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December 19, 2022

Via email to: amsdairycomments@usda.gov
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Ms. Dana Coale, Deputy Administrator
Agricultural Marketing Service
United States Department of Agriculture
USDA-AMS-1400 Independence Avenue, SW
Washington, D.C. 20250-0225

Re: Invitation to Submit Proposals for Possible Hearing

Dear Ms. Coale,

Prairie Farms Dairy, Inc. is submitting proposals for consideration at a possible hearing for Orders 5, 6, and 7.

Prairie Farms is a Capper-Volstead cooperative with members located in the Federal Order 5 and 7 Marketing Areas. Prairie Farms and its subsidiaries also operate nine pool distributing plants in the Federal Order 5 and 7 areas. Common characteristics of these Marketing Areas is the decreasing raw milk supply and the growing population. With the increased population, there is an increased demand for dairy products.

The per capita milk production in the southeastern part of the United States is a relatively simple and direct analysis of both the milk supply and population growth. The Federal Order 32 Market Administrator has prepared a per capita milk production data series for many years. This information is published in their February monthly newsletter and available on the Order 32 website. The 1997 per capita milk production data and the 2021 per capita milk production data for the southeastern United States is summarized in the table below.

Changes in Per Capita Production in the Southeast U. S.				
	1997	2021	pounds change	% change
Alabama	97	8	-89	-92%
Arkansas	254	20	-234	-92%
Florida	169	100	-69	-41%
Georgia	199	167	-32	-16%
Kentucky	464	201	-263	-57%
Louisiana	183	27	-156	-85%
Mississippi	232	36	-196	-84%
North Carolina	170	87	-83	-49%
Missouri	438	164	-274	-63%
South Carolina	104	31	-73	-70%
Tennessee	297	73	-224	-75%
Virginia	276	170	-106	-38%
West Virginia	147	42	-105	-71%

Data from Federal Order 32 Market Administrator

With the decreased milk production in the Orders 5, 6, and 7 area, there are longer routes and increased miles to deliver the milk from the remaining producers to fluid milk plants. The balancing of the daily and weekly needs of the marketplace often results in the movement of milk to fluid plants that are not the plant closest to the producer. The routes become even longer with more miles. The delivery costs continue to increase. Producers or the cooperatives are compelled to absorb these costs. Transportation credits for out-of-area milk has been part of the solution. There has not been a similar solution for producer milk inside the marketing area. The proposals listed below will apply the proposed assembly performance credit and the expanded transportation credit to all milk--both the in-area and out-of-area milk.

Proposals A, B, and C- Assembly Performance Credits for Orders 5, 6, and 7

The purpose of the Assembly Performance Credit is to provide assistance for the assembly, dispatch, and delivery of producer milk to fluid plants. Balancing the day-to-day variations in fluid plants' milk requirements is also included as part of the milk assembly, dispatch, and delivery. The Assembly Performance Credit will be uniformly shared with all producer milk delivered to a pool distributing plant regulated by the specific Order.

The distributing plants would contribute to the Assembly Performance Credit Fund (APCF) on their Class I volume. The per hundredweight payment from the fund would be the same for every pound of milk that delivered to the fluid plants. There would be no distinction made based on in-area or out-of-area milk. This uniform sharing is fair and equitable.

There may be a future need to increase or decrease the fluid plant contribution to the APCF. Language is included that provides a method for the contribution amount to be changed without the need to have a Federal Order hearing.

Proposals D and E- Changes to Transportation Credits for Order 5 and Order 7

The current Order language makes a producer located inside the marketing area boundaries ineligible for transportation credits. The regulations also do not allow a producer located outside the marketing area to be eligible for transportation credits if more than 50% of the producer's milk in the March-May period delivered to an Order pool distributing plant or if more than 45 days of that producer's milk delivered to an Order pool distributing plant. Proposals D and E would remove these restrictions.

These restrictions promote inefficient milk movement and increased transportation costs. During the spring and early summer the fluid plants are supplied with milk from within the marketing area first, then milk from outside the marketing area. The milk coming from outside the marketing area is usually the milk closest to the marketing order boundaries to the extent possible. There are no transportation credits during this time. In July when the transportation credit period starts there is a shift in milk supplies and where they come from - a shift to milk supplies that are eligible for a transportation credit. The shifting of milk supply delivery patterns is illustrated in the example.

EXAMPLE: Producer(s) in Eastern Texas supply milk to an Order 7 fluid plant during March through June when Transportation Credits are not in effect. This milk is a relatively low cost source of supplemental milk for Order 7. In July-February when the Transportation Credits are in effect, these producer(s) are not eligible. In July, the East Texas milk is shifted to Order 126 plants, and replaced at the Order 7 distributing plant with more distant milk from Central and West Texas. The Central and West Texas milk is then eligible for a Transportation credit that the eastern Texas milk would not be eligible for.

