Requests to Change Performance Requirements by Order - 2010 - Current

Order	Policies and Decisions
1	Numerous instances occurred during the time period. All request, approvals, and denials can be found at:
	https://www.fmmone.com/Policy_Statement_Handlers.htm
5	Denial of touchbase and diversion limit changes in Dec 2006. Denial of diversion limit changes in August 2014. See attached FO5 PDFs
6	No changes to shipping percentages. Changes to diversion limits in Nov 2001. See attached PDF: FO6 Diversion Limits 2001.
7	Denial of touchbase and diversion limit changes in Dec 2006. Denial of diversion limit changes in August 2014. See attached FO7 PDFs
30	Adjusted shipping/diversion percentages three times: 2017, 2019, and 2022. See:
	https://www.fmma30.com/ShippingRequirements.html
32	Received 2 requests, both denied. See PDF: Central Administrative Actions
33	See attached workbook: Mideast Shipping % Changes
51	None
124	Numerous instances occurred during the time periods. See FO124 attachments and
	https://fmmaseattle.com/policystatement.html
126	None
131	Numerous instances occurred during the time periods. See FO131 attachments and https://fmmaseattle.com/policystatement.html

Prepared by USDA-AMS-Dairy Program

Mideast Order Adjustments to Shipping Standards and Diversion Limitations 2000 to 2021

	Shipping Standards Reduced		Diversion Limits Increased	
	From	To	From	To
Months Adjustments requested and granted				
November 2008	40%	35%		
November 2010	40%	35%		
October-November 2011	40%	35%		
August 2012	35%	30%		
September-November 2012	40%	35%		
August 2013	35%	30%		
September-October 2013	40%	35%		
November 2013	40%	30%		
August 2014	35%	25%	50%	65%
September-October 2014	40%	30%	50%	65%
November 2014	40%	25%	50%	65%
December 2014-January 2015	30%	25%	50%	60%
February 2015	30%	20%	50%	60%
March 2015-July 2015	30%	20%		
August 2015 Until Further Notice				
August	35%	25%		
September-November	40%	30%		
December-July	30%	20%		
August-February			50%	60%
March-July			60%	70%

Note: We have not had any requests for or issuance of any "call" for milk to be shipped to Class I plants in the Mideast Order.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDERS 124 & 131

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March 26, 2009

To: Handlers and Interested Parties, Pacific Northwest Federal Marketing Order 124

Subject: Determination Regarding Washington State Dairy Federation's Petition to Investigate Diversion Limits, Delivery Requirements for Producers, and Delivery Requirements for an Association(s) Operating a Cooperative Pool Manufacturing Plant(s) and for Pool Supply Plants(s)

SUMMARY: In a letter to Handlers and Interested Parties dated January 27, 2009, the Market Administrator invited written comments on a requested investigation of current pooling and performance standards relating to milk under the Pacific Northwest marketing order.

The proposed investigation was requested by means of a letter sent to northwest dairy farmers and interested parties by the Washington State Dairy Federation (WSDF), a voluntary membership organization representing the state's dairy farmers. The letter was accompanied by a petition. The petition requested that the Market Administrator investigate the need for tightening pool and performance standards under the Pacific Northwest Order. This office received 167 signatures associated with the petition along with a number of comments from various interested parties. In a letter dated February 6, 2009, the Market Administrator received a request from WSDF to extend the comment period for an additional 30 days. In a letter to Handlers and Interested Parties dated February 9, 2009, the Market Administrator granted the 30-day extension request. Comments were to be received by the Market Administrator no later than March 19, 2009. On March 17, 2009, WSDF forwarded a letter to this office requesting that an additional 180-day extension be added to the deadline of March 19, 2009.

Copies of the original letter and petition; the letter requesting a 30-day extension to the comment period; and the letter requesting an additional 180-day extension are posted on the Market Administrator's website at http://www.fmmaseattle.com/currentnews.htm.

SUPPLEMENTARY INFORMATION: The proposed investigation concerned revisions in delivery requirements for producers and plants pursuant to §1124.13(e)(6) and §1124.7(g), respectively. Specifically, adjustments were to be considered for the following provisions: the 80% diversion limit for pool handlers; the 3-days' production delivery requirement; and the 20% delivery requirement for an association(s) operating a cooperative pool manufacturing plant(s) and pool supply plants(s).

To enable better evaluation and resolution of this complex matter, the Market Administrator had requested that all interested parties submit written data, views or arguments with respect to the action being considered. All persons who desired to do so were to send their comments to the Market Administrator, 1930 – 220th Street S.E., Suite 102, Bothell, Washington 98021-8471, via FAX at 425-487-2775, or e-mailed to fmmaseattle@fmmaseattle.com by no later than March 19, 2009.

STATEMENT OF CONSIDERATION: The investigation could result in a revision of the delivery requirements for producers and plants pursuant to §1124.13(e)(6) and §1124.7(g), respectively.

Section 1124.13(e)(6) of the Pacific Northwest milk order states that "the delivery day requirement in paragraph (e)(1) of this section and the diversion percentage in paragraph (e)(2) of this section may be increased or decreased by the market administrator if the market administrator finds that such revision is necessary to assure the orderly marketing and efficient handling of milk in the marketing area."

While the WSDF requested an investigation on the order's producer touch-base days' standard, the diversion limit standard, and the shipping standard, no specific alternative standards were proposed. Instead, the request asks that action deemed appropriate by the market administrator be taken.

Section 1124.7(g) of the Pacific Northwest milk order states that "the applicable shipping percentages of paragraphs (c) and (d) of this section may be increased or decreased by the market administrator if the market administrator finds that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments."

WSDF is a voluntary membership organization formed by dairy farmers in 1892 to promote the interests of dairy farmers in the state of Washington. WSDF submitted a letter and petition with 167 signatures to the Market Administrator requesting an investigation concerning current pooling provisions, specifically diversion limits, delivery requirements, and shipping percentages. WSDF requested that a 30-day extension for the comment period be given. WSDF subsequently requested a 180-day extension of the comment period. Copies of the proposal letter, the petition, and the letters requesting a 30-day extension and a 180-day extension for the comment period are posted on the Market Administrator's website at http://www.fmmaseattle.com/currentnews.htm.

The Market Administrator's authority to adjust these requirements is described in §1124.13(e)(6) and §1124.7(g). Based on the WSDF letter and petition, it was determined that it was appropriate to investigate and consider revisions in the delivery requirements set forth in §1124.13 and §1124.7.

DETERMINATION: Due to the request of Washington State Dairy Federation to further extend the comment period for 180 days, it has been determined that it is in the best interests of those involved that the petition and investigation be cancelled. By cancelling the action, the comment period will end, and no action will be taken, at this time. This cancellation does not preclude any issues raised in the WSDF letter or petition from being considered in the future.

If the industry wishes to consider an action in the future, and a request is made, the issue can be taken up again.

James R. Daugherty
Market Administrator

ADMINISTRATIVE ACTIONS

2001

A request to decrease the percent of producer milk that the operator of pool plant or a cooperative association may divert to nonpool plants was denied. Dairy farmers of America, Inc. (DFA) requested that the Market Administrator, under authority of section 1032(d)(5), reduce the diversion percentages specified in the order.

DFA cited difficulties in supplying fluid handlers in the Central order with milk in that the Order's blend price was not sufficient to attract milk for certain handlers in certain areas. They also stated that producers located adjacent to another order with a higher blend price are leaving the Central Order.

A letter was sent to Central order handlers and interested parties on January 16, 2001, inviting them to submit comments on the DFA proposal to decrease the diversion percentages. Comments were due on January 24, 2001. Four comments were received in support of the DFA proposal and six comments were opposed.

Based on the proposal, comments received, and market information, it was decided that significant levels of supplemental milk will continue to be associated with the Order due to pooling options available to regulated handlers. The level of the blend price for the Central order relative to adjoining orders would not be affected by the proposal.

A letter was sent to Central handlers and interested parties on January 30, 2001 stating the proposal was denied.

2003

Handlers and Interested Persons were notified that Associated Milk Producers, Inc. had submitted a proposal to the Market Administrator, which would decrease the percentage of producer milk that must be delivered to pool distributing plants, and increase the percentage of producer milk that can be diverted to nonpool plants under the terms of the Central federal milk order. Comments were requested by April 24, 2003

On April 30, 2003, Handlers and Interested Persons were notified that the proposal by Associated Milk Producers, Inc. to change the shipping provisions of the Central federal milk order had been denied

USDA United States Department Of Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1

Northeast Marketing Area

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July 21, 2021

TO: Pool Handlers on the Northeast Order

FROM: Shawn M. Boockoff, Market Administrator

SUBJECT: Request to Reduce Fall-Month Shipping Percentages – **Approved 10% for 2021**

On January 19, 2021, 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 of 2019 and 2020 was adjusted to 10 percent in response to a similar request in 2019.

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 2021 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, 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

Agri-Mark, Inc. (Agri-Mark), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, submitted comments in support of the reduction from 20 to 10 percent, for the months of September, October, and November. Agri-Mark does not support this lowering of the shipping requirement "until further notice" following the drastic changes to the marketplace that the COVID-19 pandemic caused. They state that these requirements should continue to be reviewed annually.

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. Reducing the shipping percentage requirement from 20 percent in 2010, if assuming that rate was appropriate, by a similar rate that Class I utilization percentage has declined by, Cayuga asserts that the shipping percentage could be as low as 6-7 percent.

Dairy Farmers of America (DFA), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, submitted comments that did not oppose a continued reduction from 20 to 10 percent for the months of September, October, and November, but opposes the requested effective period of "until further notice." DFA opposes an "until further notice" period due to the COVID-19 pandemic related uncertainty at all points along the supply chain, and thus, that the current environment best suits a monthly review by the Market Administrator to determine if a continued reduction of the percentages is necessary.

Upstate Niagara Cooperative, Inc. (Upstate Niagara), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of pool distributing and partially regulated pool distributing 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 believes that overall market conditions that warranted past reductions remain largely true today. They comment that as COVID-19 restrictions are lifted, there appears to be return to a pattern of a downward trend in Class I milk sales.

Findings

Monthly pool statistics continue to present a picture of declining Class I utilization for the Northeast Order, though there had been some slowing of this trend earlier in 2021; The Class I utilization for the most recent pool, May 2021, at 672.2 million pounds was the lowest volume for the month in 20 years. At 28.9 percent, Class I utilization in May was the lowest ever for the month and fourth 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 2018, Class I utilization for these same three months averaged 31.1 percent of the total pool – a drop of roughly 18 percentage points.

Chart 1 presents September-November Class I utilization as compared to that period during the year 2000. In 2020, Class I utilization for the September through November period was 24.7 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less Class I has been utilized in recent years compared to when the Order's shipping provisions were first adopted.

Chart 1.

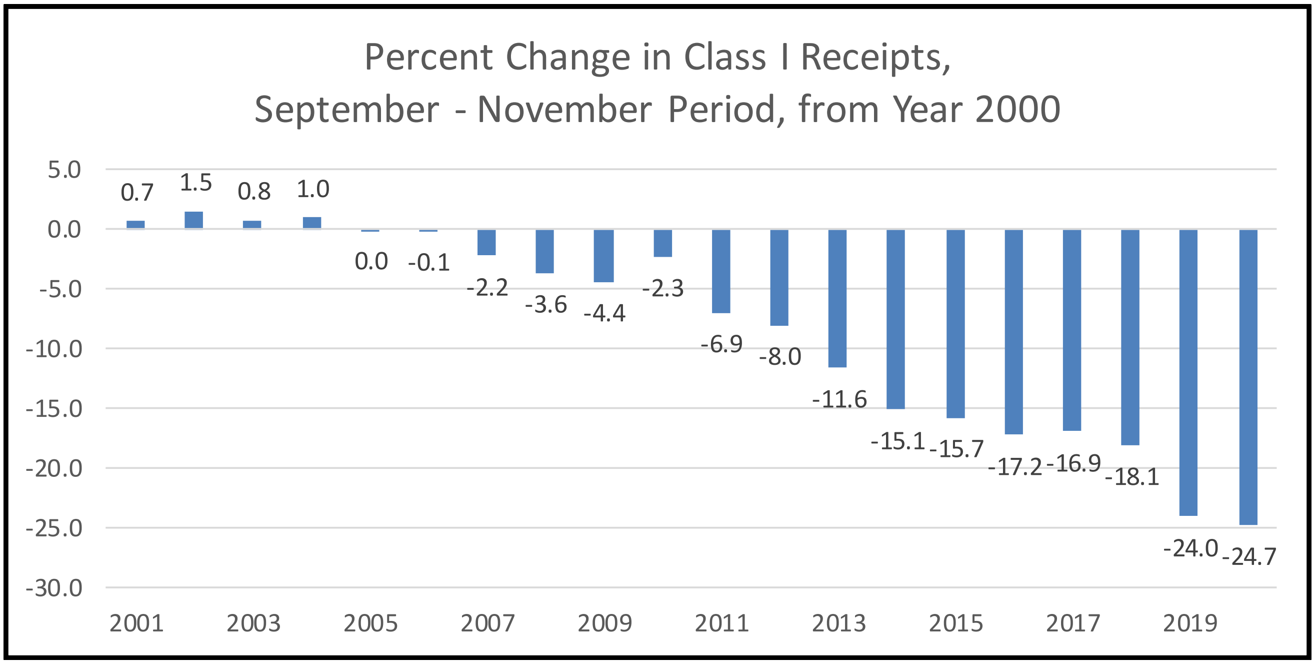
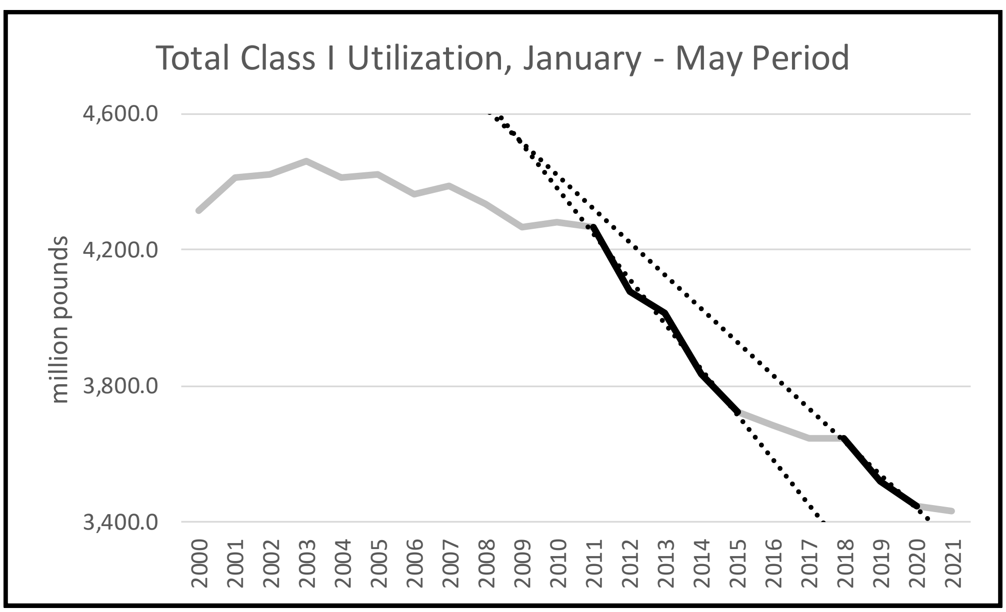


