



United
States
Department
Of
Agriculture

Agricultural Marketing
Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
89 South Street, Suite 301, Boston, MA 02111-2671

Mailing Address:

P.O. Box 51478
Boston, MA 02205-1478
Phone: 617-737-7199 --- Fax: 617-737-8002

E-mail: NortheastOrder@fedmilk1.com

Website: <http://www.fmmone.com>

Albany:
302A Washington Avenue Ext.
Albany, NY 12203-7303
Tel.: (518) 452-4410
Fax: (518) 464-6468

Alexandria:
P.O. Box 25828
Alexandria, VA 22313-5828
Tel.: (703) 549-7000
Fax: (703) 549-7003

July 1, 2022

TO: Pool Handlers on the Northeast Order

FROM: Shawn M. Boockoff, Market Administrator

SUBJECT: Request to Reduce Fall-Month Shipping Percentages – **Approved 10% for 2022 and 2023**

On March 15, 2022, pool handler, Queensboro Farm Products, Inc. (Queensboro), an operator of a supply plant under the provisions of the Northeast Marketing Area (Northeast Order), submitted a request that the shipping percentage specified in Section 1001.7 (c) (2) for the months of September, October, and November be lowered from 20 percent to 10 percent for pool supply plants regulated under the Northeast Order until further notice.

The shipping percentage during September, October, and November from 2018 through 2021 was adjusted to 10 percent in response to similar requests.

Section 1001.7 (g) of the Northeast Order states that the shipping percentages under the above provision may be increased or decreased by the Market Administrator if, after conducting an investigation and soliciting comments, the Market Administrator determines that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments.

Petition

In their 2022 petition, Queensboro cited declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, and a comment that they, as a long-standing participant of the Northeast dairy industry, were unaware of any instances where Class I needs have not been covered. Queensboro's petition states that as pool distributing plants in the region have closed (additionally noting the recent closure of Readington Farms), many of the remaining bottling plants have established full supply agreements with cooperatives. The impact of such arrangements, according to Queensboro, is fewer Class I customers willing to take their milk and an increased cost of moving milk. The petition states that in the past several years Queensboro has had to seek out Class I customers in order to reach the 20 percent shipping requirement, with only one Class I customer calling upon them for milk to which they stated they immediately complied.

The petitioner noted that they have a unique relationship with cooperatives operating in the Northeast Order area. They report that they separate and balance product (for this cooperative) when they are long in supply and help furnish milk supplies when they are short.

In their petition, Queensboro states that the provision of the Order that allows for handlers, who operate two or more supply plants, to form a "system of plants" and thereby attain the applicable shipping percentage requirements jointly in the same manner as a single plant puts stand-alone supply plants at a disadvantage. The petitioner noted that being an independent small business, and a single plant operation, they do not have that luxury. As the only supply plant

remaining on the Order, Queensboro asserts that this seems to discourage entrepreneurship and penalize small businesses. The petition notes that to fulfill the current 20 percent shipping requirement, Queensboro would have to make uneconomical and unnecessary movements of milk resulting in higher hauling costs to their producers. Queensboro further states that in the current economic environment, additional cost to either the producer or a small company, such as themselves, could jeopardize the viability of both. The petition includes a statement asserting that a reduction to a 10 percent shipping percentage would have an insignificant effect on individual producer's milk pay prices.

Summarized Handler Comments Received

Cayuga Marketing LLC (Cayuga Marketing), a cooperative handler under Section 1000.9(c) of the Northeast Order, submitted comments in support of the reduction from 20 to 10 percent, for the months of September, October, and November, until further notice. Cayuga Marketing underscored their support of the reduction by presenting data that compared relatively stable and then declining Class I utilization against producer milk available. They state the results show that producer milk is more than sufficient to meet Class I demand given Class I utilization has fallen precipitously since 2010. Cayuga Marketing claims it would be forced into maintaining uneconomic milk sales in an effort to meet a 20 percent minimum requirement. Cayuga Marketing states they would be forced into maintaining uneconomic milk sales to meet a twenty percent minimum pooling requirement for shipments during the months of September, October, and November, which will only serve to reduce their members net milk price to meet shipping requirements.

