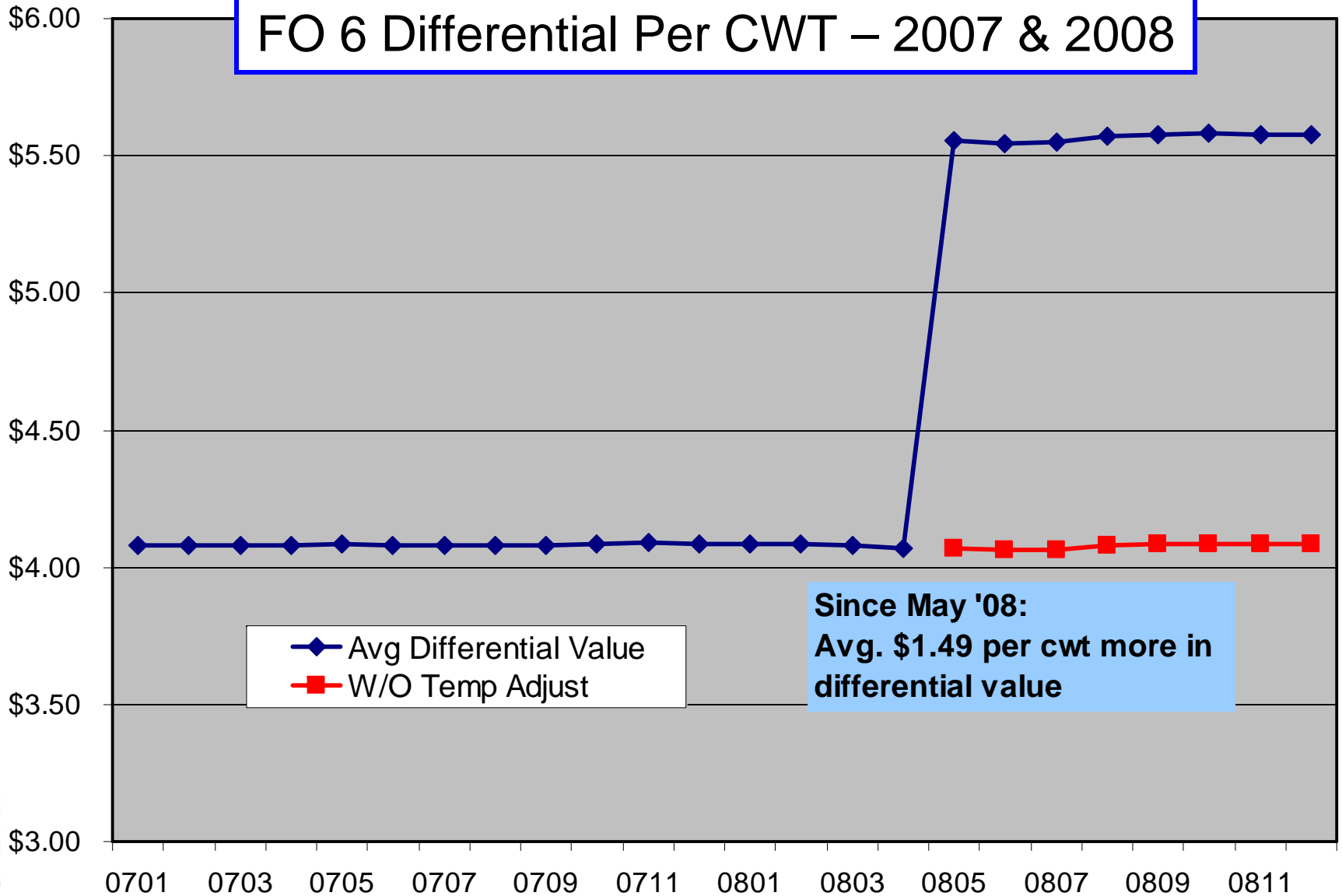
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FO 6 Impact of Price Adjustments

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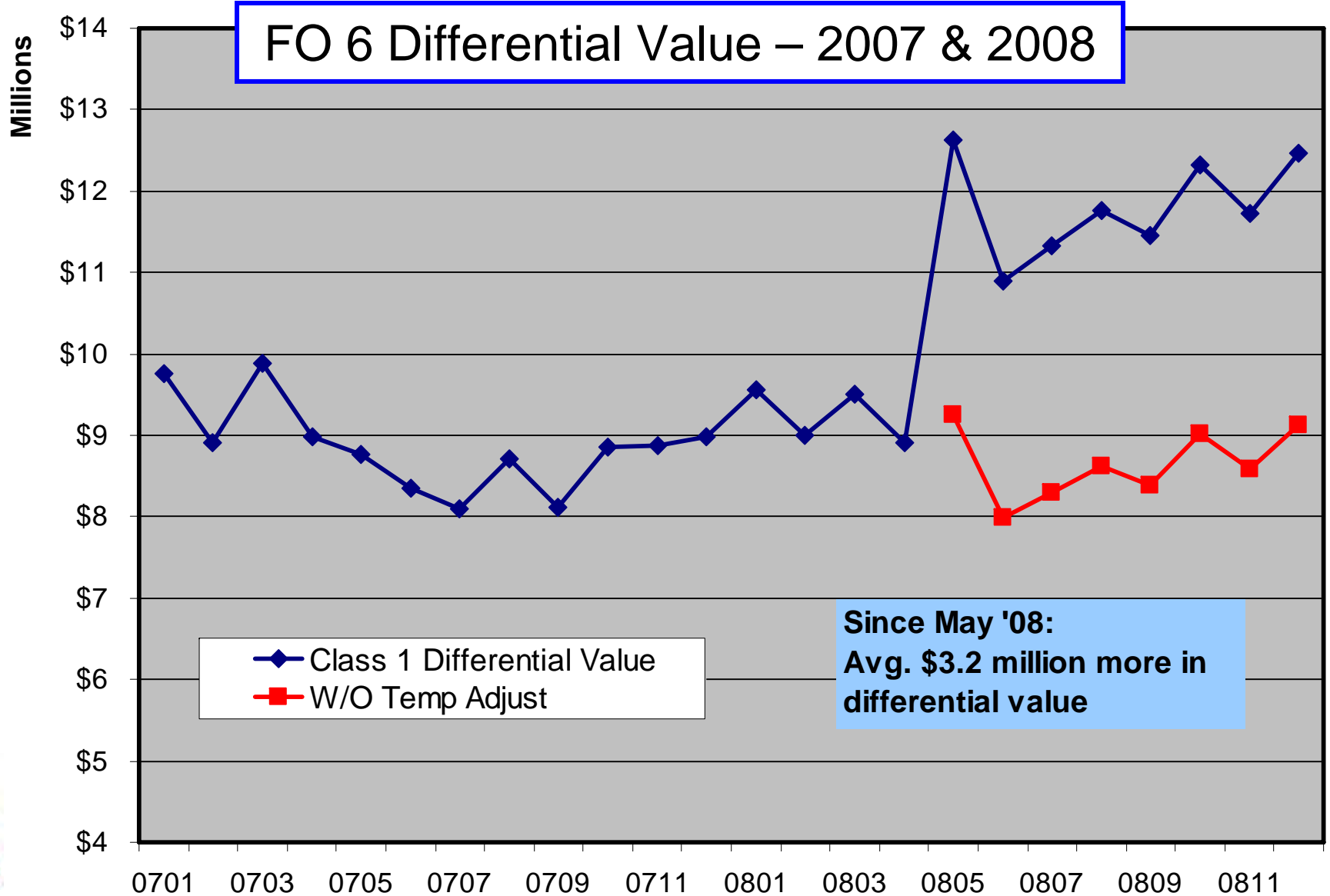
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FO 6 Impact of Price Adjustments