Chart 2 presents total Class I utilization for the period January through May of each year since 2000 (leap year adjusted). The two trend lines in the chart highlight the more rapid decline in utilization volume from 2011 to 2015 and the return to a fairly similar decline from 2018 to 2020. This year, there was a slowing of the rate of decline in the January-May period.

Chart 2.



The following table presents average level of Class I utilization 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 utilization may be based on where the previous spring level was. The 2021 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 decrease 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 2021.

	Class I Utilization		
Year	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	646*	-6.5*

*Projection based on Class I calendar, seasonal factors, and current utilization.

The volume of milk pooled on the Order through the first 5 months of this year is the fourth largest volume since the inception of the Northeast Order, though slightly below the prior year, adjusted for leap year.

Milk utilized in Class IV–historically considered a balancing class with the manufacture of lower valued storable products–typically exhibits year-to-year variation in the Northeast Order in response to the overall supply and demand for milk in the region. During the first 5 months of this year, the pounds of milk utilized in Class IV has ranked third highest since the Order's inception (only this period in 2017 and 2020 being higher). Class IV utilization for May 2021 was the third highest ever for that month and fourth highest ever for the Order (two higher months were April and May of 2020, months in which the onset of the pandemic and its associated demand and supply chain changes contributed to).

USDA National Agricultural Statistics Service *Milk Production* report indicates that some slowdown in milk production had been occurring earlier in the year, but the latest report indicates year-over-year milk production is up 4.9 percent for the major-24 milk producing states. That said, those figures are compared against the prior May when producers began efforts to curtail excess milk in face of a market that included the disposing of milk at the farm. If using pool volumes as a proxy for milk production, the region may be producing milk at about the level of the prior year.

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 proven to create hard to predict, or unpredictable outcomes. The data on current milk volumes and Class I demand, coupled with the ongoing COVID-19 challenges, threat of variants and even impacts on the supply chain that continue, suggest a shipping percentage that may be suitable at a lower level, but with an abundance of caution, does not warrant an extended period of approval such as "until further notice". The same caution would suggest it prudent the Market Administrator monitor markets monthly throughout this period. Even two months away, September through November may be more difficult to predict than normal.

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 of 2021, is approved. In consideration of the recent and ongoing uncertainty associated with a marketplace and supply chain that has been challenged by the COVID-19 pandemic, the approved 10 percent level is not extended to "until further notice."

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.

Agrimark

From: Catherine de Ronde
Sent: Friday, June 25, 2021 1:45 PM
To: Riordon Brian
Cc: Bill Beaton ; Thomas Pittman
Subject: Shipping Requirements Investigation - Agri-Mark comments

Hi Brian,

Please see Agri-Mark's comments below regarding the shipping requirement request. Please let me know if any questions and confirm receipt.

Thank you!

Catherine

Dear Mr. Market Administrator,

Agri-Mark appreciates the opportunity to comment on the request from a pool handler in the Northeast Marketing Order to lower the shipping percentage from 20 percent to 10 percent during the months of September, October, and November, as specified in Section 1001.7 (c)(2) of the Northeast Marketing Order.

While Agri-Mark is supportive of lowering of the shipping percentage from 20 to 10 percent for the year of 2021, we do not support the lowering "until further notice". Given the drastic changes the Covid-19 pandemic caused in the marketplace this past year, we do not support making a long-term change at this time.

To conclude, we support lowering the shipping percentages for 2021. These requirements should continue to be reviewed annually to determine the appropriate percentage.

Thank you for the opportunity to comment,

Catherine

Catherine de Ronde
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Buffalo Fluid Plant:
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Valley Farms Dairy, LLC:
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Williamsport, PA 17701

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

North Country Dairy LLC:
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North Lawrence, NY 12967

Oatka Milk Products:
700 Ellicott Street
Batavia, NY 14020

June 25, 2021

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.

In each of the past several years, performance standards were adjusted lower during the months of September, October, and November. Upstate Niagara believes that maintaining the recent status quo of reducing shipping requirements continues to be warranted. Regarding timing, we would prefer to see the Market Administrator continue to review this matter regularly rather approving a change that would include 'until further notice'.

The Cooperative believes that the overall market conditions that warranted the past adjustments remain largely true today. During the pandemic, we saw fluid milk sales improve. However, as COVID-19 restrictions are lifted, fluid sales seem to be heading back toward the well-documented downward trend in overall Class I milk sales.

To summarize, Upstate Niagara believes that a reduction of shipping requirements is warranted for the months of September, October, and November with review regularly.

Sincerely,

Jodi Smith Krzysiak

Jodi Smith Krzysiak
Economist

cayuga marketing

Date: June 25, 2021

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

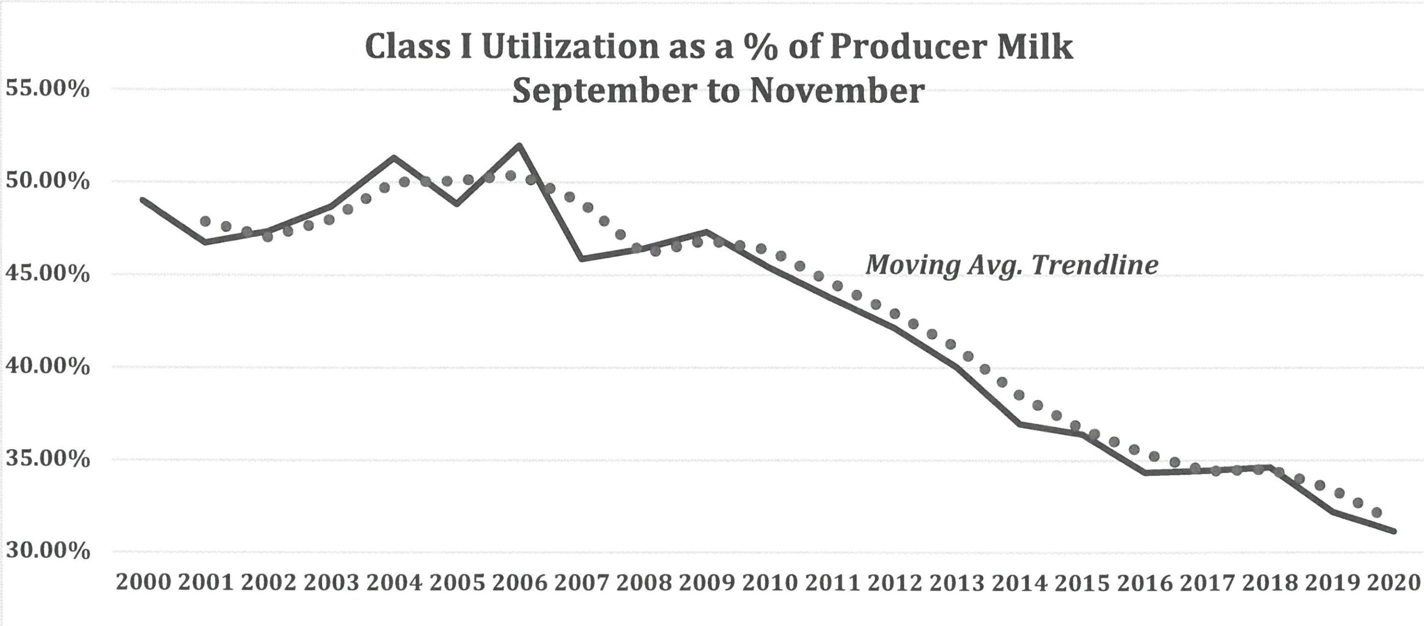
RE: Shipping Requirements Investigation

Dear Shawn:

Cayuga Marketing is in favor of lowering the shipping percentage from 20 percent to 10 percent 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 10% shipping requirement during the September to November timeframe. For 2021 and beyond, we are recommending maintaining the shipping requirement from September to November at 10%. The data that we have reviewed would suggest the shipping requirement from September to November could be as low as 6%-7% by utilizing the same logic we employed in 2019 using data from 2000 to 2018 timeframe.

In determining our position, we analyzed the amount of producer milk produced in Federal Order 1 during September through November from years 2000 to 2020. We then compared the producer milk available against Class I demand during the same period of time. 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 of time remained relatively stable as depicted in the graph below. Starting in 2010 and continuing through 2020, 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. Thus, the cumulative Class I demand for the September to November timeframe as a percent of producer milk available decreased by a total of 14.25%, or approximately 1.4% per annum. If we assume that a 20% shipping requirement was proportionally correct to Class I utilization in 2010, it can be surmised that a 6% shipping requirement is correct for 2021 since Class I sales during the September through November timeframe have decreased by 14.25% from 2010 to 2020.



The data in the graph above certainly solidifies our position that producer milk is more than sufficient to meet Class I demand during the September to November timeframe, and furthermore, the September to November pooling percentage should be reduced to 10% *until further notice* to reflect the fact that Class I utilization as a percentage of available producer milk has decreased 14.25% from 2010 to 2020. Should Class I sales continue to decline, the 10% pooling percentage requirement should be reviewed to ensure milk marketers in Federal Order One are not incurring abnormal marketing costs related to meeting a pooling requirement that cannot be supported through data.

In 2021 and beyond, Cayuga Marketing will be forced into maintaining uneconomic milk sales to maintain its Class I sales above 20% during the months of September, October, and November. This will have a detrimental effect on our producers who will bear the increased marketing costs, which will reduce their net milk price. Our objective is to maximize our members return on their milk through the orderly marketing of their milk to its highest and best use. By maintaining a 20% pooling requirement, we would not be able to meet our objective.

Feel free to reach out to me directly if you should have any further questions or concerns.

Sincerely,

Kevin J. Ellis
CEO
Cayuga Marketing

THIS MARK MATTERS. DFA Dairy Farmers of America

June 25, 2021

Shawn M. Boockoff, Market Administrator
Federal Milk Marketing Order 1
333 Fairfax Street
Alexandria, VA 22314

Dear Mr. Boockoff:

Dairy Farmers of America (DFA), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, is responding to the Market Administrator's invitation for comments regarding a request to lower the shipping percentage specified in Section 1001.7 (c)(2) during September, October, and November from 20 percent to 10 percent until further notice.

DFA does not oppose the continued reduction in the applicable shipping percentages to 10 percent for the months of September, October, and November; however, DFA is opposed to the "until further notice" effective period as submitted in the request. DFA would prefer the shipping percentage be reviewed each month during the requested period. The COVID-19 pandemic has introduced an increased level of uncertainty at all points along the dairy supply chain. It would be easier for the market to respond to an additional decrease if needed in the fall than to request an increase if deliveries fall short of demand. We feel the best course is monthly review by the Market Administrator in order to determine if continued reduction of the percentages is necessary given the conditions existing at that time.

Thank you for considering our comments.

I will be glad to answer any questions you may have.

Sincerely,

Chris Allen

Chris Allen
Vice President Dairy Marketing & Economic Policy

April 26United States Department Of Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1

Northeast Marketing Area

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April 26, 2021

TO: Pool Handlers

FROM: Shawn M. Boockoff, Market Administrator

SUBJECT: Shipping Requirements Investigation – Solicitation of Comments

This office has received a 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*. Section 1001.7 (c)(2) states that in each of the months of September through November such shipments and transfers, by supply plants or qualified cooperative association handlers, to distributing plants must equal not less than 20 percent of the total quantity of milk that is received at the plant or diverted from it during the month.

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. After reviewing milk utilization data for the Northeast Order, this office is commencing a formal assessment of milk supplies and market conditions relative to the demand for milk utilized as Class I and, in particular, for the upcoming months of September, October, and November.

