



"The Cooperative Built on Trust"

May 10, 2013

Ms. Dana Coale, Deputy Administrator
USDA – AMS – Dairy Programs
Stop 0225, Room 2968 – South
1400 Independence Avenue, SW
Washington, DC 20250-0225

Via Email- Dana.Coale@ams.usda.gov

Via UPS tracking- #1Z R03 V79 01 9454 6063

Re: Southern Marketing Agency, Inc. (SMA) Request for Suspension
Milk in the Appalachian, Florida and Southeast Marketing Areas
AMS-DA-07-0059 and AMS-DA-09-0001

Dear Ms. Coale:

Southeast Milk, Inc. (SMI) submits this objection to the SMA request letter dated April 26, 2013 to suspend certain provisions of Orders 5 and 7 pertaining to transportation credits; specifically (C.F.R. Parts 1005 and 1007). SMI recommends the department use Notice and Comments rulemaking procedures already in existence to deal with any such request of this nature.

SMI wants to point out three specific areas of concern the cooperative has with regards to the SMA suspension request.

The first area of concern is the timing of this request. SMI and I suspect others involved with the marketing of milk in Federal Orders 5 and 7 have already put in place contracts that have relied on the existing transportation credits. Suspending those credits will harm the members of SMI and others involved with the aforementioned contracts. The SMA request denies others marketing milk within the Orders advance planning opportunities and pooling decisions, both of which are critical considerations to accomplish the orderly flow of milk from farm to market. The creation of these contracts entered into by SMI occurred prior to the April 26th letter date of SMA and continues for the entire request period including July, 2013 through February, 2014. It seems clear that SMA allowed themselves the opportunity of pre-planning their needs without consideration to others operating in the market place. If the department were to grant the suspension, the members of SMI would be harmed as well as all of the decisions, negotiations and planned movement of milk from farm to market which relies on the existing transportation credit levels in place today.

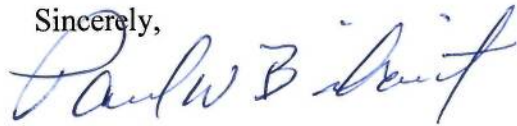
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We would also like to point out to the department that SMA, in their request letter clearly points out the need for transportation credits today and yet defies this need by asking for a suspension. It is our belief that suspending transportation credits will disrupt the market place with potential unintended consequences. Federal Orders 5 and 7 is recognized by the department as a deficit market and as such requires incentives for the orderly movement of milk to supply the market at all times of the year. Suspending transportation credits with such short notice, we believe, will result in interruption of supply and consequently a more volatile pricing system in the Southeast. We ask that the department consider the ramifications of the SMA request on the Class I sales that already are under extreme consumer purchasing pressure. Such an action could further erode Class I sales. Class I sales is the backbone of the dairy industry in Orders 5 and 7 and every step should be taken to protect the highest level of sales possible.

We also object to the isolated nature of the SMA request, namely suspension of transportation credits without or consideration for the effect of Class I differentials, touching base in the orders and diversion limits is dangerous. The temporary order granting the existing transportation credits was not done in a vacuum and suspending them should not be considered in a vacuum. The economic considerations of just suspending transportation credits without considering the impact of all factors under the temporary order should not be undertaken by the department in isolation. All of the factors making the temporary order should be reviewed and this review process is best served by the department's use of the Notice and Comments rulemaking procedures already in existence.

We respectfully submit that the request be denied.

Sincerely,



Paul W. Bikowitz
Chief Executive Officer
Southeast Milk, Inc.

cc: Mr. Harold Friedly, Jr., Market Administrator, Appalachian Order
Mr. Erik Rasmussen, Acting Market Administrator, Southeast Order3
Mr. Barry Myers, Cobblestone Milk Cooperative, Inc.
Mr. Michael Myatt, Cooperative Milk Producers Association, Inc.
Mr. Randy McGinnis, Dairy Farmers of America, Inc.
Mr. Elvin Hollon, Dairy Farmers of America, Inc.
Mr. Rance Miles, Select Milk producers, Inc.
Mr. Greg Speck, Select Milk Producers, Inc.
Mr. Abel Villalpando, Zia Milk Producers, Inc.
Mr. James Baird, Lone Star Milk Producers
Ms. Sonya Fabian, Lone Star Milk Producers

Mr. Jay Bryant, Maryland & Virginia Milk Producers Cooperative Association
Mr. Evan Kinser, Dean Foods Company
Mr. Thomas Pittman, Premier Milk, Inc.
Mr. Kurt Williams, Lanco Pennland Quality Milk Producers

Sent via USPS