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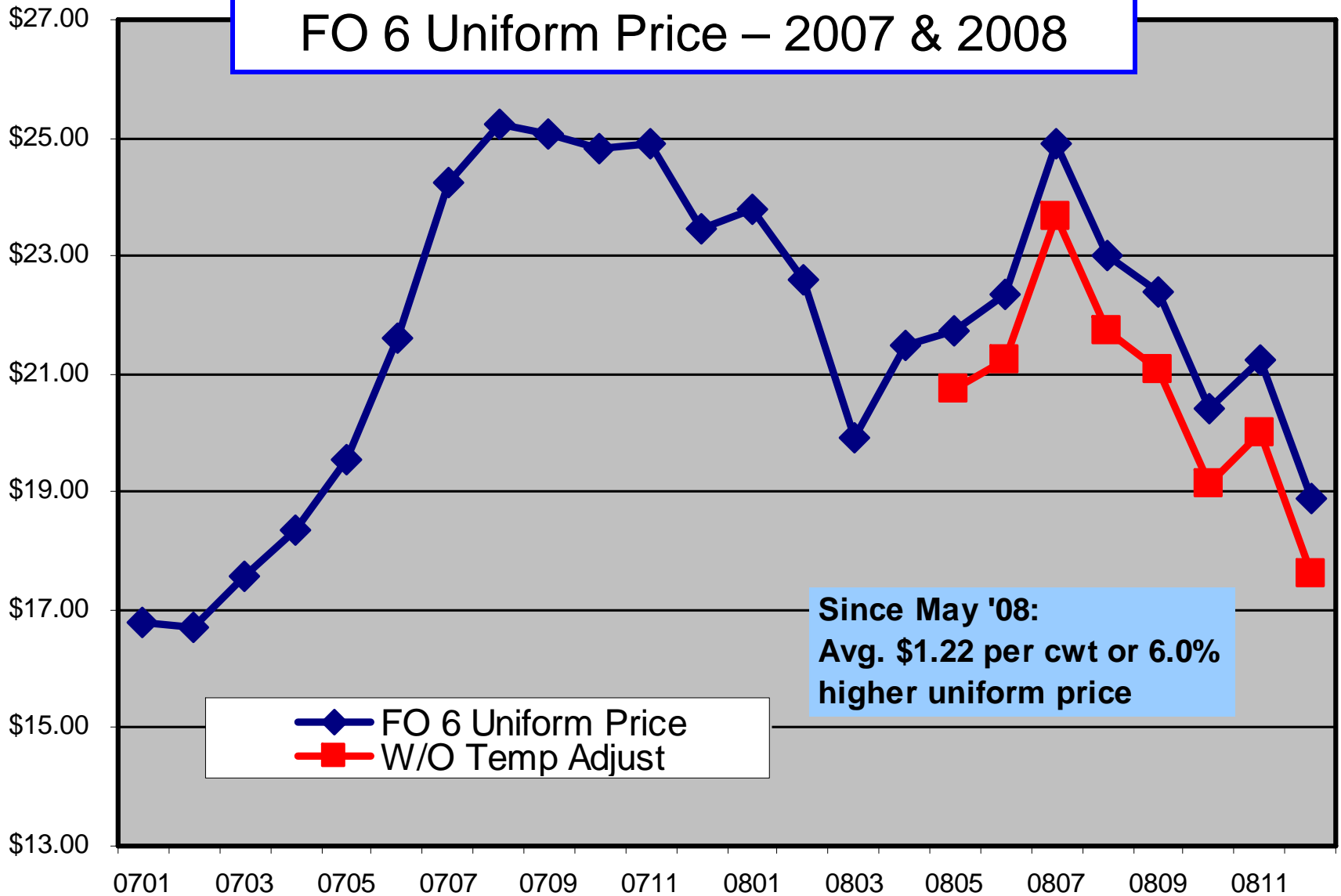




FO 6 Impact of Price Adjustments

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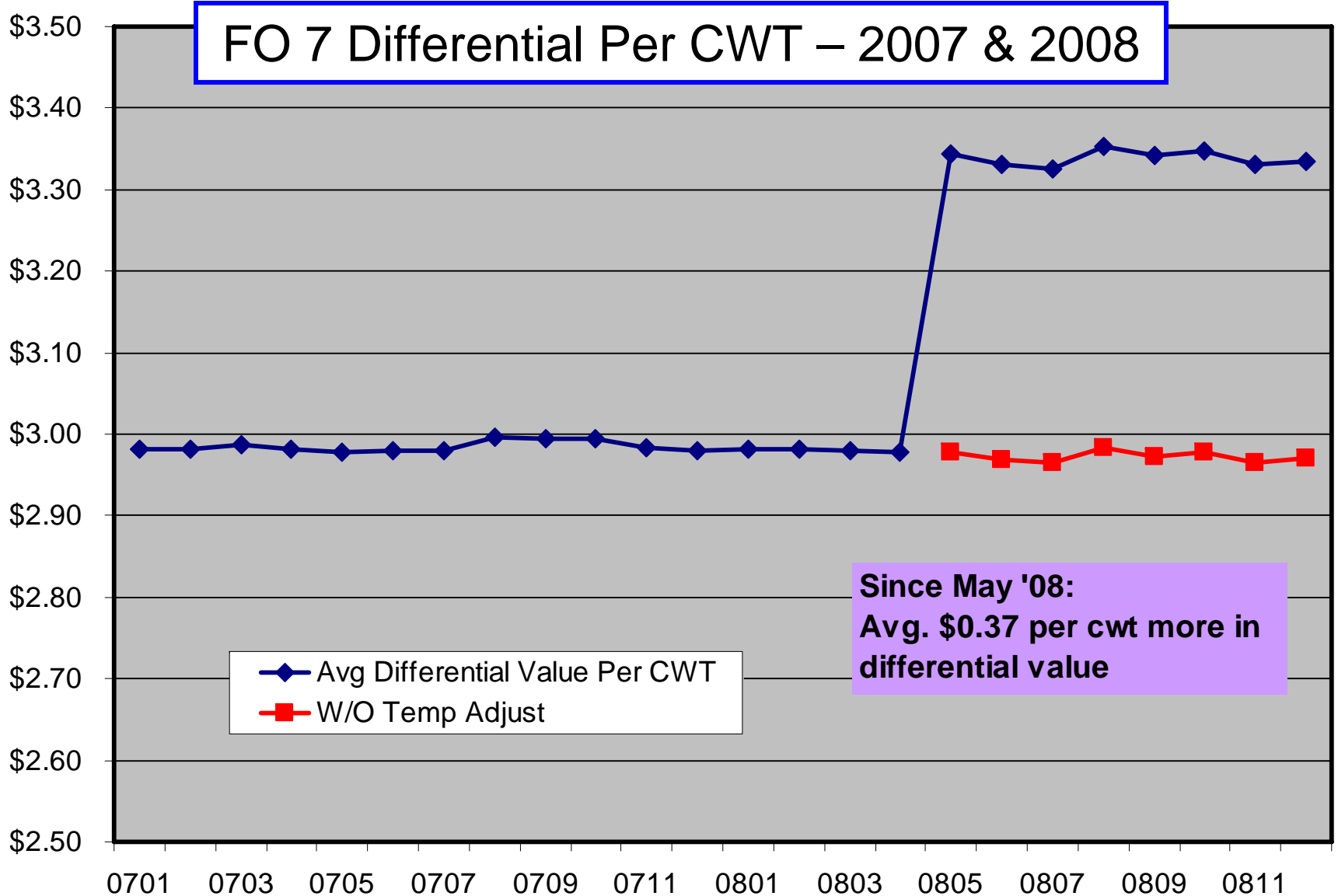
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FO 7 Impact of Price Adjustments