The Market Administrator invites the submission of comments, data, or views on this request to lower the shipping percentages from 20 percent to 10 percent applicable during the months of September–November until further notice.

A copy of the request can be found on the Northeast Order website: www.fmmone.com

Please submit any comments by June 25, 2021, to the address or email below.

Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203

Attention: Brian Riordon

Fax: 518-464-6468
briordon@fedmilk1.com

January 19, 2021

Market Administrator
Northeast Marketing Area
89 South Street Suite 301
Boston Ma. 02111-2671
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 112 years and one of the two Pool Supply Plants 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 is one of those two.

Class I sales are decreasing every year and the number of viable Class I dealers is decreasing as well. Producer milk is more than sufficient to meet Class I demand as Class I utilization declines almost every year. In fact Class I utilization was down 1.3% for the first three quarters of 2020 compared to 2019 and down an additional .0.7% in October 2020. In past years Queensboro has had to seek out Class I customers in order to reach the 20% shipping requirement. 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 milk 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. 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 and summer and even winter of 2019 and 2020 at the request of a large Northeast Order Cooperative and two other sizeable Cooperatives Queensboro is helping to balance their excess supply of milk by separating, skimming, 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 July2018 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.. In point of fact for many months the volume of milk utilized as Class I has set a new low for that respective month. Just 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 dramatically 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,and moving that percentage in to 10% in 2019 and 2020. 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

Lewis P Miller

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
DAIRY PROGRAMS
MILK MARKET ADMINISTRATOR

APPALACHIAN MARKETING AREA
Federal Order No. 5
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August 12, 2014

Mr. Simon Yoder
435 Merideth Lane
Guthrie, KY 42234

Dear Mr. Yoder,

This correspondence is regarding your fax received on August 5, 2014 requesting that the Market Administrator reduce the diversion percentage to zero for the months of September, October and November 2014. §1005.13(d)(7) states that the diversion percentages may be increased or decreased by the market administrator if the market administrator finds that such revision is necessary to assure orderly marketing.

Dairy Programs assists the dairy industry by providing stability and orderliness in the dairy marketplace, while at the same time assuring the availability of an adequate supply of high-quality milk and dairy products for U.S. consumption. Dairy Programs serves dairy farmers, processors, and consumers through programs administered in a consistent and equitable manner that promote an efficient marketing system.

Federal milk marketing orders establish certain provisions under which buyers purchase fresh milk from dairy farmers supplying a marketing area. Diversions are an important function in the efficient marketing of milk and dairy products. Diversions are used by pool plant operators and cooperatives acting as handlers to attract an adequate milk supply to meet Class I needs. In setting a reasonable limit, diversion limit standards must take into account reserve supplies needed for Class I use, the balancing needs of the markets, and the seasonality of production. In 2013, the monthly average daily production from producers located in the Federal Order 5 marketing area and pooled on Federal Order 5 ranged from a high of 8.8 million pounds in February 2013 to a low of 7.0 million pounds in August 2013. It represents a swing in seasonal production of nearly 26 percent in 2013, while in 2012 the swing was over 41 percent. These impacts do not even account for the further weekly and daily variations of pool plant demands and in area milk production that occur within a given month.

The diversion limit standards specify the maximum volume of milk that may be diverted to a nonpool plant and still be pooled and priced under the order. Federal Order 5 does include several nonpool plants that manufacture dairy products. If diversions are not allowed, these plants may have difficulty procuring a milk supply resulting in undue economic hardship to these plants, many which are small businesses.

The current diversion limit standards of the Appalachian order were permanently amended and adopted by a Final Rule published in the Federal Register on May 2, 2014 and became effective May 5, 2014. Diversion limit standards are 25 percent during each of the months of January, February, and July through November, and 35 percent for each of the months of March through June and for the month of December. The maximum volume of diversions allowed during July through February is further reduced because no diversions may accompany supplemental milk pooled on the order which receives a transportation credit payment. In stating the justification for the diversion limits in the final decision, the Secretary stated that providing for the diversion of milk is a desirable and needed feature of an order because it facilitates the orderly and efficient disposition of milk when not needed for fluid use. When producer milk is not needed by the market for Class I use, some provisions should be made for that milk to be diverted to nonpool plants but remain pooled and priced under the order.

Allowing for no diversions weakens the order's ability to provide for orderly marketing. Therefore, your request to reduce the diversion limit percentage to zero for the months of September, October, and November 2014 is denied.

Sincerely,

Harold H. Friedly, Jr.
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
DAIRY PROGRAMS
MILK MARKET ADMINISTRATOR

APPALACHIAN MARKETING AREA
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April 11, 2007

TO: Interested Parties – Appalachian Marketing Area

FROM: Market Administrator, Louisville, Kentucky

SUBJECT: **Decision Regarding Request To Change Producer Delivery Day Requirements And Diversion Percentages**

Introduction

On December 6, 2006, the Market Administrator received a request to change the diversion limits and delivery day requirements found in 7 CFR Section 1005.13(d) of the Order Regulating the Handling of Milk in the Appalachian Marketing Area from the Southeast Producers Steering Committee. Members of this committee include representatives of the North Carolina Dairy Producers Association, Upper South Milk Producers Association, North Carolina Department of Agriculture and Consumer Services, Georgia Milk Producers, Inc., South Carolina Department of Agriculture, North Carolina Farm Bureau and the Kentucky Dairy Development Council.

The request seeks to increase the producer delivery day requirement in 7 CFR Section 1005.13(d)(1) and (d)(2) to 10 days each month for January through December. Currently, the producer delivery requirements for the Appalachian Order are 2 days for January through June and 6 days for July through December. The request also seeks to lower the diversion limits in 7 CFR Section 1005.13(d)(3) and (d)(4) to 15 percent for December through February; to 20 percent for March through June; and to 10 percent for July through November. Currently, the diversion limits for the Appalachian Order are 25 percent for July through November, January and February and 40 percent for December and March through June.

According to 7 CFR Section 1005.13(d)(7), the delivery day requirements and diversion percentages may be increased or decreased by the Market Administrator if the Market Administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. In order to make such a determination, the Market Administrator is required to issue a notice stating that the revision is being considered and to invite 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.

On December 22, 2006, the Market Administrator issued a notice of the Southeast Producers Steering Committee's request and solicited comments from interested parties. The request, and comments received, are available on the Market Administrator's website at www.malouisville.com.

Summary of Arguments

The Southeast Producers Steering Committee, hereafter referred to as proponents, argues that the current pooling standards are too liberal for the Appalachian Order because it is a predominantly fluid milk market. The current pooling standards are said to be inconsistent with 7 CFR Section 608(c)(18), which commands the Secretary of Agriculture to fix minimum milk prices to "assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs". Proponents assert Class I utilization is too low for a predominantly fluid milk market. Loss of farms in the marketing area and declining milk production, proponents believe, are due in part to the current diversion limits and delivery day requirements which permit handlers to pool excessive volumes of milk at lower-priced classes, reducing Class I utilization and thereby reducing the minimum blend price.

Proponents cite two factors to support the conclusion that diversion limits and delivery day requirements should be changed. First, the decline in farm numbers and milk production has hastened since the current pooling standards were implemented in January 2000. Second, milk production in Federal Order No. 6, the Florida Marketing Area, has not declined similar to the Appalachian Marketing Area because of "the higher Federal Order Uniform Prices that accompany its more restrictive" pooling standards.

Proponents argue that many distant producers deliver only the minimum days required, either 2 or 6 days, and divert the remainder to non-pool plants. In these cases, the vast majority of distant producers' milk does not directly serve the fluid milk needs of regulated distributing plants, yet still enjoys the benefits of Federal order minimum blend prices. As a result of this marketing behavior, local dairymen have been deprived adequate milk prices and the assurance that "money generated from the sale of their milk will stay within the market". This, claim the proponents, has sped the exit of farms from the dairy industry inside the Appalachian Order boundaries.

Proponents offer two alternative explanations for observed trends in Appalachian Order milk production and farm numbers. One is "the way in which marketing costs are distributed among producers" and, the second is "'re-blending' by cooperatives of the proceeds of milk sales in the Southeastern market." Neither of these explanations, if true, could be addressed by the Market Administrator given his current regulatory authority.

Concurring Opinions

Dean Foods (Dean), owner of eight distributing plants regulated on the Appalachian Order, submitted comments in full support of the request to change pooling standards. In summary, Dean believes the current pooling standards allow too much manufacturing milk to be pooled on the Appalachian Order and that strengthening limits on diversions and increasing the delivery day requirement will boost producer pay prices and encourage local milk production. Dean advocates employing a technical view of diversions that rejects using the ratio of highest production day versus the lowest production day in a given month in favor of measuring them against the total volume of deliveries in a month.

Cooperative Milk Producers Association (Cooperative), a dairy farmer cooperative pooling milk on the Appalachian Order, submitted comments in support of the request to change pooling standards.

Southeastern Graded Milk Producers Association (Cooperative), a dairy farmer cooperative pooling milk on the Appalachian Order, submitted comments in support of the request to change pooling standards.

The Kentucky Dairy Development Council (KDDC), an organization representing nearly 750 Kentucky dairy farmers, submitted comments in favor of the requested change to pooling standards. KDDC is of the opinion that milk from far away is pooled on the Appalachian Order due to a business decision made by individual cooperatives to associate distant farms with the Order and spread monies generated from fluid milk sales over an unnecessarily large geographic area. KDDC believes adopting the requested changes to pooling standards will increase the economic conditions of all farms in the marketing area and that only those producers “who serve the Class I market consistently should be rewarded…”

Comments in favor of the request to change pooling standards were received from the North Carolina Farm Bureau Federation, the North Carolina Department of Agriculture and the North Carolina Dairy Producers Association, each providing similar sentiments. Each states that the region is growing in population yet declining in milk production. They suggest instituting pooling provisions like the Florida Order, as proponents requested, would be beneficial to local dairy farmers.

Comments in favor of the request to change pooling standards were received from Burkmann Feeds and Farm Credit Services of Mid-America. Burkmann Feeds states that they are the largest feed supplier in southern Kentucky, supplying feed to approximately 250 dairy producers. Farm Credit Services provides mortgage loans, milking equipment loans, farm equipment loans and operating loans to dairy farmers. Both cite that current pooling provisions are causing profound instability for this market and are the root cause of the accelerating loss of local producers. Current pooling provisions are understood to be the reason our region’s farmers continue to labor under crushingly inadequate pay prices despite the readily apparent value of our fluid market. Milk is being brought into this market while at the same time low milk prices are forcing local producers out of business.

Comments in favor of the request to change pooling standards received from Edmonton State Bank cite concern for the loss and displacement of local dairy farmers and believe it is brought on primarily by the low milk prices.

The Market Administrator also received, by way of form letter, the following from over 370 individuals, approximately 74% of which could be identified as producers pooled on the Appalachian Order in January 2007:

> *"My farm listed above currently delivers milk to processing plants regulated by Federal Orders 5 and 7. I support the proposed changes made by The Southeast Producers Steering Committee that will harmonize the rule in the wider marketing area and tighten the pooling provisions in my market. I support these requested changes as a step in the right direction in preserving the financial livelihood of the farms in the Southeast and request that the Milk Market Administrators make the requested changes immediately."*

Dissenting Opinions

The Southern Marketing Agency, Inc. (SMA), submitted comments in opposition to the request to change the diversion limits and delivery day requirements. SMA states that their member cooperatives marketed more than 70 percent of the producer milk pooled on the Appalachian Marketing Area.

SMA shares in the concern of declining milk production in the region, but insists that no relationship between milk production trends and pooling standards has been shown. SMA agrees that the decision regarding pooling standards is very important because Federal orders permit the pooling of reserve milk supplies. Indeed, according to SMA, an order is required to pool its own reserve supply to prevent another Federal order from bearing those marketing costs.

In analyzing the pooling standards issue, SMA employs two distinct methodologies, dubbed the "More-Liberal" and "More-Conservative Reserve Requirement Scenarios", to arrive at optimized Class I utilizations. (The More-Conservative version measures appropriate reserve supplies similar to the method advanced by Dean.) These optimized Class I utilizations are then compared to actual utilizations to provide guidance in making a decision as to the appropriateness of diversion limits and delivery day requirements.

Using daily delivery data made public at a recent Federal order hearing, SMA methodologies attempt to quantify the variations in daily and seasonal pool distributing plant demand and, in the More-Liberal scenario, adjust for the seasonality of local milk production. The results of their static analysis show Class I utilization under the More-Liberal assumptions generally lower than the actual values, while Class I utilization would have been generally higher using the More-Conservative assumptions. SMA believes that it is reasonable to expect actual needed reserves fall somewhere between the More-Liberal and More-Conservative scenarios, concluding that implementation of the requested change in pooling standards would "limit the marketers of milk from associating the needed reserves with the Class I milk pooled on the Order".

Land O' Lakes, Inc. (LOL), a dairy cooperative with members pooled on the Appalachian Order, submitted comments in opposition to the requested change in pooling standards. LOL agrees with the SMA analysis and comments. LOL cites differences in the "institutional characteristics" of the Appalachian Order and the Florida Order, which justify different diversion limits and delivery day requirements, such as the number of cooperatives

cooperatives and the market share of independent producers. Additionally, LOL questions the authority of the Market Administrator to make permanent changes to pooling standards, suggesting instead that the authority is limited to emergency situations, such as natural disasters. LOL supports making changes to pooling standards through a public hearing process.

Decision

The Market Administrator shares the concerns over the level of farm income and the long-term trends of declining farm numbers and milk production in the Appalachian Order, and is troubled at the prospects for fluid milk supplies if these trends continue unabated.