Upstate Niagara Cooperative, Inc. (Upstate Niagara), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of pool distributing, partially regulated pool distributing plants, and nonpool plants, submitted comments supporting a reduction for the months of September, October, and November, but prefer the Market Administrator continue to review the matter regularly rather than an approval for "until further notice". Upstate Niagara acknowledges that there isn't the same requirement to service the Class I market but believes there are burdens and benefits to servicing that market.

Findings

Monthly pool statistics continue to present a picture of declining Class I receipts for the Northeast Order, though there had been some slowing of this trend earlier in 2021. The Class I receipts for the most recent pool, May 2022, at 678 million pounds was the second lowest volume for the month in 20 years, roughly 6 million pounds above the prior May (the record lowest for that month). At 28.7 percent, Class I utilization in May was the lowest ever for the month and sixth lowest Class I utilization by percent for any month since the Order's inception. In 2000, the year in which the 20 percent fall month shipping percentages were adopted as part of Order Reform, the Class I utilization for the months of September, October, and November averaged 49 percent of the volume of milk pooled during those months. In 2021, Class I utilization for these same three months averaged 31.5 percent of the total pool – a drop of roughly 18 percentage points.

Chart 1 presents September-November Class I receipts as compared to that period during the year 2000. In 2021, Class I receipts for the September through November period was 24.3 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less milk has been utilized as Class I in recent years compared to when the Order's shipping provisions were first adopted.

Chart 1

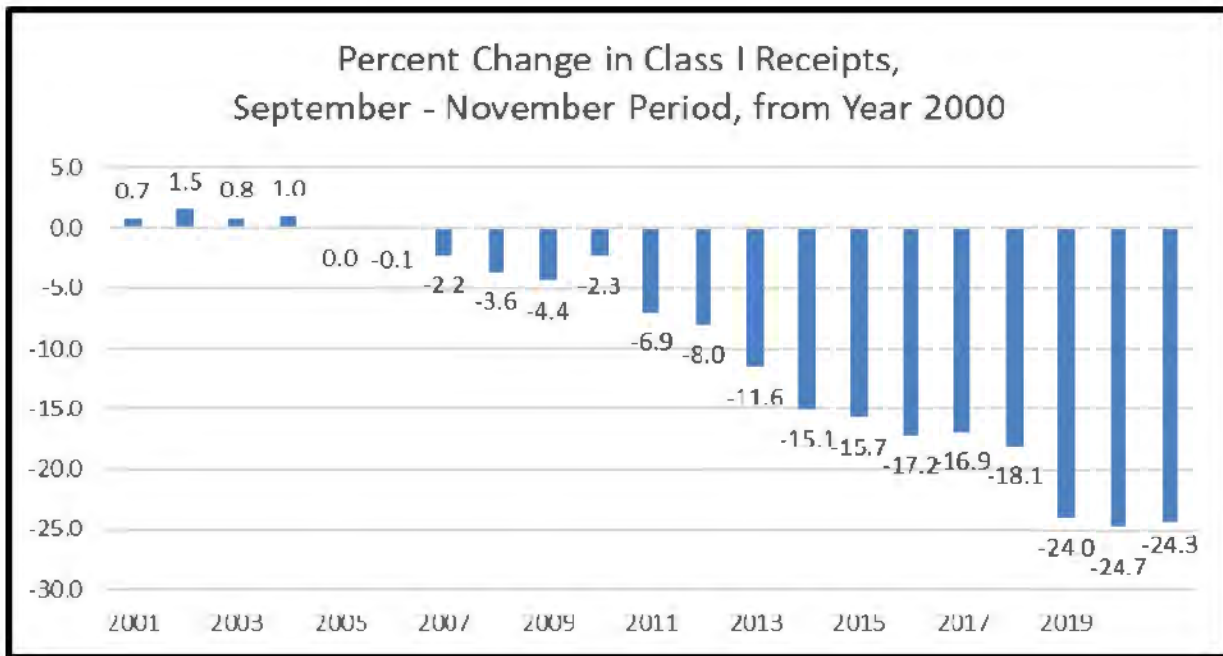
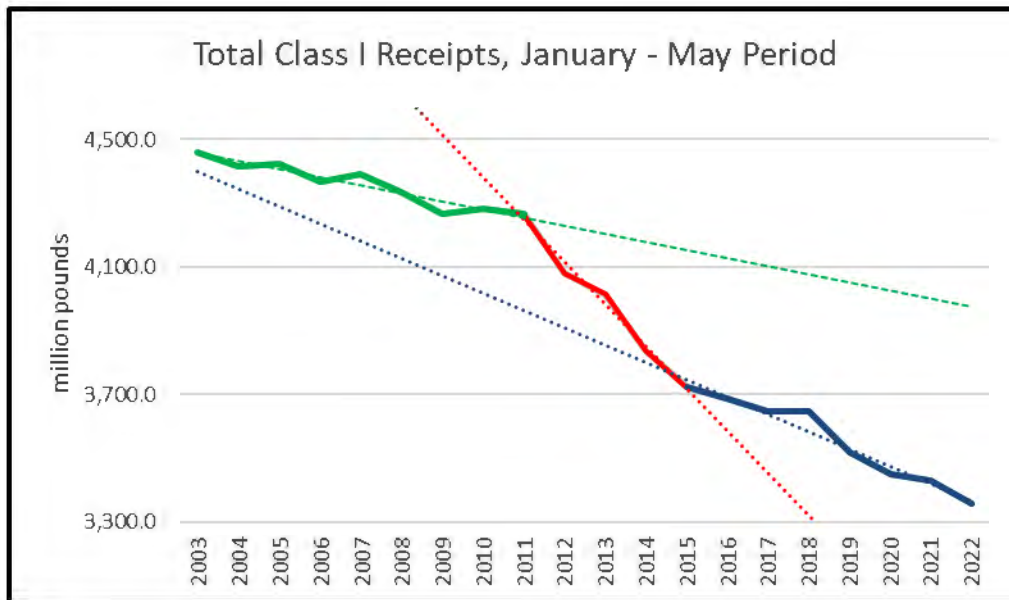