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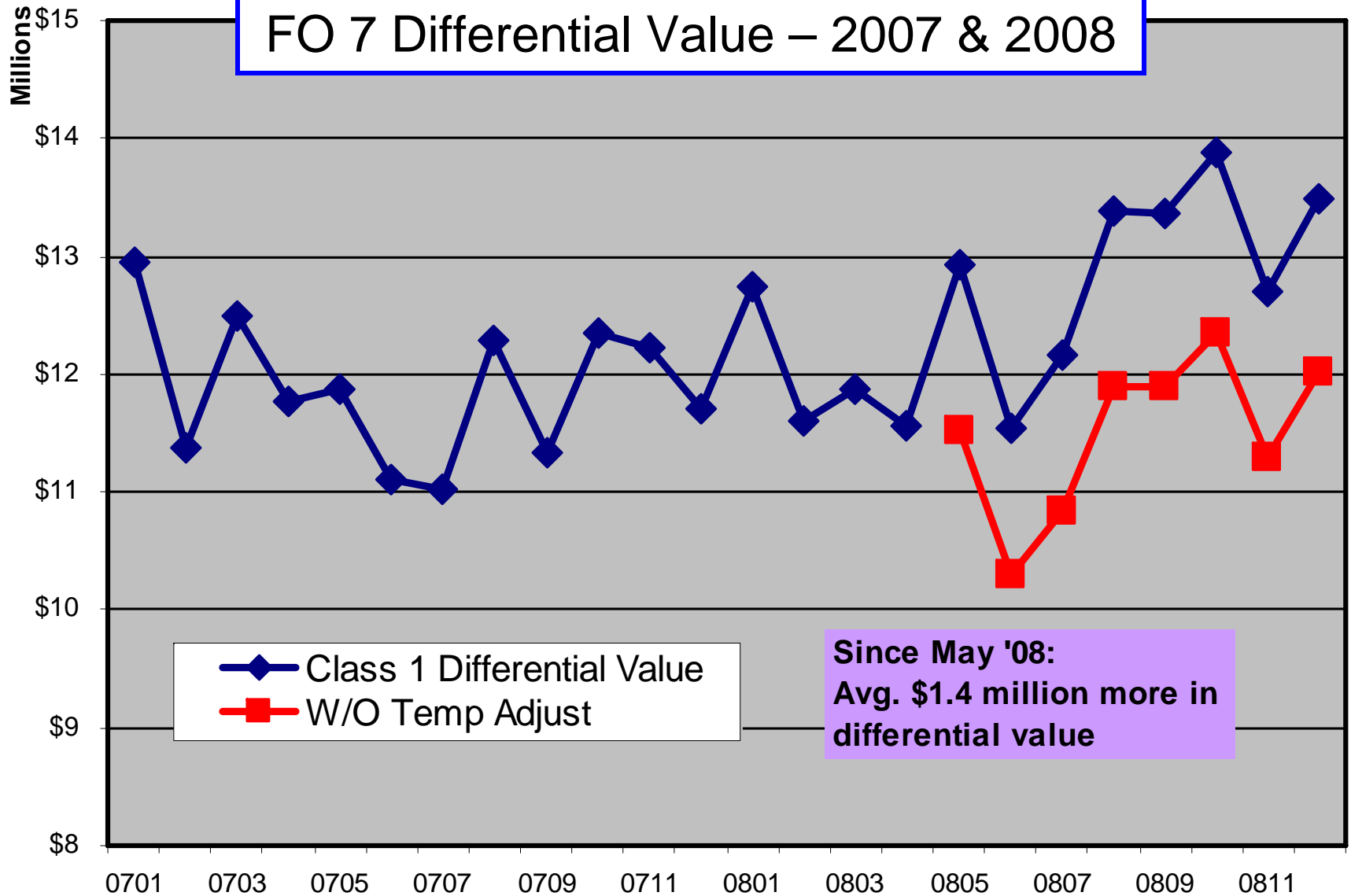
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FO 7 Impact of Price Adjustments

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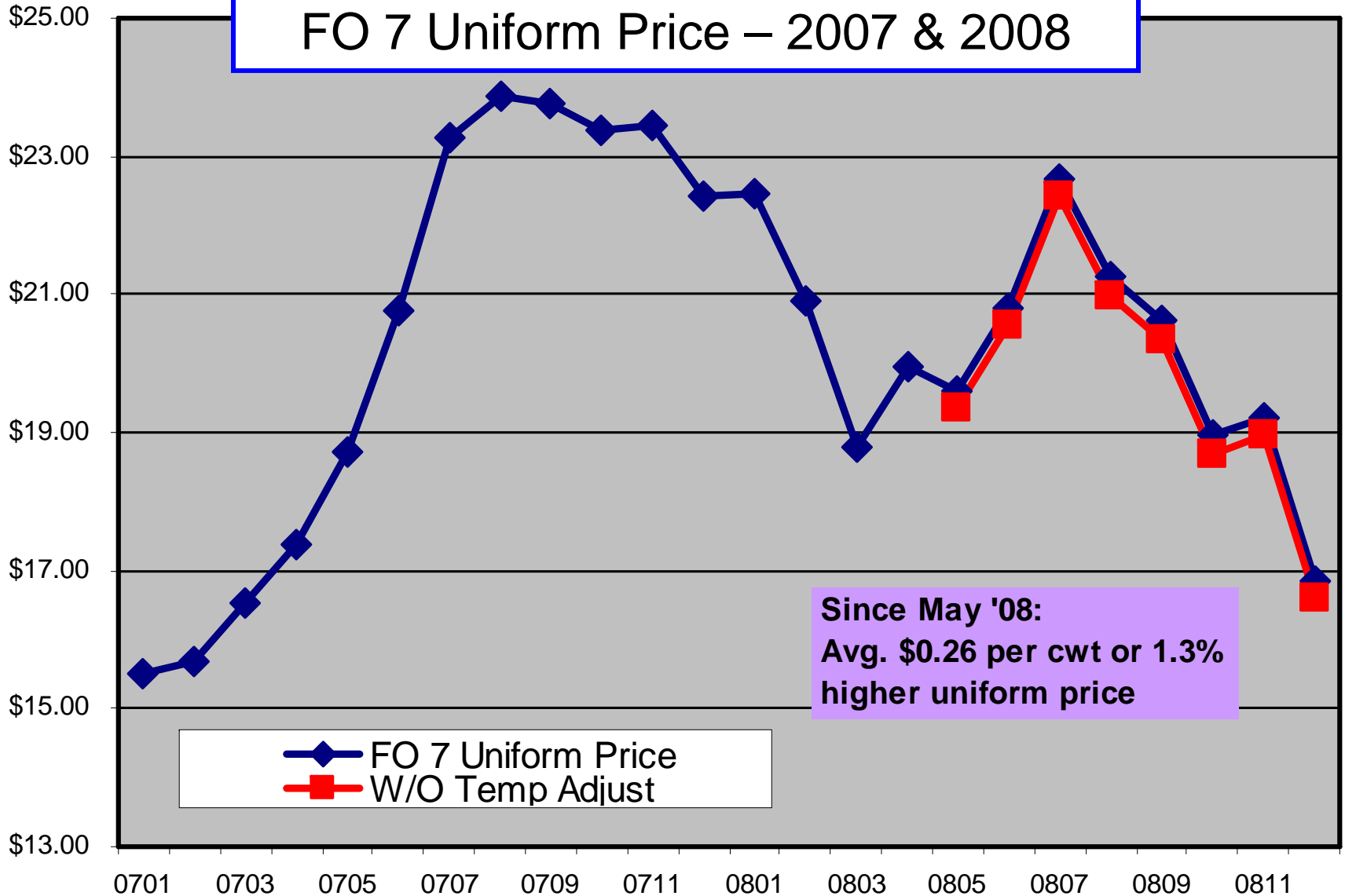
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FO 7 Impact of Price Adjustments