A recent decision issued by the Secretary of Agriculture, implemented December 1, 2006, places limitations on the milk eligible for transportation credits in inverse-relation to the amount of milk caused to be diverted by a handler. The implications of these provisions, along with other changes to the transportation credit balancing fund, are not yet fully realized by market participants. If the pooling standards were altered as requested, how these two diversion-related issues would interact is not well understood.

From the comments received, there is near unanimous concern over the plight of local dairy farmers and maintaining a supply of milk near the fluid markets of the Appalachian Order. However, there is a significant lack of consensus over how, or even if, to change Federal order provisions to address these concerns. Given this lack of consensus, and the potential unintended consequences of lowering diversion limits soon after implementation of a new diversion-related provision, no action will be taken on the request to change diversion limits and delivery day requirements at this time. Neither the merits of the request to change pooling standards nor the merits of opposing arguments to the request are herein adjudicated.

A public hearing on the marketing environment of the Appalachian Order is likely to be held in the near future. At such time, parties are urged to review diversion limits and delivery day requirements and other order provisions in the Appalachian Order.

If you have any questions concerning this announcement, please contact this office.

Harold H. Friedly, Jr.
Market Administrator

United States Department of Agriculture
Agricultural Marketing Service
Dairy Programs
Market Administrator
Federal Order No. 6 – Florida Marketing Area
Federal Order No. 7 – Southeast Marketing Area

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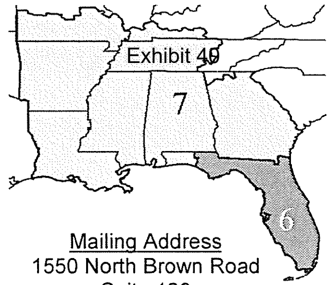
Exhibit 40



Mailing Address
1550 North Brown Road
Suite 120
Lawrenceville, GA 30043

August 28, 2014

TO: Interested Parties

FROM: Patrick S. Clark, Market Administrator

SUBJECT: Request to Lower Diversion Percentages to Zero (0) – Denied

On July 23, 2014, the Southeast Order Market Administrator received a request to use the authority granted in section 1007.13(d) of the ORDER REGULATING THE HANDLING OF MILK IN THE SOUTHEAST MARKETING AREA to reduce diversion limit percentages in August, September, October and November 2014 from twenty-five (25) percent to zero (0) percent. An investigation was initiated, including an invitation for written data, views, and arguments from interested parties published on July 28, 2014. It was determined that August would be excluded from consideration due to insufficient advanced notice. Data requests received from interested parties with respect to the investigation were posted on the Market Administrator's website.

Comments in response to the invitation were received from 9 individual dairy producers and 10 dairy industry organizations (companies, cooperatives, and producer associations). All comments are posted on the Market Administrator's website at www.fmmatlanta.com under the 'What's New' link. The current diversion limits, approved by producers through a referendum and permanently adopted in May 2014, were altered in conjunction with a change in delivery day requirements, effective Class I price differentials, and provisions of the transportation credit balancing fund. In addition, similar amendments were made to Federal Order 5, the Appalachian Order, with handlers on both markets expressing their preference for uniform diversions percentages, delivery day requirements, and transportation credit balancing fund provisions. Therefore, altering just one of these provisions in Order 7 alone is disruptive given the lack of ample advanced notice to handlers, the potential for uneconomic movements of milk, disparate impacts upon milk suppliers, tendency toward disorderly marketing, and potential unintended consequences.

As such, the request is denied and no change in diversion limit percentages will be made at this time.

The Market Administrator is grateful for those who provided input to this investigation and the Southeast Dairy Industry is benefitted by those who have brought this matter to the forefront for more in depth discussion and analysis.

United States Department of Agriculture

Agricultural Marketing Service, Dairy Programs

Market Administrator

Federal Order No. 6 – Florida Marketing Area
Federal Order No. 7 – Southeast Marketing Area

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Lawrenceville, GA 30049

April 11, 2007

TO: Interested Parties – Southeast Marketing Area

FROM: Market Administrator, Atlanta, Georgia

SUBJECT: DECISION REGARDING REQUEST TO CHANGE PRODUCER DELIVERY DAY REQUIREMENTS AND DIVERSION PERCENTAGES

Introduction

On December 6, 2006, the Market Administrator received a request to change the diversion limits and delivery day requirements found in 7 CFR Section 1007.13(d) of the Order Regulating the Handling of Milk in the Southeast Marketing Area from the Southeast Producers Steering Committee. Members of this committee include representatives of the North Carolina Dairy Producers Association, Upper South Milk Producers Association, North Carolina Department of Agriculture Consumer Programs, Georgia Milk Producers, Inc., South Carolina Department of Agriculture, North Carolina Farm Bureau and the Kentucky Dairy Development Council.

The request seeks to increase the producer delivery day requirement in 7 CFR Section 1007.13(d)(1) to 10 days each month for January through June. Currently, the producer delivery requirements for the Southeast Order are 4 days for January through June and 10 days for July through December. The request also seeks to lower the diversion limits in 7 CFR Section 1007.13(3) and (4) to 15 percent for December through February; to 20 percent for March through June; and to 10 percent for July through November. Currently, the diversion limits for the Southeast Order are 50 percent for January through June and 33 percent for July through December.

According to 7 CFR Section 1007.13(d)(7), the delivery day requirements and diversion percentages may be increased or decreased by the Market Administrator if the Market Administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. In order to make such a determination, the Market Administrator is required to 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.

On December 22, 2006, the Market Administrator issued a notice of the Southeast Producers Steering Committee's request and solicited comments from interested parties. The request and the comments received are available on the Market Administrator's website at www.fmmatlanta.com.

Summary of Arguments

The Southeast Producers Steering Committee, hereafter referred to as proponents, argues that the current pooling standards are too liberal for the Southeast Order because it is a predominantly fluid milk market. The current pooling standards are said to be inconsistent with 7 CFR Section 608(c)(18), which commands the Secretary of Agriculture to fix minimum milk prices to "assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs". Proponents assert Class I utilization is too low for a predominantly fluid milk market. Loss of farms in the marketing area and declining milk production, proponents believe, are due in part to the current diversion limits and delivery day requirements which permit handlers to pool excessive volumes of milk at lower-priced classes, reducing Class I utilization and thereby reducing the minimum blend price.

Proponents cite two factors to support the conclusion that diversion limits and delivery day requirements should be changed. First, the decline in farm numbers and milk production has hastened since the current pooling standards were implemented in January 2000. Second, milk production in Federal Order No. 6, the Florida Marketing Area, has not declined similar to the Southeast Marketing Area because of "the higher Federal Order Uniform Prices that accompany its more restrictive" pooling standards.

Proponents argue that many distant producers deliver only the minimum days required, either 4 or 10 days, and divert the remainder to non-pool plants. In these cases, the vast majority of distant producers' milk does not directly serve the fluid milk needs of regulated distributing plants, yet still enjoys the benefits of Federal order minimum blend prices. As a result of this marketing behavior, local dairymen have been deprived adequate milk prices and the assurance that "money generated from the sale of their milk will stay within the market". This, claim the proponents, has sped the exit of farms from the dairy industry inside the Southeast Order boundaries.

Proponents offer two alternative explanations for observed trends in Southeast Order milk production and farm numbers. One is "the way in which marketing costs are distributed among producers" and, the second is "'re-blending' by cooperatives of the proceeds of milk sales in the Southeastern market." Neither of these explanations, if true, could be addressed by the Market Administrator given her current regulatory authority.

Concurring Opinions

Dean Foods (Dean), owner of nine distributing plants regulated on the Southeast Order, submitted comments in full support of the request to change pooling standards. In summary, Dean believes the current pooling standards allow too much manufacturing milk to be pooled on the Southeast Order and that strengthening limits on diversions and increasing the delivery day requirement will boost producer pay prices and encourage local milk production. Dean advocates employing a technical view of diversions that rejects using the ratio of highest production day versus the lowest production day in a given month in favor of measuring them against the total volume of deliveries in a month.

Southeast Milk Inc. (SMI), a dairy farmer cooperative pooling the milk of approximately 150 producers on the Southeast Order, submitted comments in support of the request to change pooling standards. SMI asserts the similarities between the Florida and Southeast Order concerning milk supplies and milk demand and states that the requested change would not negatively impact the fluid milk supply or inhibit the pooling of milk from producers who routinely supply the Class I market. SMI also states that it is forced to pay more in balancing costs than it otherwise would because of current pooling standards. SMI says it bears both the full cost of balancing two plants on the Southeast Order that it supplies, and subsidizes balancing of other handlers because their choice of marketing activities artificially lowers the blend price of all producers, including SMI's.

Cobblestone Milk Cooperative, Inc. (Cobblestone), a recently-formed dairy farmer cooperative pooling milk on the Southeast Order, submitted comments in support of the request to change pooling standards. Cobblestone believes larger cooperatives use the current diversion limits and delivery day standards to extract blend prices for milk that performs only the minimum requirements (i.e. 4 or 10 days). Cobblestone also states that the price differences between cooperative members and independent producers should not be considered because the requested change will increase the minimum blend price for all farmers.

The Kentucky Dairy Development Council (KDDC), an organization representing nearly 400 Kentucky dairy farmers, submitted comments in favor of the requested change to pooling standards. KDDC is of the opinion that milk from far away is pooled on the Southeast Order due to a business decision made by individual cooperatives to associate distant farms with the Order and spread monies generated from fluid milk sales over an unnecessarily large geography. KDDC believes adopting the requested changes to pooling standards will increase the economic conditions of all farms in the marketing area and that only those producers "who serve the Class I market consistently should be rewarded..."

Georgia Milk Producers, Inc. (GMP), an organization representing 383 Georgia dairies, submitted comments in full support of the requested change to pooling standards. GMP argues there is currently a "20 point excess reserve capacity associated with Order 7 [the Southeast Order]" because prior to Federal Order Reform in 2000, Class I utilization was over ninety percent on several occasions, while it has now "failed even during the most critically short months to reach 70%." GMP suggests this translates into lower minimum Federal order blend prices of at least one-dollar hundredweight per month. GMP advocates that Federal orders should "pay the money from the pool to those supplying the market on a daily basis, rather than paying SE [Southeast Order] revenues out of the pool to those who do not."

Comments in favor of the request to change pooling standards were received from the Georgia Farm Bureau Federation, the Georgia Department of Agriculture and the Mississippi Department of Agriculture and Commerce, each providing similar sentiments. Each state that the region is growing in population yet declining in milk production. They suggest instituting pooling provisions like the Florida Order, as proponents requested, would be beneficial to local dairy farmers. The comments from the Georgia and Mississippi Departments of Agriculture both include references in support of the National Association of State Departments of Agriculture's policy position for dairy.

The Market Administrator also received, by way of form letter, the following from over 400 individuals, approximately 25% of which could be identified as producers pooled on the Southeast Order in January 2007:

> *"My farm listed above currently delivers milk to processing plants regulated by Federal Order 5 and 7. I support the proposed changes made by The Southeast Producer Steering Committee that will harmonize the rule in the wider marketing area and tighten the pooling provisions in my market. I support these requested changes as a step in the right direction in preserving the financial livelihood of the farms in the Southeast and request that the Milk Market Administrators make the requested changes immediately."*

Dissenting Opinions

The Southern Marketing Agency, Inc. (SMA), submitted comments in opposition to the request to change the diversion limits and delivery day requirements. SMA is an organization of the following six dairy cooperatives that generally market over 75 percent of the producer milk pooled on the Order: Arkansas Dairy Cooperative Association, Dairy Farmers of America, Inc., Dairymen's Marketing Cooperative Association, Inc., Lone Star Milk Producers, Inc., and Maryland and Virginia Milk Producers Cooperatives Association, Inc.

SMA shares in the concern of declining milk production in the region, but insists that no relationship between milk production trends and pooling standards has been shown. SMA agrees that the decision regarding pooling standards is very important because Federal orders permit the pooling of reserve milk supplies. Indeed, according to SMA, an order is required to pool its own reserve supply to prevent another Federal order from bearing those marketing costs.

In analyzing the pooling standards issue, SMA employs two distinct methodologies, dubbed the "More-Liberal" and "More-Conservative Reserve Requirement Scenarios", to arrive at optimized Class I utilizations. (The More-Conservative version measures appropriate reserve supplies similar to the method advanced by Dean.) These optimized Class I utilizations are then compared to actual utilizations to provide guidance in making a decision as to the appropriateness of diversion limits and delivery day requirements.

Using daily delivery data made public at a recent Federal order hearing, SMA methodologies attempt to quantify the variations in daily and seasonal pool distributing plant demand and, in the More-Liberal scenario, adjust for the seasonality of local milk production. The results of their static analysis show Class I utilization under the More-Liberal assumptions generally lower than the actual values, while Class I utilization would have been generally higher using the More-Conservative assumptions. SMA believes that it is reasonable to expect actual needed reserves fall somewhere between the More-Liberal and More-Conservative scenarios, concluding that implementation of the requested change in pooling standards would "limit the marketers of milk from associating the needed reserves with the Class I milk pooled on the Order".

Land O' Lakes, Inc. (LOL), a dairy cooperative with members pooled on the Southeast Order, submitted comments in opposition to the requested change in pooling standards. LOL agrees with the SMA analysis and comments. LOL cites differences in the "institutional characteristics" of the Southeast Order and the Florida Order which justify different diversion limits and delivery day requirements, such as the number of cooperatives and the market share of independent producers. Additionally, LOL questions the authority of the Market Administrator to make permanent changes to pooling standards, suggesting instead that the authority is limited to emergency situations, such as natural disasters. LOL supports making changes to pooling standards through a public hearing process.