Chart 2 presents total Class I receipts for the period January through May of each year since 2000 (leap year adjusted). The trend lines in the chart highlight the more rapid decline in Class I receipts from 2011 to 2015 and a somewhat slower but still consistent decline from 2018 to 2022.

Chart 2



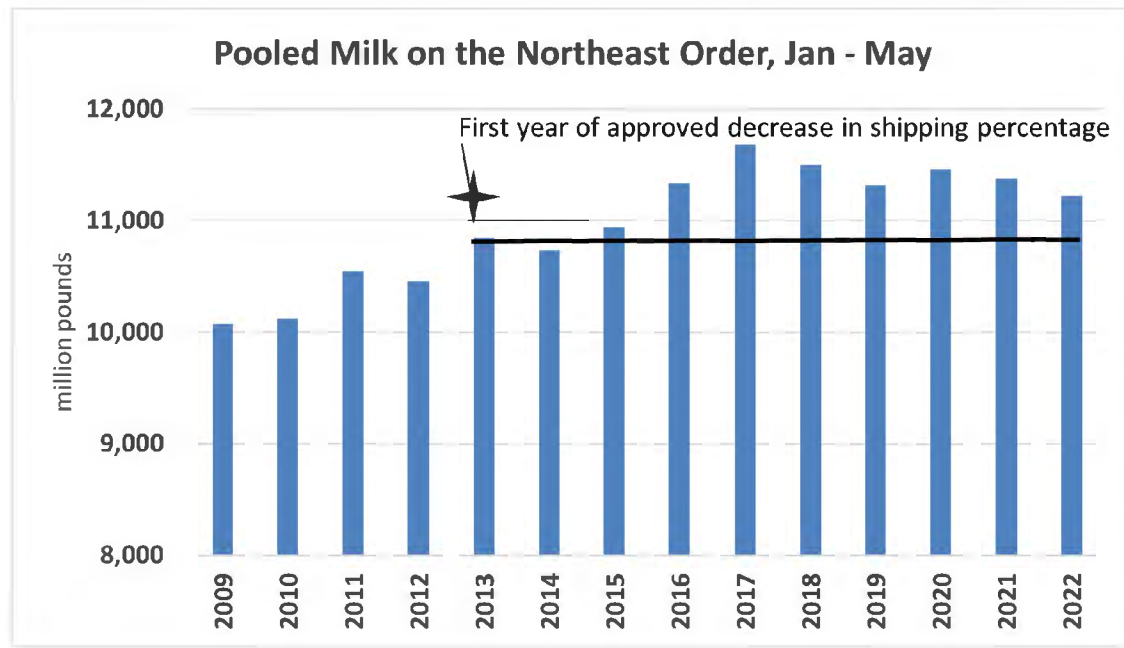
The following table presents average level of Class I receipts on the Northeast Order for a 3-month spring period and the immediately following 3-month fall period. The intent is to show a seasonal change as a simplistic expectation of where fall Class I receipts may be based on where the previous spring level was. The 2022 projection in the table is based on a Class I calendar composition and seasonal factors with current levels of Class I utilization. This projection is showing a potential for a small increase in fall month Class I utilization compared to spring. This would suggest a lack of need to return to a shipping percentage higher than has been approved in recent years, at least for fall 2022.