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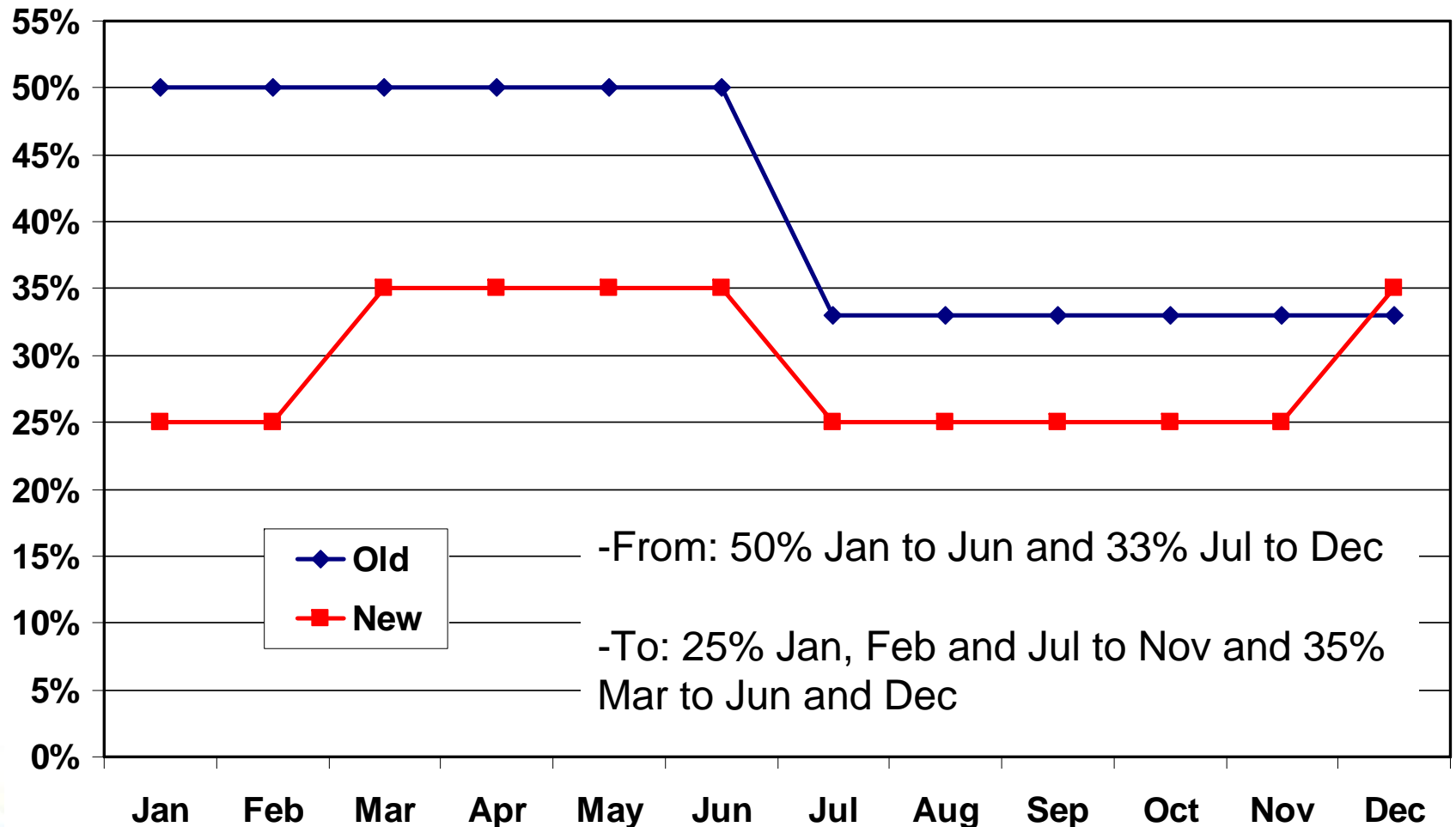


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2 – Diversion Limits

FO 7 Diversion Limits as Percentages



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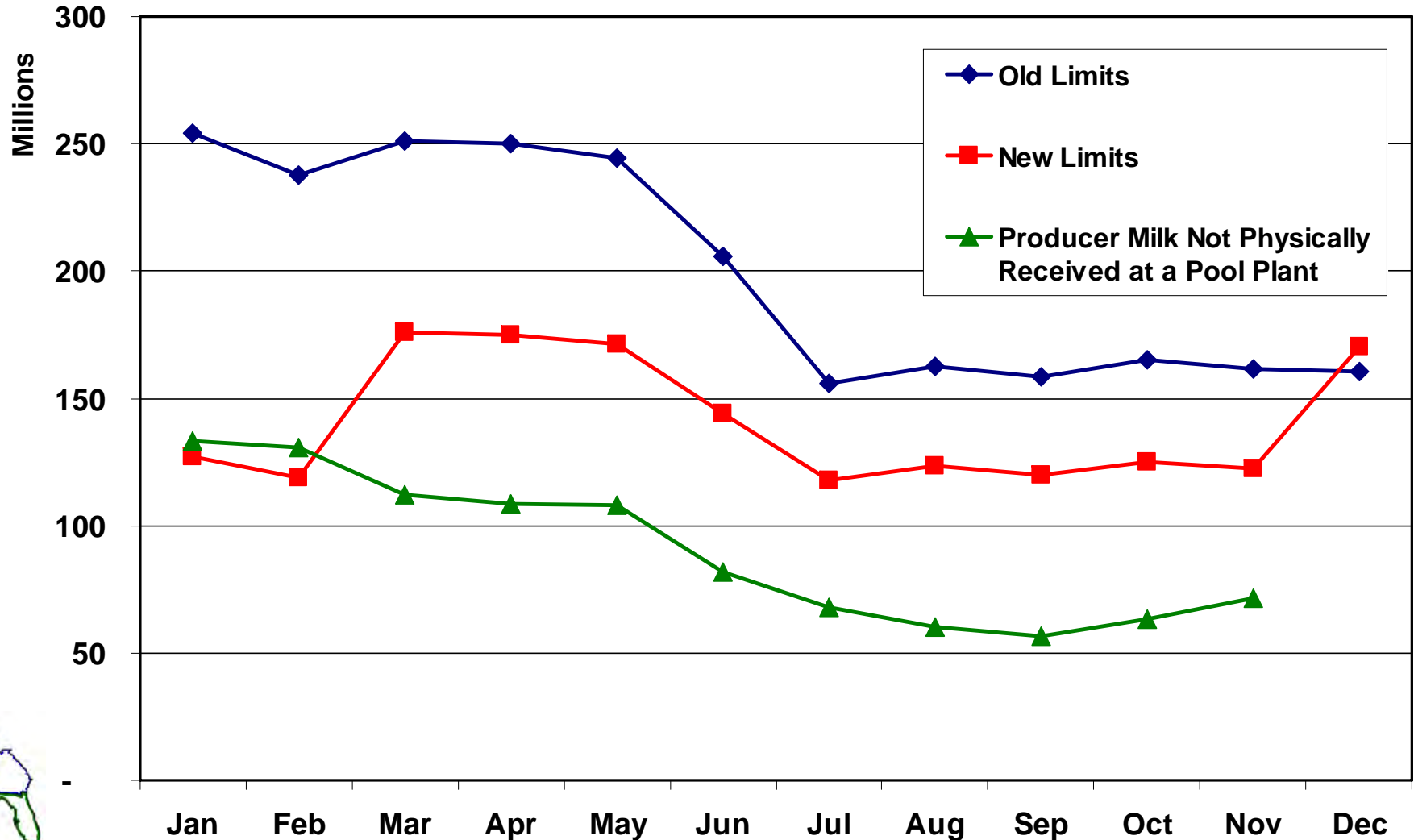


