



United  
States  
Department  
Of  
Agriculture

Agricultural Marketing  
Service  
Dairy Programs

FEDERAL MILK ORDER No. 1  
Northeast Marketing Area  
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February 28, 2017

**TO:** Northeast Order Pool Handlers  
**FROM:** Erik F. Rasmussen, Market Administrator  
**SUBJECT:** Request to Allow Temporary Dumping of Surplus Milk Granted

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Pool handler Dairy Farmers of America, Inc. (DFA) has requested that the Market Administrator allow pool handlers to temporarily dispose of surplus milk at a farm or non-plant location, with said milk retaining the status of pooled producer milk. The period covered by this request is March 1, 2017, through May 31, 2017.

This is the sixth time over the past three years where similar requests have been made, as handlers have dealt with milk supplies exceeding demand and available plant processing capacity. The most recent period during which temporary dumping at a farm was requested and authorized - November 22, 2016 through January 9, 2017 – there was zero pounds of raw farm milk requesting authorization and modest volumes of excess milk reported as dumped at a plant. Farm milk delivered to a plant and then dumped or disposed of at a plant as skim milk or whole farm milk is an authorized utilization under the rules of the Northeast Order.

January 2017 year-over-year percentage change in milk production for the three largest milk producing states showed continued strong milk output:

- New York: 3.8% (same period 2016; 3.6%)
- Pennsylvania: 2.0% (same period 2016; 0.3%)
- Vermont: 1.3% (same period 2016; 1.8%)

The amount of milk pooled on the Northeast Order continues to increase and set new record highs: the total volume pooled during 2016 was 968 million pounds greater than the total in 2015; the volume pooled during January 2017 was 98 million pounds greater than the volume pooled during January 2016; the daily production per producer (DDP) set a new all time record high in January 2017 (6,644 pounds), 6.6 percent higher than the DDP in January 2016. In addition to DFA's request, conversations with numerous pool handlers support the assertion of a challenging milk marketing environment in the Northeast milkshed and general concern regarding the balance between milk supply and demand and minimizing impact on producers. Cooperative handlers Agri-Mark, Inc. and Upstate Niagara Cooperative, Inc. additionally have submitted statements in support of DFA's request.

In consideration of the aforementioned factors, the Market Administrator agrees to temporarily authorize the pooling of milk disposed or "dumped" at farm or other non-plant locations for the requested period of **March 1, 2017 – May 31, 2017**, provided the following conditions are met:

- Handlers and/or their producers that utilize this temporary policy must have been pooled on the Northeast Order for all of their commercially marketed production for the months of May through October 2016.
- The milk must be picked up at the farm, measured and sampled for payment. The tanker test will be a weighted average of the producer tests.
- Notification should be given to the Market Administrator's office by the next business day, or as soon as practicable, when the milk is dumped. At pool time a separate list must be submitted of all producers whose milk was dumped along with the component tests of the applicable milk (if available), and the physical location and address of where the milk was dumped.

Any such requested dumps will be subject to audit verification by the Market Administrator as a condition to be included as pooled producer milk, during the respective pool period.



February 21, 2017

Market Administrator  
 Federal Order 1  
 302A Washington Avenue Ext.  
 Albany, NY 12203-7303

Dear Market Administrator,

Dairy Farmers of America, Inc. (DFA) is requesting that you grant temporary procedures allowing surplus milk to be disposed at the farm but retain pool eligibility for the period of 3/01/2017 – 5/31/2017.

Milk balancing stress remains in Federal Milk Order 1 (FMO 1) markets. DFA is already experiencing balancing plant capacity being fully utilized at times and has already made some, albeit limited as of yet, marketing arrangements to process milk excess to Class I markets out of the marketing area.

Milk production is continuing to increase in the primary states comprising the Order. Per the National Agricultural Statistics Service’s *Milk Production* report, combined total milk production year-to-date thru December 2016 for Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont has increased 2.65% (adjusted for leap year). This quantity equates to an increase of 39 tanker loads (typical tank size 60,000 pounds) per day more that must be marketed.