Year	Class I Utilization		
	Mar-May Avg	Sep-Nov Avg	% Difference
	million pounds		
2000	867	912	5.3
2001	900	919	2.1
2002	892	926	3.8
2003	892	920	3.1
2004	890	921	3.5
2005	890	912	2.5
2006	887	911	2.7
2007	885	892	0.9
2008	873	879	0.8
2009	860	873	1.4
2010	874	892	2.0
2011	847	849	0.2
2012	821	839	2.2
2013	807	807	0.0
2014	765	775	1.2
2015	742	769	3.7
2016	741	755	1.9
2017	735	758	3.1
2018	737	748	1.4
2019	705	693	-1.6
2020	702	687	-2.2
2021	691	690	-0.1
2022	674	688	2.1*

*Projection based on Class I Calendar, historical seasonal factors, and current utilization

The volume of milk pooled on the Order through the first 5 months of this year is slightly below the prior year, and roughly 168 million pounds below the most recent three-year average for the period, adjusted for leap year. Still, as depicted in Chart 3 below, the volume is above levels at which the first request to lower the shipping requirement was approved.

Chart 3



USDA National Agricultural Statistics Service *Milk Production* report indicates that some slowdown in monthly milk production has been occurring, averaging almost a 1 percent decline, year over year. The decline has not been at a rate that has resulted in shortages of supply as the Northeast Market Administrator again this spring received a request for a milk disposal policy and that analysis indicated some continued stress in finding destinations for surplus milk faced by the marketplace.

Though high-level data support the characterization of a regional market with ample supplies of milk coupled with declining Class I usage, the COVID-19 pandemic situation, though improving, is not entirely in the past, and has shown to present hard to predict outcomes. The data on current milk volumes and Class I demand, overall, and experiences with a 10 percent shipping requirement in the fall of recent years at similar production and utilization levels would indicate the 10 percent level is appropriate.

Existing Provision

The shipping provisions of the Order (under Section 1001.7 (c) (1) and (2) stipulate that a supply plant (and this also applies to cooperatives operating as handlers under Section 1000.9(c)) must deliver milk to a distributing plant in order to meet the requirement. As noted in prior decisions, the option is not to “ask” whether the milk is needed or not, but instead, delivery to a pool distributing plant is stipulated. However, under Section 1001.7(g) the provision authorizes the Market Administrator to adjust the shipping percentage “to prevent uneconomic shipments”, if so warranted. Thus, preventing the administratively required delivery of excessive milk to distributing plants, when order data and industry comments indicate a lower required shipping percentage is appropriate, is a measure that can and has been taken for the past eight years by the Market Administrator, following the receipt of similar industry requests to review the provision as a measure to prevent disorderly marketing and uneconomic shipments of milk.