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2 – Diversion Limits

FO 7 Diversion Limits as Pounds - 2008



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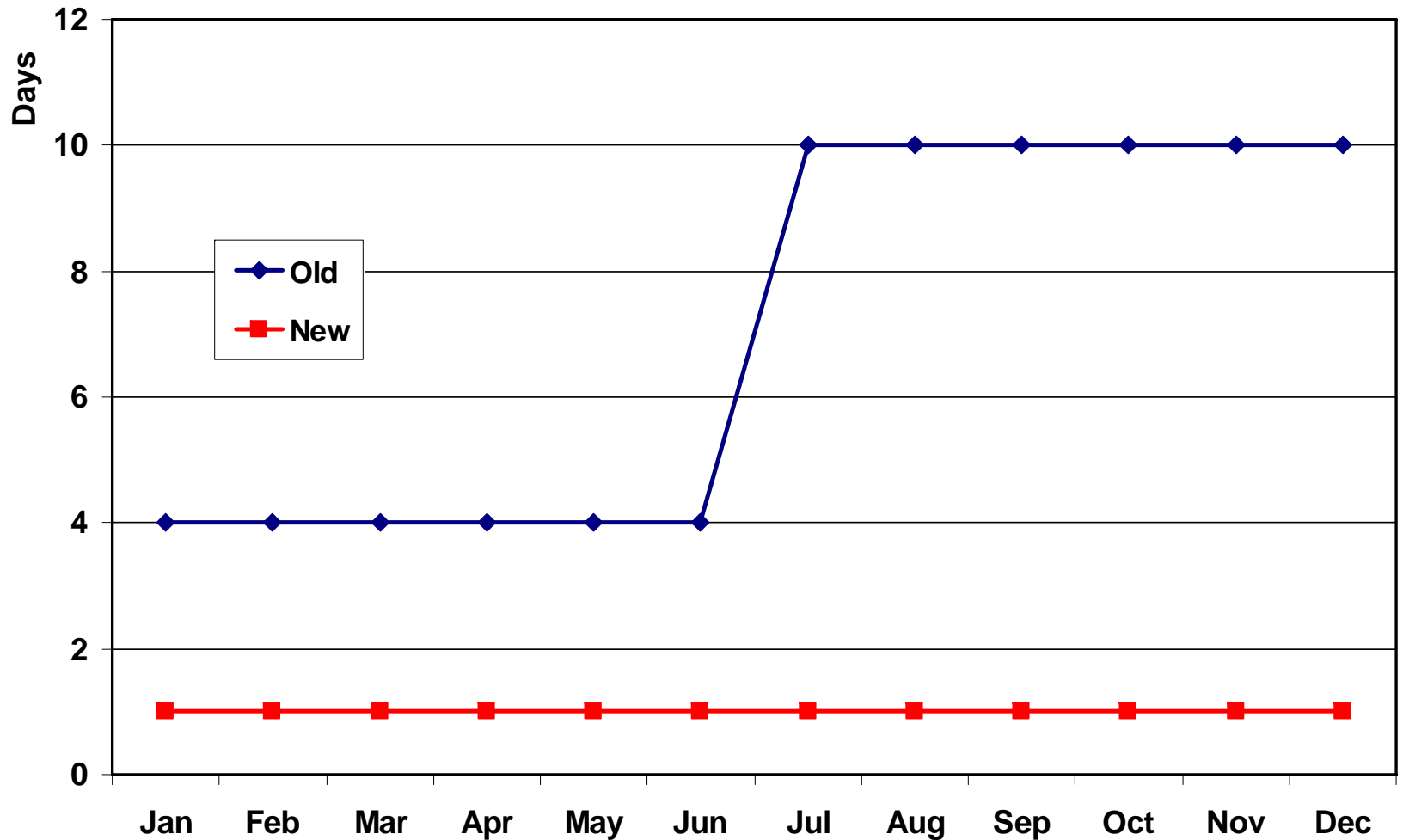


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3 – Delivery Day Requirements

FO 7 Touch Base Requirements



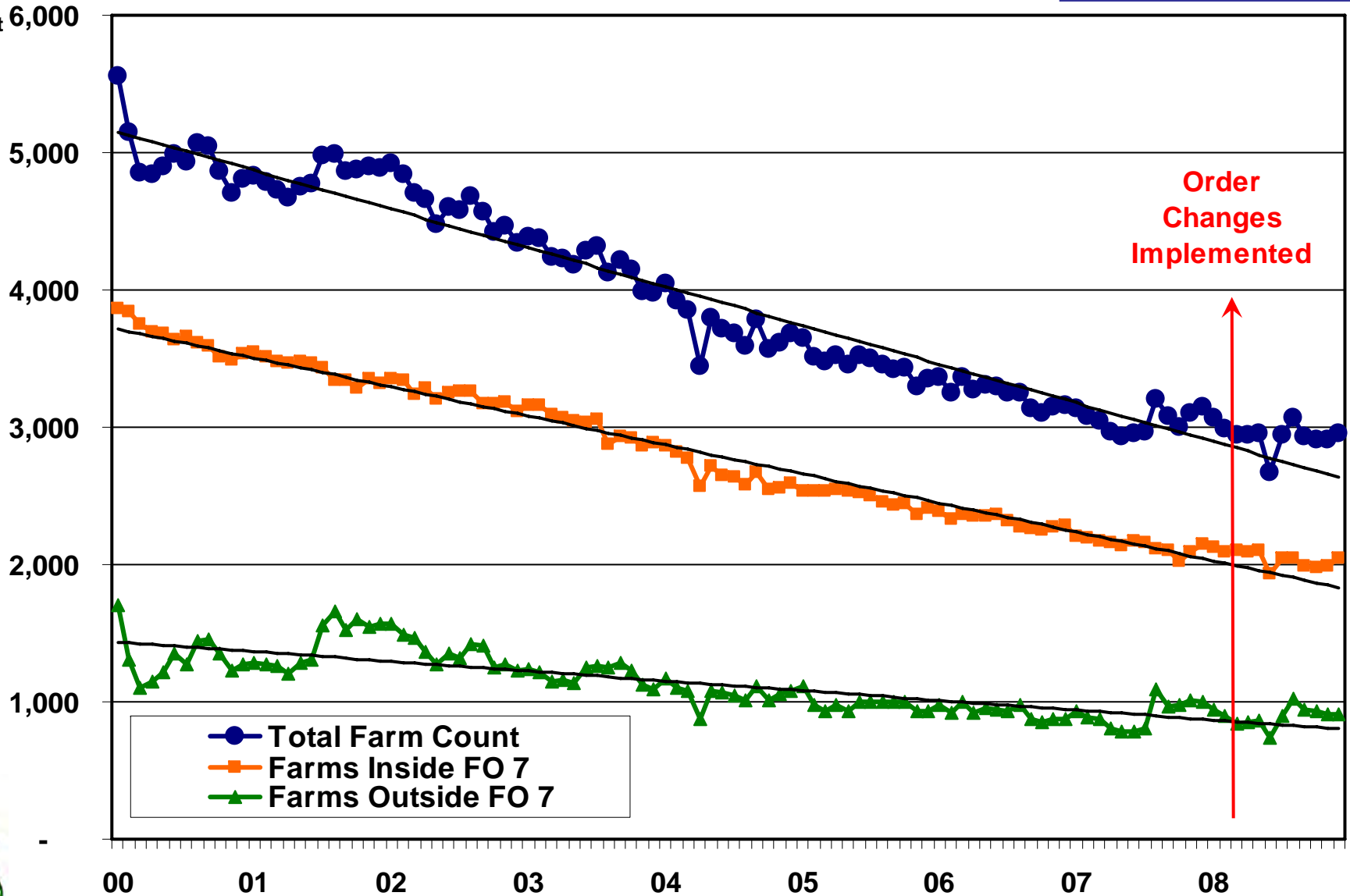
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Farm Count – 2000-08