The Market Administrator also received, by way of form letter, the following from 4 producers pooled on the Southeast Order:

> *"I am an independent milk producer marketing my milk to the Kraft plant in Springfield, MO. I oppose the requested increased touch base requirements as proposed by the S.E. steering committee. Adopting the proposed changes would likely increase hauling cost to keep my milk associated with Federal Order #7, or perhaps even result in my milk not being pooled.*
> *The S.E. Federal Order is not Florida!"*

Decision

The Market Administrator shares the concerns over the level of farm income and the long-term trends of declining farm numbers and milk production in the Southeast Order, and is troubled at the prospects for fluid milk supplies if these trends continue unabated.

A recent decision issued by the Secretary of Agriculture, implemented December 1, 2006, places limitations on the milk eligible for transportation credits in inverse-relation to the amount of milk caused to be diverted by a handler. The implications of these provisions, along with other changes to the transportation credit balancing fund, are not yet fully realized by market participants. If the pooling standards were altered as requested, how these two diversion-related issues would interact is not well understood.

From the comments received, there is near unanimous concern over the plight of local dairy farmers and maintaining a supply of milk near the fluid markets of the Southeast Order. However, there is a significant lack of consensus over how or even if, to change Federal order provisions to address these concerns. Given this lack of consensus, and the potential unintended consequences of lowering diversion limits soon after implementation of a new diversion-related provision, no action will be taken on the request to change diversion limits and delivery day requirements at this time. Neither the merits of the request to change pooling standards nor the merits of opposing arguments to the request are herein adjudicated.

A public hearing on the marketing environment of the Southeast Order is likely to be held in the near future. At such time, parties are urged to review diversion limits and delivery day requirements and other order provisions which could be altered to improve the operation of the Southeast Order.

If you have any questions concerning this announcement, please contact this office.

Sue L. Mosley

Sue L. Mosley
Market Administrator

July 1, 2022

HL 22-03

TO: Pool Handlers – Pacific Northwest Federal Milk Marketing Order

SUBJECT: Continuation of Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association

SUMMARY: This action continues the reduction of the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants to qualify its manufacturing plant for pool status. The order states that a specified percentage of producer milk must be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month to qualify a cooperative' s plant.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption while enabling the continued pooling of producer milk that currently is pooled without the need for uneconomic movements of milk, which would result in disorderly marketing. To accomplish this goal, the order must reflect the needs and nature of the market.

The minimum shipping percentages applicable pursuant to this revision are: 15%

EFFECTIVE DATE: July 1, 2022 – June 30, 2023

STATEMENT OF CONSIDERATION: This proposed action is a continuation of the request made in May 2019 and granted in June 2019, effective July 1, 2019. In May 2020 and May 2021, comments were requested to continue the reduced shipping percentage through June 30, 2021, and June 30, 2022, respectively. The continuations were granted. Dairy Farmers of America (DFA) requested the Market Administrator review the request annually.

This proposal was originally requested by Cooperative Regions of Organic Producer Pools (CROPP), a handler regulated under the Pacific Northwest Federal Milk Marketing Order. CROPP requested the decrease of the percentage of producer milk that a cooperative association must ship to pool distributing plants to qualify its manufacturing plant for pool status, specified in section 1124.7(d), from 20 percent to 15 percent. The request also stated that with Class I sales dropping, the handler has “struggled to meet this requirement without changing routes and moving milk around”.

On May 27, 2022, this office notified Federal Order 124 handlers of a Proposed Continuation of Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association and invited the submission of comments, data, or views on this request by no later than June 24, 2022.

One verbal comment and two written comments were received. In addition, an analysis of the current and projected Federal Order 124 marketing conditions was performed by this office.

Cooperative Regions of Organic Producer Pools (CROPP) and Northwest Dairy Association (NDA) submitted comments in favor of continuing the reduced shipping percentages. NDA recommends a review of market conditions in 2023.

The comment received from Dairy Farmers of America (DFA) did not oppose the continued reduction in shipping percentages. DFA would like the Market Administrator to review this request annually.

Current market conditions continue to indicate that absent a reduction in shipping standards, the pool status of manufacturing plants in the order may not be maintained without costly and uneconomical movements of milk that would have to be made to maintain the pool status of producers who have historically supplied the market and to prevent disorderly marketing in the Pacific Northwest Federal Milk Marketing Order.

Therefore, continuing the reduction in the shipping standard in section 1124.7(d) is reasonable and necessary to ensure that such producers' milk will not have to be moved in an uneconomic and inefficient manner. In addition, the reduction in the shipping standard will serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comments received and analysis of available information and data, it is determined that the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12-month period ending with the current month, be reduced to 15% through June 30, 2023, at which point, marketing conditions will be reviewed to determine if 15% continues to be appropriate.

As provided in section 1124.7(g) of the Pacific Northwest Federal Milk Marketing Order, the Market Administrator may review the need for any further adjustment on the Market Administrator's own initiative or at the request of interested parties.

If you have any questions regarding this matter, please contact this office.

Lisa K. Wyatt
Market Administrator

May 17, 2023

To: Pool Handlers – Pacific Northwest Federal Milk Marketing Order

Subject: Request for Comments on Continuing the Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association

SUMMARY: Written comments are invited to continue the reduction of the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant(s) for pool status specified in section 1124.7(d), from 20 percent to 15 percent, effective July 1, 2023, until further notice.

These percentages were originally reduced to 15 percent from July 1, 2019, through June 30, 2020, in response to a request from a Pacific Northwest handler. The original proposed action states that with Class I sales dropping, the handler has “struggled to meet this requirement without changing routes and moving milk around.” The Market Administrator received comments each year requesting a review of the marketing conditions annually to determine if the conditions that existed when the reduction was granted still exist before continuing the reduction. As a result, each subsequent year a request for comments was issued and a continued revision was granted through June 30 of 2021, 2022, and 2023.

Under Section 1124.7(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. The Market Administrator therefore invites the submission of comments, data, or views on this request to continue the shipping percentages at 15 percent effective with the July 2023 delivery period.

DATES: Comments are to be received by the Market Administrator no later than June 23, 2023.

ADDRESS: Comments may be submitted by e-mail to fmmaseattle@fmmaseattle.com, or by fax to 425-487-2775. Comments may also be mailed to: Market Administrator, 1930-220th St. SE, Suite 102, Bothell, WA 98021.

If you have any questions regarding this matter, please contact this office.

Lisa K Wyatt

Lisa K. Wyatt
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDERS 124, 131 & 135

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March 31, 2000

TO: Handlers and Interested Persons – Order 131

SUBJECT: Revision in Pool Manufacturing Plant Shipping Standards

SUMMARY: For the months of April through December 2000, this action reduces the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants in order to qualify its manufacturing plant for pool status. The order states a specified percentage of producer milk to be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption without the need for making uneconomic movements of milk. To accomplish this goal, the order must reflect the needs and nature of the market. United Dairymen of Arizona (UDA), a cooperative association supplying milk to the Arizona-Las Vegas market, has requested a reduction of the pool standard in section 1131.7(d) of the order. Based on analysis of marketing data, the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status under the Arizona-Las Vegas federal milk order will be reduced for the remainder of 2000.

The following are the minimum shipping percentages applicable for April - December 2000:

April - June	**25 percent**
July - October	**20 percent**
November	**15 percent**
December	**20 percent**

EFFECTIVE DATE: April 1, 2000.

FOR FURTHER INFORMATION: Contact William A. Wise, Arizona-Las Vegas Marketing Area, 11225 N.28th Drive, Suite D-120, Phoenix, Arizona 85029-5630, telephone (602) 547-2909.

SUPPLEMENTARY INFORMATION: United Dairymen of Arizona (UDA), a handler which operates a cooperative manufacturing plant under the order and is a handler for milk of its producers delivered to pool distributing plants and diverted to nonpool plants, requested that the percentage of milk receipts that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status be decreased for April through December 2000.

On December 13, 1999, a notice of Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association was mailed to handlers and interested persons. Handlers and interested persons were afforded the opportunity to comment on the proposal by submitting written data, views or arguments by December 20, 1999.

On December 29, 1999, the Market Administrator issued a Revision in Pool Manufacturing Plant Shipping Requirements. This revision reduced the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status. The shipping standards in section 1131.7(d) of the order were reduced from 35 percent to 30 percent for the months of January through March, 2000.

On March 9, 2000, a notice of Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association was mailed to handlers and interested persons. The notice concerned a proposal to adjust the shipping standards pursuant to section 1131.7(d) from April through December 2000. Handlers and interested persons were afforded the opportunity to comment on the proposals by submitting written data, views or arguments by March 24, 2000. The notice also included forms for handlers to report their expected receipts and dispositions of milk for the months of April through December 2000. Handlers were requested to complete and return the appropriate report forms to this office by March 24, 2000. All comments received by the required date were considered and are dealt with in the following statement of consideration. Additionally, an analysis of the expected receipts and utilization of pool handlers based on data submitted by such handlers was performed. This analysis was used to determine if the proposed revised shipping percentages would be adequate to prevent the unnecessary handling and/or uneconomic movements of milk in the immediate future.

STATEMENT OF CONSIDERATION: Section 1131.7(f) of the Arizona-Las Vegas milk order permits the Market Administrator to increase or decrease the percentage of milk that a cooperative association must deliver to pool distributing plants in order to qualify the cooperative's manufacturing plant for pool status. Before making such a determination to revise the percentages, the Market Administrator is required to investigate the need for such an adjustment.

Comments in opposition to the proposal were received from Shamrock Foods (Shamrock) and one dairy farmer. Comments in support of the proposal were received from United Dairymen of Arizona (UDA).

Objections by Shamrock and Jerome LaSalvia Dairy to the current request for a reduction in shipping standards incorporated, by reference, comments filed in the preceding that resulted in the reduction in shipping standards effective January through March 2000. These incorporated comments were addressed in the Statement of Consideration contained in the Revision in Pool

Manufacturing Plant Shipping Requirements issued December 29,1999, and are not revisited here.

Shamrock contends that the nearby southern California market is milk deficit and as such provides a possible outlet for UDA member milk. Based on information published by the California State Department of Agriculture, Class I use in the southern California marketing area of the state order during January 2000 accounted for approximately 58 percent of Grade A milk produced in that region. Even if UDA were to supply plants located in southern California, that would not alleviate the current market conditions. Section 1131.7(d) states that a cooperative association must ship a specified percentage of its total producer milk to pool distributing plants in order to qualify its manufacturing plant for pool status. The possibility of marketing milk to nonpool plants, even at possibly higher valued uses, will not increase the percentage of UDA member producer milk delivered to pool distributing plants and thus will not enable UDA to maintain pool status for its manufacturing plant, which is the issue being addressed here.

Shamrock further contends that UDA's request does not correspond to the milk supply and demand relationship in Arizona. Shamrock states that Class I demand is fairly stable throughout the year while production decreases significantly during the summer months. Available data indicates that Shamrock is correct in its assessment of the level of Class I sales and milk production throughout the year. As production decreases during the summer months and Class I use remains fairly stable, the percentage of milk used in Class I increases. The opposite is true in the fall and winter months. The effective shipping percentages requested by UDA reflect recognition of both the seasonal nature of Class I use and milk production in this market and the use of a 12-month moving average in section 1131.7(d).

Available data shows there has been a downward trend in Class I use in the Arizona – Las Vegas market over the last several years. The revised shipping percentages requested by UDA for the remainder of 2000 decrease by five percent during April through June from the temporarily revised standard of 30 percent during January through March . The requested revised percentages decrease incrementally by five percent for the period of July through October and the month of November, reaching a low of 15 percent during November, then increase by five percent during December. The relationship between a 15 percent shipping standard during the normally higher production month of November and a 20 percent shipping standard during the normally lower production months of July through October is indicative of the relative levels of Class I use and total milk production during those months. The proposed five percent increase from November to December is indicative of the effect of using a 12-month moving average.

UDA states that its manufacturing plant performs the same function as plants that qualify as pool supply plants under other orders. UDA contends that such supply plants qualify as pool plants under other orders with significantly lower shipping percentages than are currently contained in the Arizona - Las Vegas order. Class I utilization in order 131 during January and February of this year was 29.37 percent and 29.90 percent respectively. UDA also states that sufficient milk supplies were made available to pool handlers during the two previous years that shipping standards were totally suspended.

Current market conditions indicate that absent a reduction in shipping standards, the pool status of UDA's manufacturing plant may not be maintained without costly and inefficient movements of milk that would have to be made to maintain the pool status of producers who historically have supplied the market and to prevent disorderly marketing in the Arizona- Las Vegas area. The required shipping percentage of 35 percent contained in Section 1131.7(d) is excessive in view of the current Class I needs of the market. Therefore, reducing the shipping standard in section 1131.7(d) is reasonable and necessary to ensure that such producers' milk will not have to be moved in an uneconomic and inefficient manner and will continue to benefit from pooling and pricing of milk under the order. In addition, reducing the shipping standard for the remainder of 2000 will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comments received and analysis of available information and data, it is determined that for the months of April through December 2000, the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12- month period ending with the current month, is decreased from 35 percent to the following schedule:

April – June	25 percent
July – October	20 percent
November	15 percent
December	20 percent

James R. Daugherty

James R. Daugherty
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Programs

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December 19, 2000

TO: Handlers and Interested Persons – Order 131

SUBJECT: Revision in Pool Manufacturing Plant Shipping Standards

SUMMARY: For the months of January through December 2001, this action reduces the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants in order to qualify its manufacturing plant for pool status. The order states a specified percentage of producer milk to be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption without the need for making uneconomic movements of milk. To accomplish this goal, the order must reflect the needs and nature of the market. United Dairymen of Arizona (UDA), a cooperative association supplying milk to the Arizona-Las Vegas market, has requested a reduction of the pool standard in section 1131.7(d) of the order. Based on analysis of marketing data, the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status under the Arizona-Las Vegas federal milk order will be reduced for calendar year 2001.