The net effect of Proposals D & E will be to reduce transportation costs through reduced miles travelled.

Summary

The Proposals A through E, working in conjunction with each other, will result in more efficient milk movement. The combination of Performance Assembly Credits on a year around basis and Transportation Credits applied on an unrestricted basis during the heavy demand fall months will help attract milk supplies to the Order 5 and 7 area that are closer to the market than some of the current more distant milk. All producers will benefit through reduced transportation costs. Distributing plants will obtain fresher milk through efficient milk transportation.

Sincerely,



Chris Hoeger

Vice President of Procurement

Prairie Farms Dairy Inc.

PROPOSAL A

MARKETWIDE SERVICE PAYMENTS

§ 1005.84 Assembly performance credit fund.

The market administrator shall maintain a separate fund known as the Assembly Performance Credit Fund into which shall be deposited the payments made by handlers pursuant to § 1005.85 and out of which shall be made the payments due handlers pursuant to § 1005.86. Payments due a handler shall be offset against payments due from the handler.

§ 1005.85 Payments to the assembly performance credit fund.

- (a) On or before the 12th day after the end of the month (except as provided in § 1000.90), each handler operating a pool plant and each handler specified in §1000.9(c) shall pay to the market administrator a transportation credit balancing fund assessment determined by multiplying the pounds of Class I producer milk assigned pursuant to §1005.44 by \$0.50 per hundredweight
- (b) The market administrator may increase or decrease by up to \$.20 the payment rate specified in paragraph (a) of this section if the market administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. Before making such a finding, the market administrator shall investigate the need for the revision either on the market administrator's own initiative or at the request of interested persons. If the investigation shows that a revision might be appropriate, the market administrator shall issue a notice stating that the revision is being considered and inviting written data, views, and arguments. Any decision to revise an applicable percentage must be issued in writing at least fifteen days before the effective date.

§ 1005.86 Payments from the assembly performance credit fund.

(a) Payments from the assembly performance credit fund to handlers and cooperative associations shall be made as follows:

(1) On or before the 13th day (except as provided in §1000.90), the market administrator shall pay to each handler that received milk directly from producers' farms as specified in paragraph (b) of this section

(2) The market administrator shall distribute the balance available in the assembly performance credit fund to all producer milk delivered to pool distributing plants on a pro rata basis using the rate derived by dividing the balance in the fund by the total producer milk delivered to pool distributing plants regulated under the Order.

(3) In the event that a qualified cooperative association is the responsible party for whose account such milk is received and written documentation of this fact is provided to the market administrator pursuant to § 1005.30(c)(3) prior to the date payment is due, the assembly performance credits for such milk computed pursuant to this section shall be made to such cooperative association rather than to the operator of the pool plant at which the milk was received.

(b) Assembly performance credits shall apply to bulk milk received directly from the farms of dairy farmers at pool distributing plants

PROPOSAL B

MARKETWIDE SERVICE PAYMENTS

§ 1006.84 Assembly performance credit fund.

The market administrator shall maintain a separate fund known as the Assembly Performance Credit Fund into which shall be deposited the payments made by handlers pursuant to § 1006.85 and out of which shall be made the payments due handlers pursuant to § 1006.86. Payments due a handler shall be offset against payments due from the handler.

§ 1006.85 Payments to the assembly performance credit fund.

- (a) On or before the 12th day after the end of the month (except as provided in § 1000.90), each handler operating a pool plant and each handler specified in §1000.9(c) shall pay to the market administrator a transportation credit balancing fund assessment determined by multiplying the pounds of Class I producer milk assigned pursuant to §1006.44 by \$0.50 per hundredweight
- (b) The market administrator may increase or decrease by up to \$.20 the payment rate specified in paragraph (a)) of this section if the market administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. Before making such a finding, the market administrator shall investigate the need for the revision either on the market administrator's own initiative or at the request of interested persons. If the investigation shows that a revision might be appropriate, the market administrator shall issue a notice stating that the revision is being considered and inviting written data, views, and arguments. Any decision to revise an applicable percentage must be issued in writing at least fifteen days before the effective date.

§ 1006.86 Payments from the assembly performance credit fund.

(a) Payments from the assembly performance credit fund to handlers and cooperative associations shall be made as follows:

(1) On or before the 13th day (except as provided in §1000.90), the market administrator shall pay to each handler that received milk directly from producers' farms as specified in paragraph (b) of this section

(2) The market administrator shall distribute the balance available in the assembly performance credit fund to all producer milk delivered to pool distributing plants on a pro rata basis using the rate derived by dividing the balance in the fund by the total producer milk delivered to pool distributing plants regulated under the Order.

(3) In the event that a qualified cooperative association is the responsible party for whose account such milk is received and written documentation of this fact is provided to the market administrator pursuant to § 1006.30(c)(3) prior to the date payment is due, the assembly performance credits for such milk computed pursuant to this section shall be made to such cooperative association rather than to the operator of the pool plant at which the milk was received.