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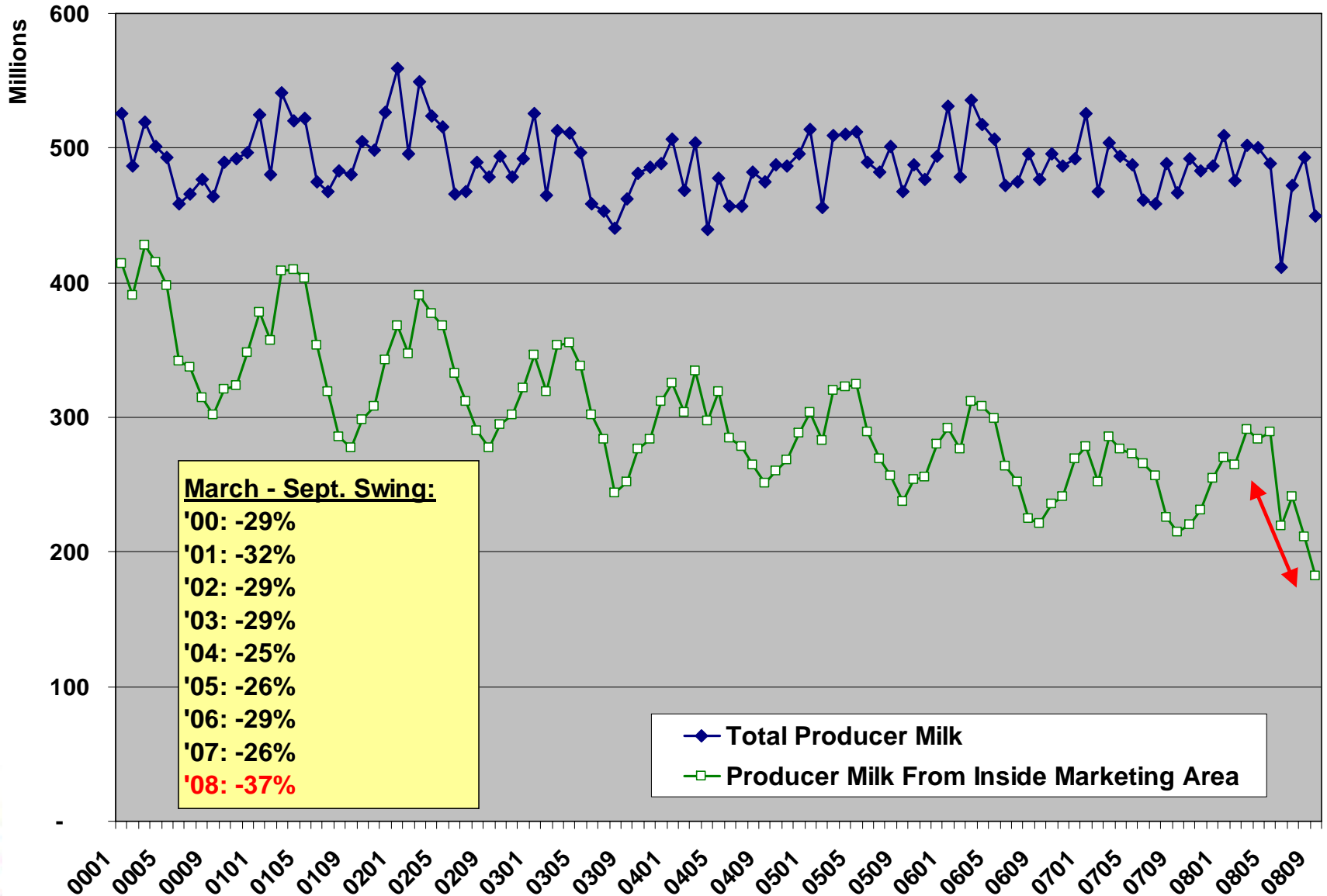
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FO 7 Seasonality of Supply

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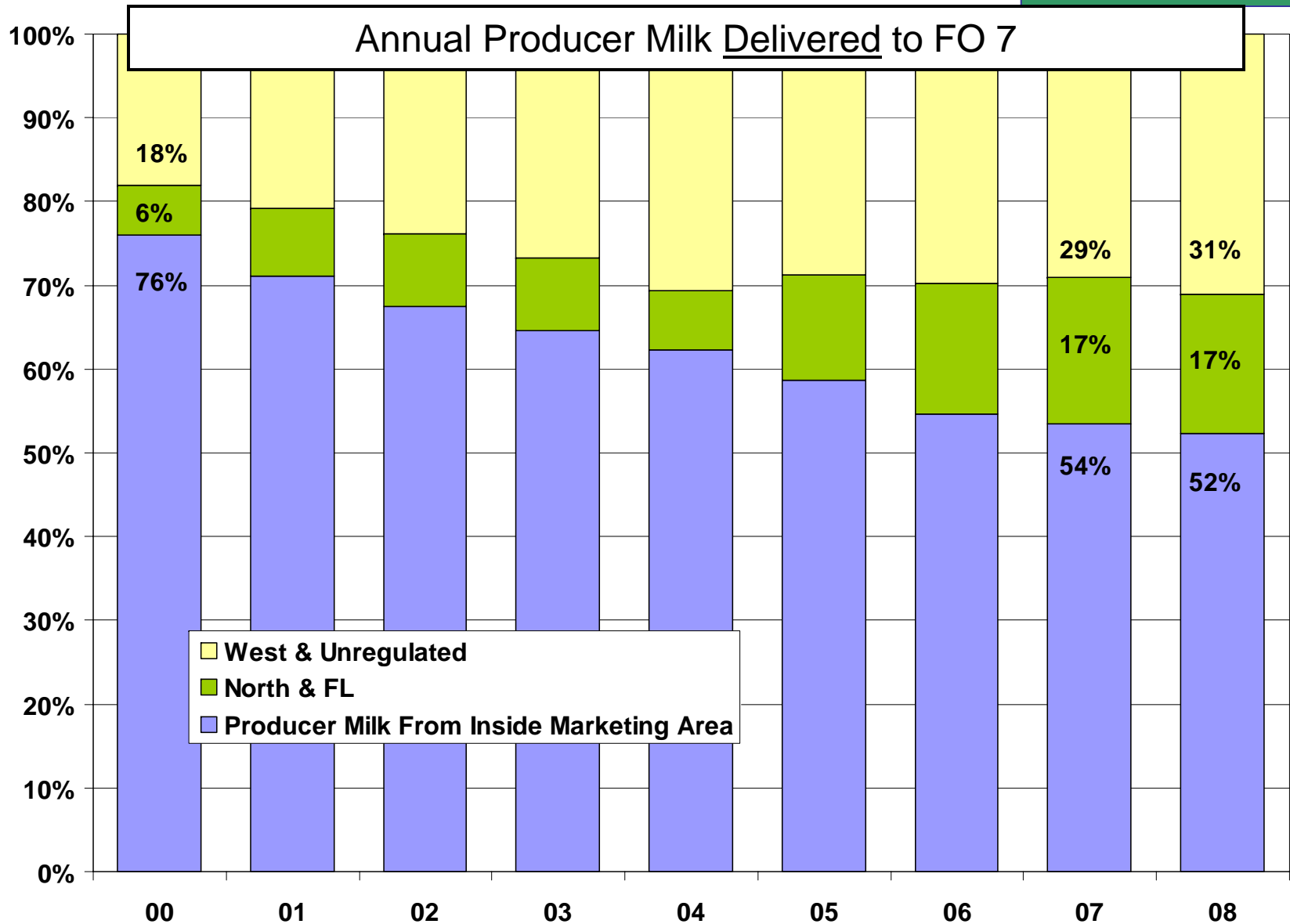