Decision

After reviewing a variety of Northeast Order statistical data related to total pool volume, class utilization changes over time, fluid sales reports for the Order, and recent industry dynamics, together with comments submitted by parties responding to the call for comments on Queensboro's request, **a reduction in the shipping percentage under Section 1001.7 (c) (2) of the Northeast Order from 20 to 10 percent for the three months of September, October, and November, is approved.**

Considering 2022 will be the fifth year in a row that the shipping percentage will have been reduced to 10 percent and given that the market conditions that warranted previous reductions continue to exist, the reduction in the shipping percentage to 10 percent will apply to September-November **for years, 2022 and 2023**. As provided under the terms of the Northeast Order under Section 1001.7 (g), **the Market Administrator may review the need for any further adjustment on his own initiative or at the request of interested parties.**

More Information

Complete copies of comments submitted by handlers regarding the requested shipping percentage reduction, along with Queensboro's request, can be found on the Northeast Order website; www.fmmone.com or by contacting the Market Administrator's office at 518-452-4410.

March 15, 2022

Market Administrator
Northeast Marketing Area
89 South Street
PO Box 51478
Boston MA 02205 -1478
Attn Shawn M. Boockoff

Mr. Boockoff

Queensboro Farm Products, Inc. is requesting that the shipping percentage, under Section 1001.7(c) (2) of the Order, be decreased for the months of September, October, and November from 20 % to 10 % for the Pool Supply Plants in Federal Order One. As a handler operating as a family business for 113 years and the only Supply Plant remaining in Order One, we have had zero calls for Class I milk in years. We feel that the 10% difference in shipping would have an insignificant effect on the producer's milk pay price.

In the context of the entire Order, the volume is not noteworthy, but it has a big impact on our company. In order to fulfill the 20% shipping requirement, we would have to make uneconomical and unnecessary movements of milk which would result in higher hauling charges to our producers. The constant decline of Pool distributing Plants associated with the Order (The loss of at least 8 large plants in the last 10 years) makes additional shipments into the remaining plants virtually impossible. In the current economic climate, any additional cost to either the producers or to a small company, such as Queensboro, could jeopardize both our viabilities.

In June 2005, when the Federal Order was amended to have year round supply plant shipping standards, handlers with multiple supply plants set up their own supply plant systems. This allowed them to meet the standards by, in effect, treating the supply plant system as one plant. They could have one plant in the system that has a high Class I shipping percentage and that could provide enough Class I sales to cover the entire plant system. Queensboro, being an independent small business and a one plant operation, does not have that luxury. As stated above we would need to move milk in an uneconomical manner to meet the shipping standards. This seems to discourage entrepreneurship and penalizes small business.

Historically there has been a dramatic drop in the number of pool supply plants. In January 2000 there were 20 pool supply plants and in January 2013 there were only 11 "plant systems" and 2 independent supply plants. Queensboro was one of those two.

Class I sales are decreasing every year and the number of viable Class I dealers is decreasing as well. In past years Queensboro has had to seek out Class I customers in order to reach the 20% shipping requirement. In relation to this Dairy Foods Magazine just stated that through November of 2021 the volume of Class 1 sales was down 1.5 % for that year .In addition this year as in other recent years in the Northeast, milk and skim milk will have to be dumped due to lack of plant capacity. Class IV, the balancing class in the order is ever increasing due to higher milk production and ever decreasing Class I sales in the order. The figures for February 2018 indicate that the Class I volume was the lowest ever for the month and the Class IV volume among the highest for the month. This imbalance in supply and demand will continue throughout the next ten years and for the foreseeable future. In the last few years only one customer has called upon us to sell and we immediately complied. We also have not heard of any other instances where Class I needs have not been covered.