The following are the minimum shipping percentages applicable for January - December 2001:

January - March	**20 percent**
April - June	**15 percent**
July - December	**20 percent**

EFFECTIVE DATE: January 1, 2001.

FOR FURTHER INFORMATION: Contact William A. Wise, Arizona-Las Vegas Marketing Area, 11225 N. 28th Drive, Suite D-120, Phoenix, Arizona 85029-5630, telephone (602) 547-2909.

SUPPLEMENTARY INFORMATION: United Dairymen of Arizona (UDA), a handler which operates a cooperative manufacturing plant under the order and is a handler for milk of its producers delivered to pool distributing plants and diverted to nonpool plants, requested that the percentage of milk receipts that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status be decreased effective January 1, 2001. The order 131 shipping percentages were decreased during all of calendar year 2000.

On November 13, 2000, a notice of Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association was mailed to handlers and interested persons. Handlers and interested persons were afforded the opportunity to comment on the proposal by submitting written data, views or arguments by December 1, 2000.

The notice also included forms for handlers to report their expected receipts and dispositions of milk for the months of April, July, and November 2001. Handlers were requested to complete and return the appropriate report forms to this office by December 1, 2000. All comments received by the required date were considered and are dealt with in the following statement of consideration. Additionally, an analysis of the expected receipts and utilization of pool handlers based on data submitted by such handlers was performed. This analysis was used to determine if the proposed revised shipping percentages would be adequate to prevent the unnecessary handling and/or uneconomic movements of milk in the immediate future.

STATEMENT OF CONSIDERATION: Section 1131.7(f) of the Arizona-Las Vegas milk order permits the Market Administrator to increase or decrease the percentage of milk that a cooperative association must deliver to pool distributing plants in order to qualify the cooperative's manufacturing plant for pool status. Before making such a determination to revise the percentages, the Market Administrator is required to investigate the need for such an adjustment.

UDA states that its manufacturing plant performs the same function as plants that qualify as pool supply plants under other orders. UDA contends that such supply plants qualify as pool plants under other orders with significantly lower shipping percentages than are currently contained in the Arizona-Las Vegas order. Section 1131.7(d) of order 131 requires a cooperative association to ship 35 percent of its pooled milk supply to pool distributing plants in order to qualify its manufacturing plant for pool status. Class I utilization in order 131 during January through November of 2000 averaged 31.2 percent. UDA also states that in the past, sufficient milk supplies were made available to pool handlers during periods when shipping standards were totally suspended.

No comments were received in opposition to the Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association.

Current market conditions indicate that absent a reduction in shipping standards, the pool status of UDA's manufacturing plant may not be maintained without costly and inefficient movements of milk that would have to be made to maintain the pool status of producers who historically have supplied the market and to prevent disorderly marketing in the Arizona-Las Vegas area. The required shipping percentage of 35 percent contained in Section 1131.7(d) continues to be excessive in view of the current Class I needs of the market. Therefore, reducing the shipping standard in section 1131.7(d) is reasonable and necessary to ensure that such producers' milk will not have to be moved in an uneconomic and inefficient manner and will continue to benefit from pooling and pricing of milk under the order. In addition, reducing the shipping standard for calendar year 2001 will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comments received and analysis of available information and data, it is determined that for the months of January through December 2001, the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12-month period ending with the current month, is decreased from 35 percent to the following schedule:

January - March	20 percent
April - June	15 percent
July - December	20 percent

James R. Daugherty

James R. Daugherty
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Programs

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December 24, 2002

TO: Handlers and Interested Persons – Order 131

SUBJECT: Revision in Pool Manufacturing Plant Shipping Standards

SUMMARY: This action reduces the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants in order to qualify its manufacturing plant for pool status. The order states that a specified percentage of producer milk must be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month to qualify a cooperative's plant.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption while enabling the continued pooling of producer milk that currently is pooled without the need for uneconomic movements of milk, which would result in disorderly marketing. To accomplish this goal, the order must reflect the current nature of the market. United Dairymen of Arizona (UDA), a cooperative association supplying milk to the Arizona-Las Vegas market, has requested a reduction of the pool standard in section 1131.7(d) of the order. Based on analysis of marketing data, the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status under the Arizona-Las Vegas Federal milk order will be reduced until such time as marketing conditions warrant further review. A request for a hearing on the shipping standards contained in section 1131.7(d) of Order 131 is currently under review by the Department.

The minimum shipping percentages applicable pursuant to this revision are:

January – March	**20 percent**
April – June	**15 percent**
July – December	**20 percent**

EFFECTIVE DATE: January 1, 2003.

FOR FURTHER INFORMATION: Contact William A. Wise, Arizona-Las Vegas Marketing Area, 10050 N. 25th Ave., Suite 302, Phoenix, Arizona 85021-1664, telephone (602) 547-2909.

SUPPLEMENTARY INFORMATION: United Dairymen of Arizona (UDA), a handler which operates a cooperative manufacturing plant under the order and is a handler for milk of its member producers delivered to pool distributing plants and diverted to nonpool plants, requested that the percentage of milk receipts that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status be decreased effective January 1, 2003. The Order 131 shipping percentages were decreased during all of calendar years 2000, 2001 and 2002.

On October 21, 2002, a notice of Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association was mailed to handlers and interested persons. The notice also included forms for handlers to report their expected receipts and dispositions of milk for the months of April, July, and November 2003. Handlers and interested persons were afforded the opportunity to comment on the proposal by submitting written data, views or arguments by November 8, 2002. All comments received by the required date were considered and are dealt with in the following statement of consideration. Additionally, an analysis of the expected receipts and utilization of pool handlers based on data submitted by such handlers was performed. This analysis was used to determine if the proposed revised shipping percentages would be adequate to prevent the unnecessary handling and/or uneconomic movements of milk in the immediate future.

STATEMENT OF CONSIDERATION: Section 1131.7(f) of the Arizona-Las Vegas milk order permits the Market Administrator to increase or decrease the percentage of milk that a cooperative association must deliver to pool distributing plants in order to qualify the cooperative's manufacturing plant for pool status. Before making such a determination to revise the percentages, the Market Administrator is required to investigate the need for such an adjustment.

UDA states that its manufacturing plant performs the same function as plants that qualify as pool supply plants under other orders. Section 1131.7(d) of the order requires a cooperative association to ship 35 percent of its pooled milk supply to pool distributing plants in order to qualify its manufacturing plant for pool status. Class I utilization in Order 131 during January through November of 2002 averaged 31.78%. Order 131 Class I utilization during calendar years 2000 and 2001 averaged 31.30% and 32.24%, respectively. Even if UDA were the handler on all the producer milk under the order, the UDA manufacturing plant could not qualify as a pool manufacturing plant under the current 35 percent shipping requirement. Therefore, the required 35 percent shipping percentage contained in 1131.7(d) continues to be excessive in view of the current Class I needs of the market. UDA also states that sufficient milk supplies were made available upon request to pool distributing plants during periods of reduced shipping standards and when such shipping standards were totally suspended.

Comments in opposition to the Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association were received from Maverick Milk Producers Association (Maverick) and one dairy farmer. Comments in support of the proposal were received from United Dairymen of Arizona (UDA).

Both Maverick and the dairy farmer state that the UDA manufacturing plant does not balance the whole pool because they claim the UDA plant will not receive non-UDA member milk at the plant or will not pay the blend price for such milk if received. There is no statutory authority in the Agricultural Marketing Agreement Act of 1937 (Act), as amended to require any handler, including a cooperative association, to purchase all or any part of the production of any dairy farmer. There is also no authority in the Act to require a cooperative association to pay a specified price to dairy farmers for milk received at its plant.

Both Maverick and the dairy farmer further state that the current reduction in shipping percentages has caused an erosion in the blend price and an increase in the amount of milk used for manufacturing purposes and pooled under the order. This is not indicated by a review of the Order 131 statistical data. Class IV utilization under Order 131 was 28.14% during 2000, 23.34% during 2001, and 26.41% through November 2002. Order 131 Class IV utilization has remained stable during recent years. Class III utilization under Order 131 was 36.10% during 2000, 39.49% during 2001, and 37.42% through November 2002. There has been no significant change in Order 131 Class III utilization during recent years.

Maverick states that UDA has had a negative impact on the order Class I utilization as a result of selling packaged milk, processed at an out-of-state plant, to a Phoenix, Arizona, area school district. A review of Order 131 market data indicates that Class I utilization has not significantly declined during recent years but has in fact remained relatively unchanged. As previously stated, Order 131 Class I utilization was 31.30% during 2000, 32.24% during 2001, and 31.78% through November 2002. Packaged milk may, and currently does, enter the marketing area from many non-pool sources. There is no statutory authority in the Act to regulate where handlers sell milk.

Current market conditions continue to indicate that absent a reduction in shipping standards, the pool status of UDA's manufacturing plant may not be maintained without costly and inefficient movements of milk that would have to be made to maintain the pool status of producers who historically have supplied the market and to prevent disorderly marketing in the Arizona-Las Vegas area. The required shipping percentage of 35 percent contained in Section 1131.7(d) continues to be excessive in view of the current Class I needs of the market. Therefore, reducing the shipping standard in section 1131.7(d) is reasonable and necessary to ensure that such producers' milk will not have to be moved in an uneconomic and inefficient manner and will continue to benefit from pooling and pricing of milk under the order. In addition, reducing the shipping standard will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered. Since the reduced shipping standards during 2000, 2001, and 2002 did not result in disorderly marketing conditions or uneconomic movements of milk, the continued reduction in shipping standards contained in this revision are identical to the shipping percentages applicable for calendar years 2001 and 2002.

Based on the comments received and analysis of available information and data, it is determined that until such time as marketing conditions warrant further review, the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12-month period ending with the current month, is decreased from 35 percent to the following schedule:

January – March	20 percent
April – June	15 percent
July – December	20 percent

The applicable shipping percentages above may be further adjusted by the market administrator if the market administrator finds that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments. Before making such a finding, the market administrator shall investigate the need for adjustment either on the market administrator's own initiative or at the request of interested parties if the request is made in writing at least 15 days prior to the month for which the requested revision is desired effective. If the investigation shows that an adjustment of the shipping percentages might be appropriate, the market administrator shall issue a notice stating that an adjustment is being considered and invite data, views and arguments.

James R. Daugherty
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDERS 124 & 131

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January 30, 2015

TO: Pool Handlers – Arizona Federal Milk Order 131

SUBJECT: Revision in Shipping Percentages for Plants Operated by a Cooperative Association

SUMMARY: This action reduces the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants in order to qualify its manufacturing plant for pool status. The order states that a specified percentage of producer milk must be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month to qualify a cooperative's plant.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption while enabling the continued pooling of producer milk that currently is pooled without the need for uneconomic movements of milk, which would result in disorderly marketing. To accomplish this goal, the order must reflect the current nature of the market. United Dairymen of Arizona (UDA), a cooperative association supplying milk to the Arizona market, has requested a reduction of the pool standard in section 1131.7(d) of the order. Based on an analysis of marketing data, the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status under the Arizona Federal milk order will be reduced until such time as marketing conditions warrant further review.

The minimum shipping percentages applicable pursuant to this revision are:

January – December 15%

EFFECTIVE DATE: February 1, 2015

STATEMENT OF CONSIDERATION: This proposed action was requested by United Dairymen of Arizona (UDA), a cooperative association which operates a pool manufacturing plant under the order. UDA has requested that the current revised shipping standards of 20 percent in January through March, 15 percent in April through June, and 20 percent in July through December be changed to 15 percent in January through December effective with the February 2015 delivery period. The current shipping standards are the result an adjustment effective with the January 2003 delivery period. The shipping percentages were also reduced during calendar years 2000, 2001, and 2002.

On January 20, 2015, this office notified order 131 handlers of a Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association and invited the submission of comments, data, or views on this request by no later than January 28, 2015. Two comments were received. In addition, an analysis of the current and projected order 131 marketing conditions was performed by this office.

UDA submitted comments in favor of reducing the current shipping percentages. UDA states that the consideration that supported the previous revisions in the shipping standards continues to support the current request. UDA states that its manufacturing plant performs the same function as plants that qualify as pool supply plants under other orders. UDA further states that it has supplied the milk requirements of pool handlers when there was no performance standard during the five year period of 1995 – 1999 and under revised standards in each year since 2000 with no adverse impact on the market.

Comments in opposition to reducing the shipping percentages were received from GH Processing (GH). GH stated that the proposed reduction in shipping standards would give cooperative associations an advantage over other producers and that all producers must deal with fluctuations of milk production and that the order cannot be adjusted to their advantage. Section 1131.13(d)(2) of the Arizona Federal milk order permits pool plants to divert producer milk to nonpool plants in any month in an amount that may not exceed 50 percent of the total producer milk caused by the handler to be received at pool plants and diverted. Section 1131.13(d)(5) of the Arizona order states that the market administer may review the need for any adjustment to this diversion percentage either on his own initiative or at the request of interested parties.