(b) Assembly performance credits shall apply to bulk milk received directly from the farms of dairy farmers at pool distributing plants

PROPOSAL C

MARKETWIDE SERVICE PAYMENTS

§ 1007.84 Assembly performance credit fund.

The market administrator shall maintain a separate fund known as the Assembly Performance Credit Fund into which shall be deposited the payments made by handlers pursuant to § 1007.85 and out of which shall be made the payments due handlers pursuant to § 1007.86. Payments due a handler shall be offset against payments due from the handler.

§ 1007.85 Payments to the assembly performance credit fund.

- (a) On or before the 12th day after the end of the month (except as provided in § 1000.90), each handler operating a pool plant and each handler specified in §1000.9(c) shall pay to the market administrator a transportation credit balancing fund assessment determined by multiplying the pounds of Class I producer milk assigned pursuant to §1007.44 by \$0.50 per hundredweight
- (b) The market administrator may increase or decrease by up to \$.20 the payment rate specified in paragraph (a)) of this section if the market administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. Before making such a finding, the market administrator shall investigate the need for the revision either on the market administrator's own initiative or at the request of interested persons. If the investigation shows that a revision might be appropriate, the market administrator shall issue a notice stating that the revision is being considered and inviting written data, views, and arguments. Any decision to revise an applicable percentage must be issued in writing at least fifteen days before the effective date.

§ 1007.86 Payments from the assembly performance credit fund.

(a) Payments from the assembly performance credit fund to handlers and cooperative associations shall be made as follows:

(1) On or before the 13th day (except as provided in §1000.90), the market administrator shall pay to each handler that received milk directly from producers' farms as specified in paragraph (b) of this section

(2) The market administrator shall distribute the balance available in the assembly performance credit fund to all producer milk delivered to pool distributing plants on a pro rata basis using the rate derived by dividing the balance in the fund by the total producer milk delivered to pool distributing plants regulated under the Order.

(3) In the event that a qualified cooperative association is the responsible party for whose account such milk is received and written documentation of this fact is provided to the market administrator pursuant to § 1007.30(c)(3) prior to the date payment is due, the assembly performance credits for such milk computed pursuant to this section shall be made to such cooperative association rather than to the operator of the pool plant at which the milk was received.

(b) Assembly performance credits shall apply to bulk milk received directly from the farms of dairy farmers at pool distributing plants

PROPOSAL D

TRANSPORTATION CREDITS

§1005.82 Payments from the transportation credit balancing fund

(c) Transportation credits shall apply to the following milk:

(1) Bulk milk received at a pool distributing plant from a plant regulated under another Federal order, except Federal Order 1007; and

(2) Bulk milk received directly from the farms of dairy farmers at pool distributing plants ~~subject to the following conditions:~~

~~———— (i) The dairy farmer was not a “producer” under this order for more than 45 days during the immediately preceding months of March through May, or not more than 50 percent of the production of the dairy farmer during those 3 months, in aggregate, was received as producer milk under this order during those 3 months; and~~

~~———— (ii) The farm on which the milk was produced is not located within the specified marketing area of the order in this part or the marketing area of Federal Order 1007.~~

~~———— (iii) The market administrator may increase or decrease the milk production standard specified in paragraph (c)(2)(i) of this section if the market administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. Before making such a finding, the market administrator shall investigate the need for the revision either on the market administrator’s own initiative or at the request of interested persons. If the investigation shows that a revision might be appropriate, the market administrator shall issue a notice stating that the revision is being considered and inviting written data, views, and arguments. Any decision to revise an applicable percentage must be issued in writing at least one day before the effective date.~~

PROPOSAL E

TRANSPORTATION CREDITS

§ 1007.82 Payments from the transportation credit balancing fund

(c) Transportation credits shall apply to the following milk:

(1) Bulk milk received at a pool distributing plant from a plant regulated under another Federal order, except Federal Order 1005; and

(2) Bulk milk received directly from the farms of dairy farmers at pool distributing plants ~~subject to the following conditions:~~

~~———— (i) The dairy farmer was not a “producer” under this order for more than 45 days during the immediately preceding months of March through May, or not more than 50 percent of the production of the dairy farmer during those 3 months, in aggregate, was received as producer milk under this order during those 3 months; and~~

~~———— (ii) The farm on which the milk was produced is not located within the specified marketing area of the order in this part or the marketing area of Federal Order 1005.~~

~~———— (iii) The market administrator may increase or decrease the milk production standard specified in paragraph (c)(2)(i) of this section if the market administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. Before making such a finding, the market administrator shall investigate the need for the revision either on the market administrator’s own initiative or at the request of interested persons. If the investigation shows that a revision might be appropriate, the market administrator shall issue a notice stating that the revision is being considered and inviting written data, views, and arguments. Any decision to revise an applicable percentage must be issued in writing at least one day before the effective date.~~