Class I sales declined from 2010 to 2011 by 3.0 % and from 2011 to 2012 by an additional 2.7 %. This decline continued in 2013 with Class I volumes setting new lows. In fact, in 2013 Class I volume was the lowest ever. Volume was down 3% from the 2012 total. Eleven months in 2013 had the lowest Class I volume for those respective months in 14 years. Since the inception of the Northeast Order in 2000, annual Class I volume has declined by more than 1 Billion pounds. January 2014 had the lowest Class I volume of any January on record. The volume in June 2013 was the lowest Class I total out of 169 monthly pools. Even with the population increasing by 3.2 % in the Northeast, these declines continue. Since the inception of Order I, almost 20% of the pool distributing plants have closed. The impending closure of Readington Farms one of Queensboro's class I customers only makes matters worse. Another difficulty Queensboro has encountered is the fact that many of the remaining pool distributing plants in the Northeast Order have established full supply arrangements with cooperatives. This certainly reduces our options and increases the cost of the movement of the milk. In point of fact, Queensboro has a unique relationship with these cooperatives. We separate and condense product when they are long in supply and we help furnish milk supplies when they are short. Again, in the spring of 2020, 2021 and 2022 at the request of a large Northeast Order cooperative, Queensboro is helping to balance their excess supply of milk by separating and condensing for them. In addition we unload and store their excess Class I weekend supplies of raw milk and feed it back to them during the week.

In previous year's decision letter from the Market Administrator, dated August 5, 2013, it was stated that "the macro trends supported by this analysis support a reduction in the shipping percentage." We believe that those trends are continuing and past year's reduction by the Market Administrator had no adverse effect on producers. All of our industry contacts informed us that all Class I needs were met. The latest statistic available, which confirms our beliefs, is that Class I utilization for February 2018 was less than 32.0 %. April 2017 was 29.4%, April 2016 was 32.0 %, April 2015 was 32.8 %, April 2014 was 34.4 % and Class I for April 2013 was 36.5 %. In the first quarter of 2018 Class I utilization will have dropped to approximately 32.0 % In July 2018 Class I volume was the lowest ever for the month and the smallest ever for the order on a per day basis. In addition the Class I usage in February 2019 accounted for 31.4% of the total milk receipts down 1.3% from January. We believe the figure now the figure hovers around 30 per cent. In point of fact for many months the volume of milk utilized as Class I has set a new low for that respective month. Recently the Upper Midwest Market Administrator in Federal Order 30 reduced the Class I shipping percentage to eliminate disorderly market conditions. Class IV utilization is rising each month to take up the slack. Milk supplies have risen and the market Administrator has recognized this in his decision to lower the Class I shipping percentage for June, July and August 2015 from 10% to 5 % and to reduce the shipping percentage to 15% for 2016 and 2017. The same logic was true was true in 2019, 2020 and 2021. For all of the reasons that we have presented, we are requesting that the 20% Class I shipping requirement for September, October, and November be reduced to 10% for pool supply plants until further notice.

Very truly yours,
Lewis P. Miller
President



June 1, 2022

United States Department of Agriculture
Northeast Marketing Area
c/o Brian Riordon
302A Washington Avenue Extension
Albany, NY 12203-7303