Current market conditions continue to indicate that absent a reduction in shipping standards, the pool status of UDA's manufacturing plant may not be maintained without costly and inefficient movements of milk that would have to be made to maintain the pool status of producers who have historically supplied the market and to prevent disorderly marketing in the Arizona order 131 marketing area. Therefore, reducing the shipping standard in section 1131.7(d) is reasonable and necessary to ensure that such producer's milk will not have to be moved in an uneconomic and inefficient manner. In addition, reducing the shipping standard will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comments received and analysis of available information and data, it is determined that until such time as marketing conditions warrant further review, the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12-month period ending with the current month, are revised to the following schedule:

January – December 15 percent

As provided in section 1131.7(f) of the Arizona Federal milk order, the market administrator may review the need for any further adjustment on his own initiative or at the request of interested parties.

If you have any questions regarding this matter, please contact this office.

William A. Wise

William A. Wise
Market Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Dairy Program

FEDERAL MILK ORDERS 124 & 131

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June 27, 2019

TO: Pool Handlers – Pacific Northwest Federal Milk Marketing Order

SUBJECT: Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association

SUMMARY: This action reduces the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants to qualify its manufacturing plant for pool status on Federal Order 124. The order states that a specified percentage of producer milk must be delivered to pool distributing plants during either the current month, or the immediately preceding 12-month period ending with the current month, to qualify a cooperative' s plant.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption while enabling the continued pooling of producer milk that currently is pooled without the need for uneconomic movements of milk, which would result in disorderly marketing. To accomplish this goal, the order must reflect the needs and nature of the market. A handler supplying milk to the Pacific Northwest market has requested a reduction of the pool standard in section 1124.7(d) of the order.

The minimum shipping percentages applicable pursuant to this revision are: 15%

EFFECTIVE DATE: July 1, 2019 – June 30, 2020

STATEMENT OF CONSIDERATION: This proposed action was requested by Cooperative Regions of Organic Producer Pools (CROPP), a handler regulated under the Pacific Northwest Federal Milk Marketing Order. CROPP requested the decrease of the percentage of producer milk that a cooperative association must ship to pool distributing plants to qualify its manufacturing plant for pool status, specified in section 1124.7(d), from 20 percent to 15 percent. The request also stated that with Class I sales dropping, the handler has “struggled to meet this requirement without changing routes and moving milk around”.

On May 29, 2019, this office notified Federal Order 124 handlers of a Proposed Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association and invited the submission of comments, data, or views on this request by no later than June 25, 2019.

One comment was received. In addition, an analysis of the current and projected Federal Order 124 marketing conditions was performed by this office.

The comment received from Dairy Farmers of America (DFA) did not oppose reducing the current shipping percentages. However, DFA does not support reducing the shipping percentages “until further notice”. DFA states that the marketing conditions that exist today may not exist in the future.

DFA feels the change should be limited to one year and reviewed annually by the Market Administrator.

Current market conditions indicate that absent a reduction in shipping standards, the pool status of manufacturing plants in the order may not be maintained without costly and uneconomical movements of milk that would have to be made to maintain the pool status of producers who have historically supplied the market and to prevent disorderly marketing in the Pacific Northwest Federal Milk Marketing Order.

Therefore, reducing the shipping standard in section 1124.7(d) is reasonable and necessary to ensure that such producers' milk will not have to be moved in an uneconomic and inefficient manner. In addition, reducing the shipping standard will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comment received and analysis of available information and data, it is determined that the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month, or the immediately preceding 12-month period ending with the current month, be reduced to 15% from July 1, 2019 through June 30, 2020, at which point, marketing conditions will be reviewed to determine if 15% continues to be appropriate.

As provided in section 1124.7(g) of the Pacific Northwest Federal Milk Marketing Order, the Market Administrator may review the need for any further adjustment on the Market Administrator's own initiative or at the request of interested parties.

If you have any questions regarding this matter, please contact this office.

Alyce L. Owen
Acting Market Administrator

June 26, 2020

TO: Pool Handlers – Pacific Northwest Federal Milk Marketing Order

SUBJECT: Continuation of Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association

SUMMARY: This action continues the reduction of the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants to qualify its manufacturing plant for pool status. The order states that a specified percentage of producer milk must be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month to qualify a cooperative's plant.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption while enabling the continued pooling of producer milk that currently is pooled without the need for uneconomic movements of milk, which would result in disorderly marketing. To accomplish this goal, the order must reflect the needs and nature of the market.

The minimum shipping percentages applicable pursuant to this revision are: 15%

EFFECTIVE DATE: July 1, 2020 – June 30, 2021

STATEMENT OF CONSIDERATION: This proposed action is a continuation of a request made in May 2019 and granted in June 2019, effective July 1, 2019. At that time, Dairy Farmers of America (DFA) requested the Market Administrator review the request annually.

This proposal was originally requested by Cooperative Regions of Organic Producer Pools (CROPP), a handler regulated under the Pacific Northwest Federal Milk Marketing Order. CROPP requested the decrease of the percentage of producer milk that a cooperative association must ship to pool distributing plants to qualify its manufacturing plant for pool status, specified in section 1124.7(d), from 20 percent to 15 percent. The request also stated that with Class I sales dropping, the handler has "struggled to meet this requirement without changing routes and moving milk around".

On May 28, 2020, this office notified Federal Order 124 handlers of a Proposed Continuation of Revision in Shipping Percentages for Manufacturing Plants Operated by a Cooperative Association and invited the submission of comments, data, or views on this request by no later than June 24, 2020.

Two comments were received. In addition, an analysis of the current and projected Federal Order 124 marketing conditions was performed by this office.

Cooperative Regions of Organic Producer Pools (CROPP) submitted comments in favor of continuing the reduced shipping percentages.

The comment received from Dairy Farmers of America (DFA) did not oppose reducing the current shipping percentages. However, DFA does not support reducing the shipping percentages "until further notice". DFA states that the marketing conditions that exist today may not exist in the future. DFA feels the change should be limited to one year and reviewed annually by the Market Administrator.

Current market conditions continue to indicate that absent a reduction in shipping standards, the pool status of manufacturing plants in the order may not be maintained without costly and uneconomical movements of milk that would have to be made to maintain the pool status of producers who have historically supplied the market and to prevent disorderly marketing in the Pacific Northwest Federal Milk Marketing Order.

Therefore, reducing the shipping standard in section 1124.7(d) is reasonable and necessary to ensure that such producers' milk will not have to be moved in an uneconomic and inefficient manner. In addition, reducing the shipping standard will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comments received and analysis of available information and data, it is determined that the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12-month period ending with the current month, be reduced to 15% through June 30, 2021, at which point, marketing conditions will be reviewed to determine if 15% continues to be appropriate.

As provided in section 1124.7(g) of the Pacific Northwest Federal Milk Marketing Order, the Market Administrator may review the need for any further adjustment on the Market Administrator's own initiative or at the request of interested parties.

If you have any questions regarding this matter, please contact this office.

Lisa K Wyatt

Lisa K. Wyatt
Market Administrator

United States Department Of Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1

Northeast Marketing Area

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July 21, 2021

TO: Pool Handlers on the Northeast Order

FROM: Shawn M. Boockoff, Market Administrator

SUBJECT: Request to Reduce Fall-Month Shipping Percentages – **Approved 10% for 2021**

On January 19, 2021, 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 of 2019 and 2020 was adjusted to 10 percent in response to a similar request in 2019.

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 2021 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, 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

Agri-Mark, Inc. (Agri-Mark), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, submitted comments in support of the reduction from 20 to 10 percent, for the months of September, October, and November. Agri-Mark does not support this lowering of the shipping requirement "until further notice" following the drastic changes to the marketplace that the COVID-19 pandemic caused. They state that these requirements should continue to be reviewed annually.

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. Reducing the shipping percentage requirement from 20 percent in 2010, if assuming that rate was appropriate, by a similar rate that Class I utilization percentage has declined by, Cayuga asserts that the shipping percentage could be as low as 6-7 percent.

Dairy Farmers of America (DFA), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, submitted comments that did not oppose a continued reduction from 20 to 10 percent for the months of September, October, and November, but opposes the requested effective period of "until further notice." DFA opposes an "until further notice" period due to the COVID-19 pandemic related uncertainty at all points along the supply chain, and thus, that the current environment best suits a monthly review by the Market Administrator to determine if a continued reduction of the percentages is necessary.

Upstate Niagara Cooperative, Inc. (Upstate Niagara), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of pool distributing and partially regulated pool distributing 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 believes that overall market conditions that warranted past reductions remain largely true today. They comment that as COVID-19 restrictions are lifted, there appears to be return to a pattern of a downward trend in Class I milk sales.

Findings

Monthly pool statistics continue to present a picture of declining Class I utilization for the Northeast Order, though there had been some slowing of this trend earlier in 2021; The Class I utilization for the most recent pool, May 2021, at 672.2 million pounds was the lowest volume for the month in 20 years. At 28.9 percent, Class I utilization in May was the lowest ever for the month and fourth 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 2018, Class I utilization for these same three months averaged 31.1 percent of the total pool – a drop of roughly 18 percentage points.

Chart 1 presents September-November Class I utilization as compared to that period during the year 2000. In 2020, Class I utilization for the September through November period was 24.7 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less Class I has been utilized in recent years compared to when the Order's shipping provisions were first adopted.

Chart 1.

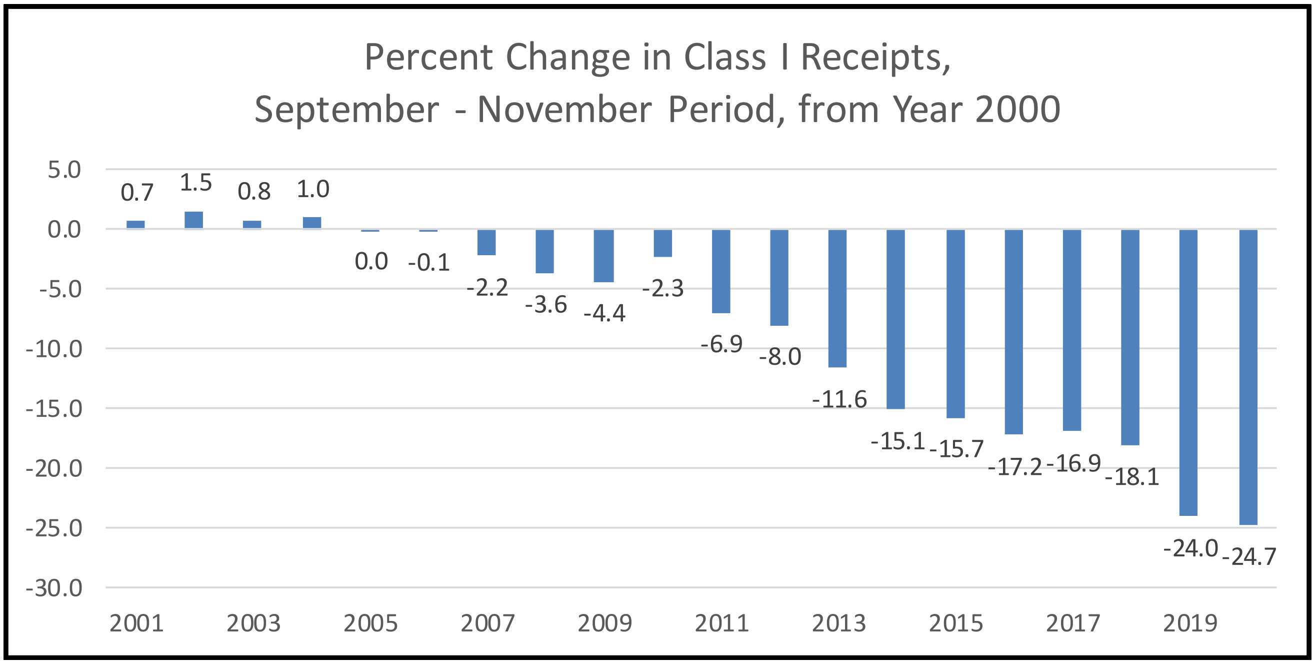
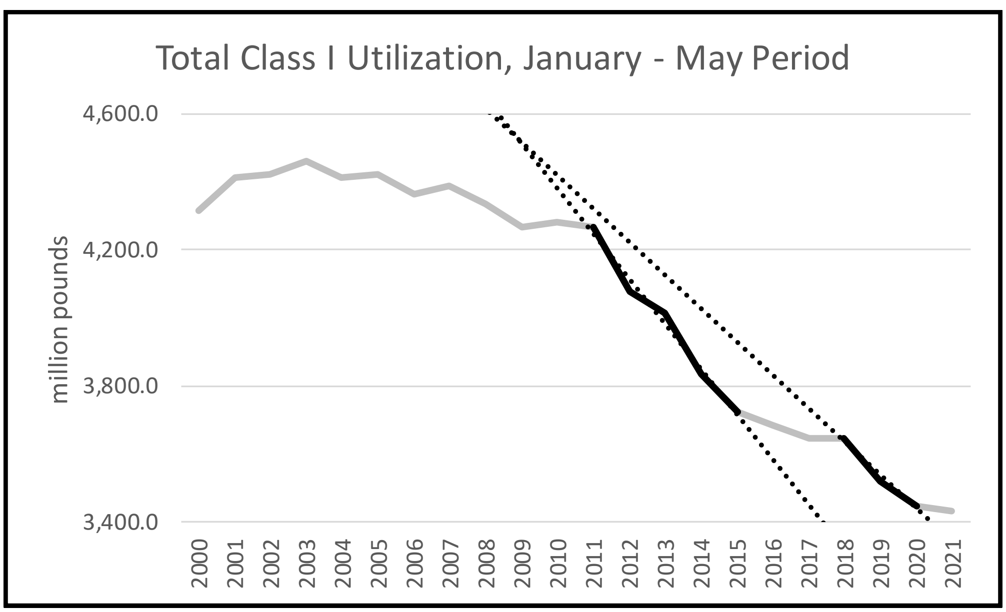


Chart 2 presents total Class I utilization for the period January through May of each year since 2000 (leap year adjusted). The two trend lines in the chart highlight the more rapid decline in utilization volume from 2011 to 2015 and the return to a fairly similar decline from 2018 to 2020. This year, there was a slowing of the rate of decline in the January-May period.