FO 7 Producer Milk by Source (%)

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4 – Transportation Credits

- Add January and February
 - *Were shown to be months with sufficient volumes of supplement milk to be added*
- Pay on full load
 - *Old rules reimbursed TC milk at lower of plant's or market's Class I utilization (i.e., less than 100%), but...*
 - *...TC milk travels to serve fluid demand, so ALL milk on the tanker will now be eligible for reimbursement*





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4 – Transportation Credits

- Simplify producer eligibility
 - *Old rule: Must not be pooled more than 2 months during February to May period , AND not more than ½ of production to be eligible*
 - *Now, Must not be pooled ½ days OR ½ milk during March to May period to be eligible*
 - *Equivalent standard, less ‘red tape’, hopefully more efficient*
- Increase max assessment from 20 to 30 cent
 - *If necessary, could add \$4.7-5.0 million*
 - *Effective May 1, assessment is 30 cents*





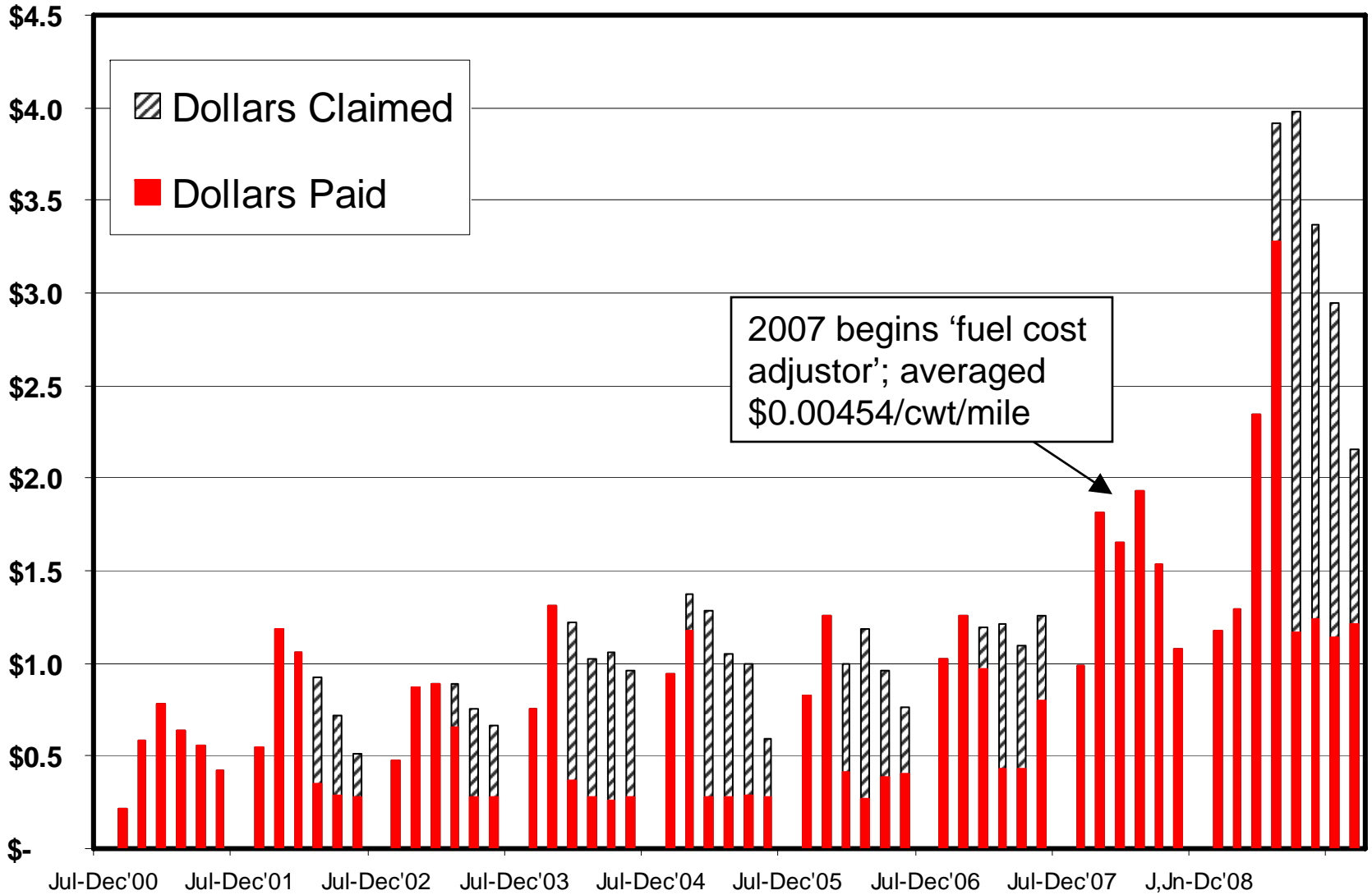
Transportation Credits (mil)

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Jul-Dec, 2000 – 2007, Jan & Jun-Dec 2008