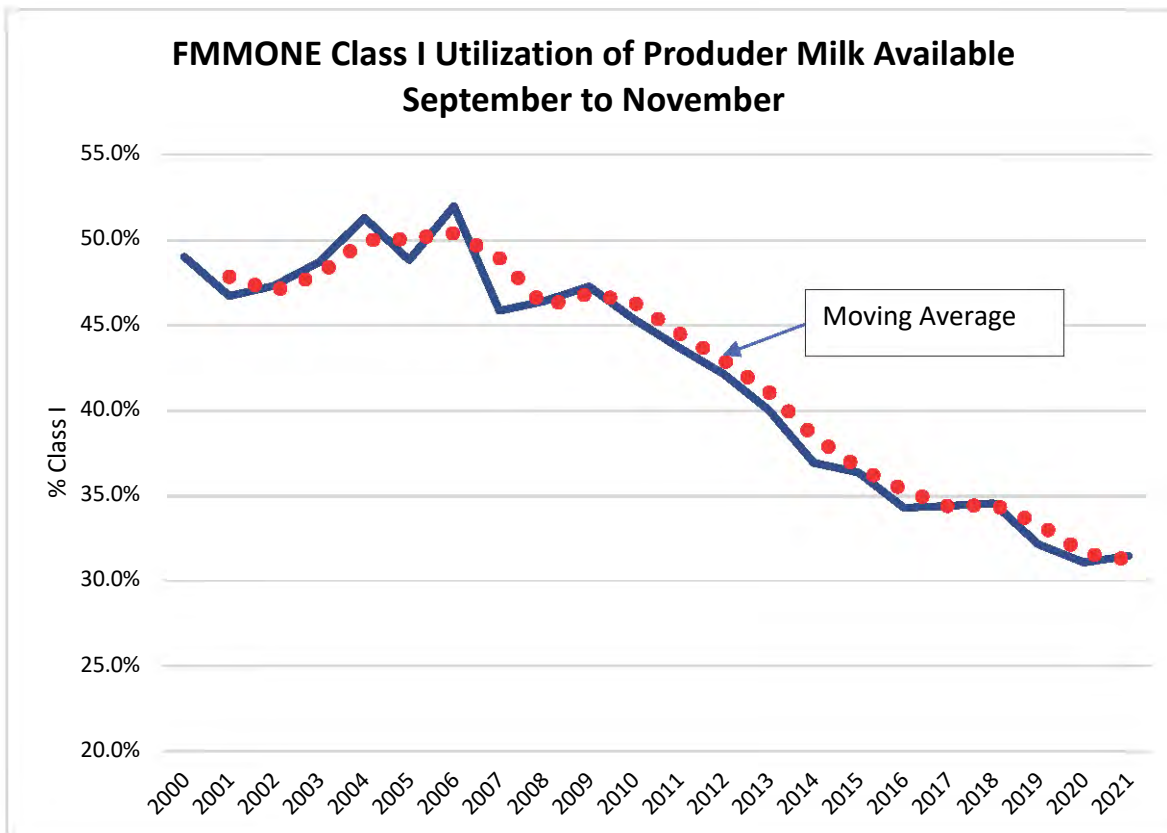
RE: Shipping Requirements Investigation- Solicitation of Comments- May 6th, 2022

Dear Mr. Boockoff,

Cayuga Marketing is in favor of lowering the shipping percentage from twenty percent to ten percent in Federal Order One for the months of September, October, and November until further notice. Under Section 1001.7(g) of the Order, the applicable shipping percentages may be increased or decreased by the Market Administrator if it is determined that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments.

We have not changed our position since 2019, when we recommended a ten percent shipping requirement during the September to November timeframe. For 2022 and beyond, we are recommending maintaining the shipping requirement from September to November at ten percent. The data that we have reviewed would suggest the shipping requirement from September to November should be *six to seven percent* by utilizing the same logic employed in 2019, 2021, and 2022 utilizing USDA data from the period extending from 2000 to 2021.

In determining our position, we analyzed the amount of producer milk produced in Federal Order 1 during September through November from years 2000 to 2021. We then compared the producer milk available against Class I demand during the same period. For the time period spanning from 2000 to 2009, the demand for Class I milk expressed as a percentage of total producer milk sold during September through November ranged from a low of 46.41% to a high of 51.99%. The average during this period time was 48.35%. The Class I utilization during this period remained relatively stable as depicted in the graph below. Starting in 2010 and continuing through 2021, the percentage of Class I milk sold as a percent of total producer milk decreased each year from a high of 45.39% in 2010 to a low of 31.13% in 2020. In 2021, the percentage of Class I milk as a percentage of total producer milk is 31.50%. This is not statistically different than 2020, thus our position to approve a ten percent shipping requirement is solidified. The cumulative Class I demand for the September to November timeframe as a percent of producer milk available in Federal Order One decreased by a total of 13.89% from 2010 to 2021, or approximately 1.26% per annum.