Chart 2.



The following table presents average level of Class I utilization 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 utilization may be based on where the previous spring level was. The 2021 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 decrease 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 2021.

Year	Class I Utilization: Mar-May Avg (million pounds)	Class I Utilization: Sep-Nov Avg (million pounds)	% Difference
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	646*	-6.5*

*Projection based on Class I calendar, seasonal factors, and current utilization.

The volume of milk pooled on the Order through the first 5 months of this year is the fourth largest volume since the inception of the Northeast Order, though slightly below the prior year, adjusted for leap year.

Milk utilized in Class IV–historically considered a balancing class with the manufacture of lower valued storable products–typically exhibits year-to-year variation in the Northeast Order in response to the overall supply and demand for milk in the region. During the first 5 months of this year, the pounds of milk utilized in Class IV has ranked third highest since the Order's inception (only this period in 2017 and 2020 being higher). Class IV utilization for May 2021 was the third highest ever for that month and fourth highest ever for the Order (two higher months were April and May of 2020, months in which the onset of the pandemic and its associated demand and supply chain changes contributed to).

USDA National Agricultural Statistics Service *Milk Production* report indicates that some slowdown in milk production had been occurring earlier in the year, but the latest report indicates year-over-year milk production is up 4.9 percent for the major-24 milk producing states. That said, those figures are compared against the prior May when producers began efforts to curtail excess milk in face of a market that included the disposing of milk at the farm. If using pool volumes as a proxy for milk production, the region may be producing milk at about the level of the prior year.

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 proven to create hard to predict, or unpredictable outcomes. The data on current milk volumes and Class I demand, coupled with the ongoing COVID-19 challenges, threat of variants and even impacts on the supply chain that continue, suggest a shipping percentage that may be suitable at a lower level, but with an abundance of caution, does not warrant an extended period of approval such as "until further notice". The same caution would suggest it prudent the Market Administrator monitor markets monthly throughout this period. Even two months away, September through November may be more difficult to predict than normal.

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 of 2021, is approved. In consideration of the recent and ongoing uncertainty associated with a marketplace and supply chain that has been challenged by the COVID-19 pandemic, the approved 10 percent level is not extended to "until further notice."

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.

Agrimark

From: Catherine de Ronde
Sent: Friday, June 25, 2021 1:45 PM
To: Riordon Brian
Cc: Bill Beaton ; Thomas Pittman
Subject: Shipping Requirements Investigation - Agri-Mark comments

Hi Brian,

Please see Agri-Mark's comments below regarding the shipping requirement request. Please let me know if any questions and confirm receipt.

Thank you!

Catherine

Dear Mr. Market Administrator,

Agri-Mark appreciates the opportunity to comment on the request from a pool handler in the Northeast Marketing Order to lower the shipping percentage from 20 percent to 10 percent during the months of September, October, and November, as specified in Section 1001.7 (c)(2) of the Northeast Marketing Order.

While Agri-Mark is supportive of lowering of the shipping percentage from 20 to 10 percent for the year of 2021, we do not support the lowering "until further notice". Given the drastic changes the Covid-19 pandemic caused in the marketplace this past year, we do not support making a long-term change at this time.

To conclude, we support lowering the shipping percentages for 2021. These requirements should continue to be reviewed annually to determine the appropriate percentage.

Thank you for the opportunity to comment,

Catherine

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Rochester Fluid Plant:
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Valley Farms Dairy, LLC:
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Williamsport, PA 17701

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

North Country Dairy LLC:
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North Lawrence, NY 12967

Oatka Milk Products:
700 Ellicott Street
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June 25, 2021

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.

In each of the past several years, performance standards were adjusted lower during the months of September, October, and November. Upstate Niagara believes that maintaining the recent status quo of reducing shipping requirements continues to be warranted. Regarding timing, we would prefer to see the Market Administrator continue to review this matter regularly rather approving a change that would include 'until further notice'.

The Cooperative believes that the overall market conditions that warranted the past adjustments remain largely true today. During the pandemic, we saw fluid milk sales improve. However, as COVID-19 restrictions are lifted, fluid sales seem to be heading back toward the well-documented downward trend in overall Class I milk sales.

To summarize, Upstate Niagara believes that a reduction of shipping requirements is warranted for the months of September, October, and November with review regularly.

Sincerely,

Jodi Smith Krzysiak

Jodi Smith Krzysiak
Economist

cayuga marketing

Date: June 25, 2021

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

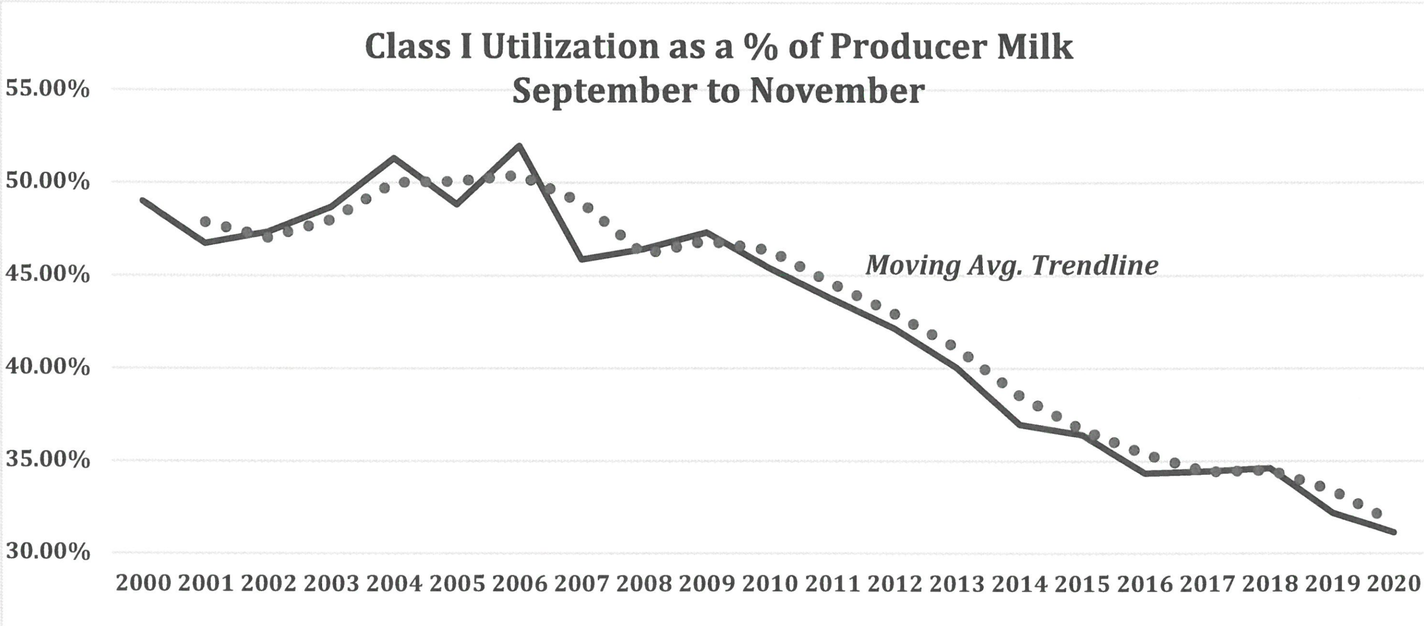
RE: Shipping Requirements Investigation

Dear Shawn:

Cayuga Marketing is in favor of lowering the shipping percentage from 20 percent to 10 percent 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 10% shipping requirement during the September to November timeframe. For 2021 and beyond, we are recommending maintaining the shipping requirement from September to November at 10%. The data that we have reviewed would suggest the shipping requirement from September to November could be as low as 6%-7% by utilizing the same logic we employed in 2019 using data from 2000 to 2018 timeframe.

In determining our position, we analyzed the amount of producer milk produced in Federal Order 1 during September through November from years 2000 to 2020. We then compared the producer milk available against Class I demand during the same period of time. 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 of time remained relatively stable as depicted in the graph below. Starting in 2010 and continuing through 2020, 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. Thus, the cumulative Class I demand for the September to November timeframe as a percent of producer milk available decreased by a total of 14.25%, or approximately 1.4% per annum. If we assume that a 20% shipping requirement was proportionally correct to Class I utilization in 2010, it can be surmised that a 6% shipping requirement is correct for 2021 since Class I sales during the September through November timeframe have decreased by 14.25% from 2010 to 2020.



The data in the graph above certainly solidifies our position that producer milk is more than sufficient to meet Class I demand during the September to November timeframe, and furthermore, the September to November pooling percentage should be reduced to 10% *until further notice* to reflect the fact that Class I utilization as a percentage of available producer milk has decreased 14.25% from 2010 to 2020. Should Class I sales continue to decline, the 10% pooling percentage requirement should be reviewed to ensure milk marketers in Federal Order One are not incurring abnormal marketing costs related to meeting a pooling requirement that cannot be supported through data.

In 2021 and beyond, Cayuga Marketing will be forced into maintaining uneconomic milk sales to maintain its Class I sales above 20% during the months of September, October, and November. This will have a detrimental effect on our producers who will bear the increased marketing costs, which will reduce their net milk price. Our objective is to maximize our members return on their milk through the orderly marketing of their milk to its highest and best use. By maintaining a 20% pooling requirement, we would not be able to meet our objective.

Feel free to reach out to me directly if you should have any further questions or concerns.

Sincerely,

Kevin J. Ellis
CEO
Cayuga Marketing

THIS MARK MATTERS. ❯ DFA Dairy Farmers of America

June 25, 2021

Shawn M. Boockoff, Market Administrator
Federal Milk Marketing Order 1
333 Fairfax Street
Alexandria, VA 22314

Dear Mr. Boockoff:

Dairy Farmers of America (DFA), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, is responding to the Market Administrator's invitation for comments regarding a request to lower the shipping percentage specified in Section 1001.7 (c)(2) during September, October, and November from 20 percent to 10 percent until further notice.

DFA does not oppose the continued reduction in the applicable shipping percentages to 10 percent for the months of September, October, and November; however, DFA is opposed to the "until further notice" effective period as submitted in the request. DFA would prefer the shipping percentage be reviewed each month during the requested period. The COVID-19 pandemic has introduced an increased level of uncertainty at all points along the dairy supply chain. It would be easier for the market to respond to an additional decrease if needed in the fall than to request an increase if deliveries fall short of demand. We feel the best course is monthly review by the Market Administrator in order to determine if continued reduction of the percentages is necessary given the conditions existing at that time.

Thank you for considering our comments.

I will be glad to answer any questions you may have.

Sincerely,

Chris Allen

Chris Allen
Vice President Dairy Marketing & Economic Policy

April 26United States Department Of
Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1

Northeast Marketing Area

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April 26, 2021

TO: Pool Handlers

FROM: Shawn M. Boockoff, Market Administrator

SUBJECT: Shipping Requirements Investigation – Solicitation of Comments

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This office has received a 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*. Section 1001.7 (c)(2) states that in each of the months of September through November such shipments and transfers, by supply plants or qualified cooperative association handlers, to distributing plants must equal not less than 20 percent of the total quantity of milk that is received at the plant or diverted from it during the month.

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. After reviewing milk utilization data for the Northeast Order, this office is commencing a formal assessment of milk supplies and market conditions relative to the demand for milk utilized as Class I and, in particular, for the upcoming months of September, October, and November.

The Market Administrator invites the submission of comments, data, or views on this request to lower the shipping percentages from 20 percent to 10 percent applicable during the months of September–November until further notice.

A copy of the request can be found on the Northeast Order website: www.fmmone.com

Please submit any comments by June 25, 2021, to the address or email below.

Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203

Attention: Brian Riordon

Fax: 518-464-6468
briordon@fedmilk1.com

January 19, 2021

Market Administrator
Northeast Marketing Area
89 South Street Suite 301
Boston Ma. 02111-2671
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 112 years and one of the two Pool Supply Plants 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 is one of those two.

Class I sales are decreasing every year and the number of viable Class I dealers is decreasing as well. Producer milk is more than sufficient to meet Class I demand as Class I utilization declines almost every year. In fact Class I utilization was down 1.3% for the first three quarters of 2020 compared to 2019 and down an additional .0.7% in October 2020. In past years Queensboro has had to seek out Class I customers in order to reach the 20% shipping requirement. 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 milk 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. 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 and summer and even winter of 2019 and 2020 at the request of a large Northeast Order Cooperative and two other sizeable Cooperatives Queensboro is helping to balance their excess supply of milk by separating, skimming, 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 July2018 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.. In point of fact for many months the volume of milk utilized as Class I has set a new low for that respective month. Just 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 dramatically 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,and moving that percentage in to 10% in 2019 and 2020. 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

Lewis P Miller