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Millions



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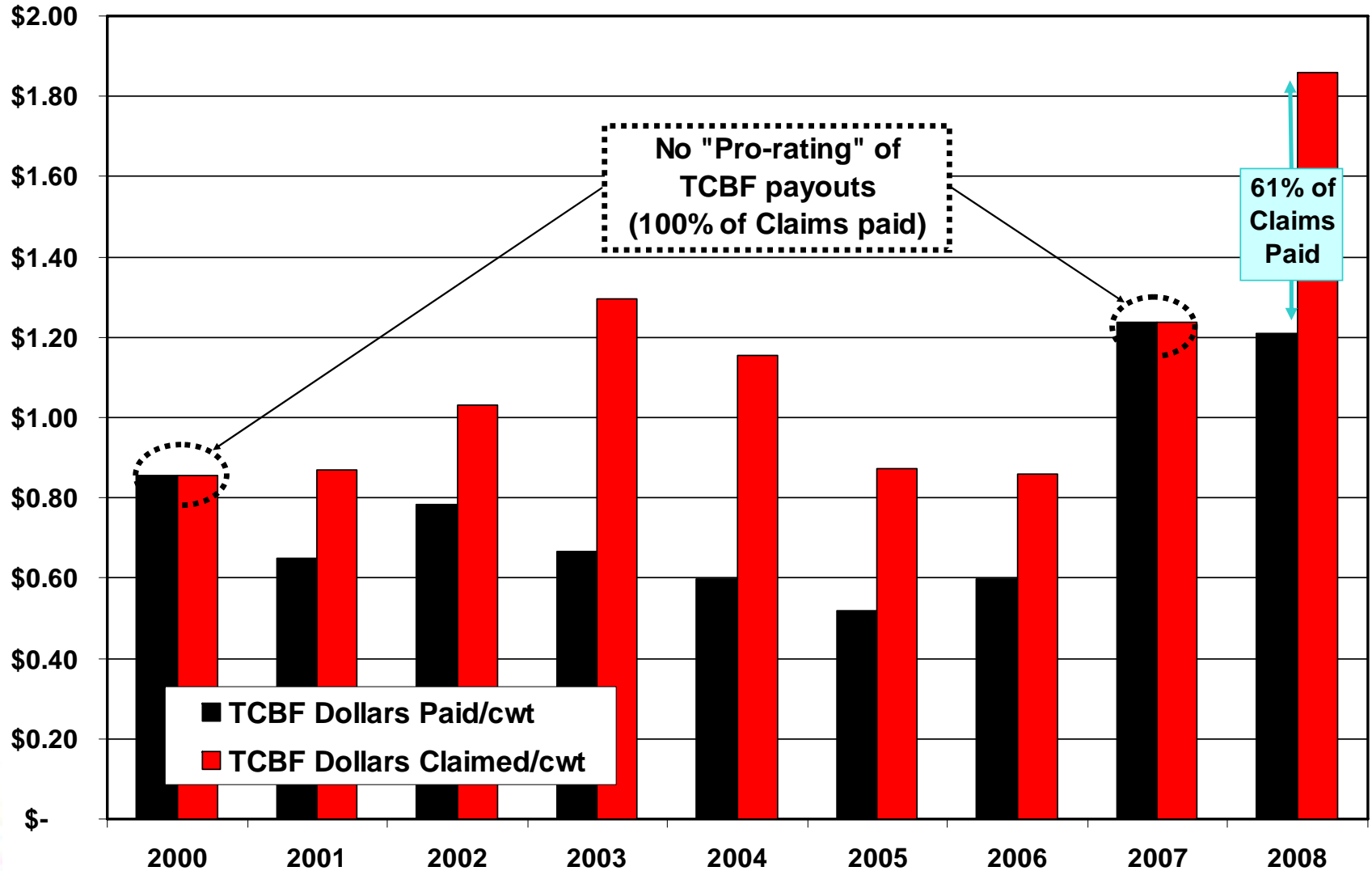


Transportation Credits / CWT

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Jul-Dec, 2000 – 2007, Jan & Jun-Dec 2008

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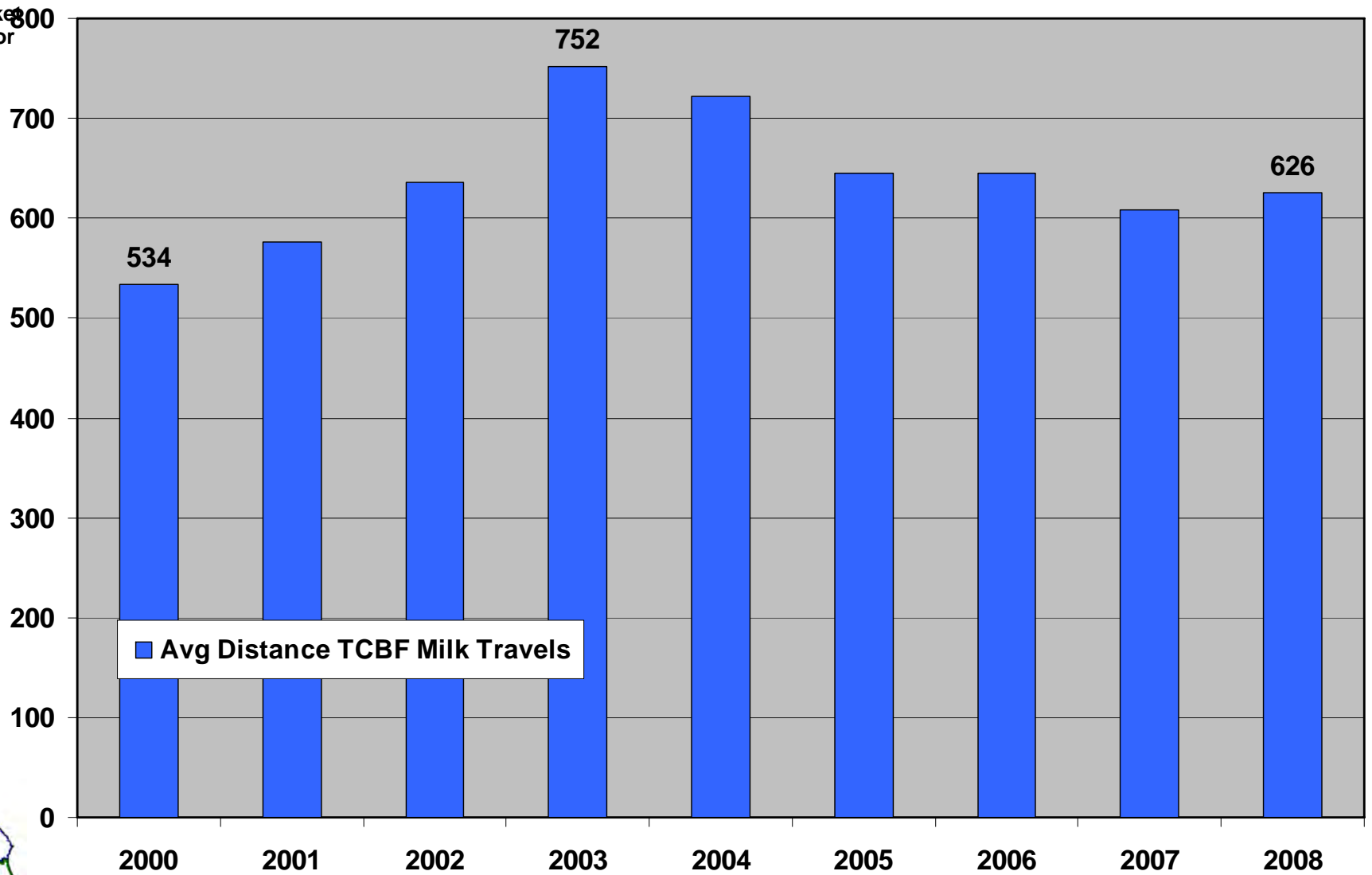
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Distance FO 7 TCBF Milk Travels

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Weighted average distance between farm and plant for TCBF milk pooled on FO 7.



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QUESTIONS?

The screenshot shows a web browser window with the address bar displaying <http://www.fmmatlanta.com/>. The page content includes a navigation menu on the left with links such as [Site Map](#), [What's New](#), [USDA Hurricane Disaster Resources](#), [Prices and Related Information](#), [Hearings & Proceedings](#), [Laboratory and Results](#), [Market Bulletin](#), [FO 6 Information Page](#), [FO 7 Information Page](#), [Handler Reporting & Pool Information](#), [Pool & Payment Dates FO 6 and FO 7](#), [Downloadable Forms](#), [Policies & Guidelines](#), and [Transportation Credit Balancing Fund Info](#). A central text box contains contact information: 1550 North Brown Road, Suite 120, Lawrenceville, Georgia 30043, Phone: 770-682-2501, Fax: 770-822-1038, and Email: smosley@fmmatlanta.com. To the right of this text is a map of the Southeastern United States with Florida highlighted in green. Below the text box is a 'Welcome Page' section with a navigation bar containing buttons for [Site Map](#), [Links](#), [Civil Rights](#), [Key Contacts](#), and [Contact Us](#). At the bottom of the page, the website URL www.fmmatlanta.com is displayed in large blue text. The browser's status bar at the bottom shows 'Done' and 'Internet'.



Federal Orders 6 &