The data presented graphically above has solidified our position that producer milk is more than sufficient to meet Class I demand during the September to November timeframe. Thus, the September to November pooling percentage should be reduced to *ten percent until further notice* to reflect the fact that Class I utilization as a percentage of available producer milk has decreased over one percent per year since 2010. This Class I utilization as a percentage of available producer milk has stabilized over the period from 2016 to 2018, but as the moving average trendline as depicted in the graph above exhibits, growth in Class I sales as a percentage of producer milk from 2016 to 2018 is anemic. The actual volume of Class I sales from 2017 to 2018 during the September to November timeframe decreased by 1.4%. Consequently, producer milk decreased by a similar percentage.

Cayuga Marketing would be forced into maintaining uneconomic milk sales to meet a twenty percent minimum pooling requirement for shipments during the months of September, October, and November, which will only serve to reduce our members net milk price to meet arbitrary shipping requirements. It is our stated goal is to return as much money to our members as possible and maintaining a twenty percent shipping requirement is contrary to our goal. Thank you for your consideration of our comments and position.

Yours Truly,

Amie Gabriel
Chief Operating Officer
Cayuga Marketing


**UPSTATE NIAGARA
COOPERATIVE, INC.**
FARMER OWNED

General Office:

PHYSICAL ADDRESS:
368 Pleasant View Drive
Lancaster, NY 14086

MAILING ADDRESS:
P.O. Box 268
Lancaster, NY 14086

Membership Division:
700 Ellicott Street, Suite 2
Batavia, NY 14020

Buffalo Fluid Plant:
1730 Dale Road
Buffalo, NY 14225

Rochester Fluid Plant:
45 Fulbon Avenue
Rochester, NY 14608

Upstate Farms Dairy, LLC:
240 Oneida Street
Syracuse, NY 13202

Valley Farms Dairy, LLC:
1860 East Third Street
Williamsport, PA 17701

Cultured Products Plant:
3300 North America Drive
West Seneca, NY 14224

North Country Dairy, LLC:
22 County Route 52
North Lawrence, NY 12967

**Upstate Farms
Cultured Products, LLC:**
5011 Ag Park Drive West
Batavia, NY 14020

Upstate Farms Cheese, LLC:
8600 Main Street
Campbell, NY 14821

**O-AT-KA Milk Products
Cooperative, Inc.:**
4915 Ellicott Street Road
Batavia, NY 14020

June 23, 2022

Mr. Brian Riordan
Federal Milk Order No. 1
Northeast Marketing Area
Sent via email to: briordan@fedmilk1.com

Mr. Riordan,

Upstate Niagara is writing in response to your invitation for comment on the request from a pool handler, regulated under the provisions of the Northeast Marketing Order, to lower the shipping percentage specified in Section 1001.7 (c) (2) for the months of September, October, and November from 20 percent to 10 percent until further notice. We believe that the request should be considered in two parts. First, the request to lower the shipping percentages. Second, the 'until further notice' portion of the request.

Lowering Shipping Percentages

Upstate Niagara does not oppose the request to lower the shipping percentages for this year. The downward trend in Class I markets is well-documented. While we keep adjusting the percentages to accommodate milk that's willing to service that market in the spirit of preventing disorderly marketing via uneconomic and unnecessary movements of milk, we must also recognize that there simply isn't the same requirement for as much milk to service the declining fluid market. Upstate Niagara recognizes and respects the petitioners concerns regarding uneconomical movements of milk, but we also believe that there are burdens and benefits to servicing the Class I market.

Until Further Notice

We would prefer to see the Market Administrator continue to review this matter regularly rather approving a change that would include 'until further notice'. We believe that any change to the Order that's made under an 'until further notice' provision gets eerily close to amending federal orders. Upstate Niagara tends to favor the formal rulemaking process to handle long-term issues and changes of this type.

To summarize, Upstate Niagara does not oppose the request to the reduction of shipping requirements for the months of September, October, and November with review regularly rather than 'until further notice'.

Sincerely,



Jodi Smith Krzysiak
Economist