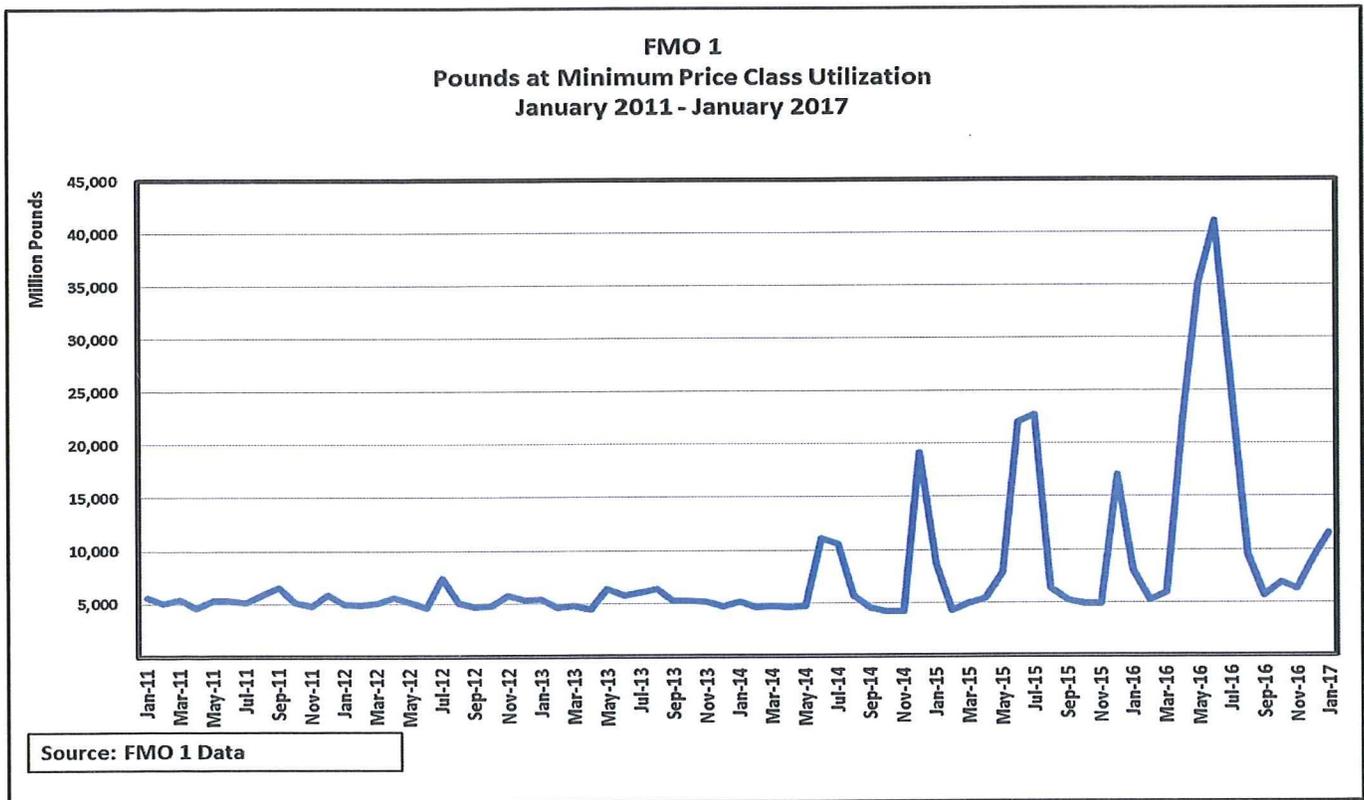
Calendar Year Milk Production States Comprising FMO 1 <i>million pounds</i>			
State	2015	2016	% chg.*
ME	594	630	6%
MD	983	960	-3%
VT	2,666	2,724	2%
NH	282	284	0.4%
NY	14,100	14,765	4%
RI	16	15	-7%
MA	217	215	-1%
CT	396	408	3%
DE	99	96	-3%
PA	10,805	10,920	1%
NJ	127	122	-4%
<b>Total</b>	<b>32,300</b>	<b>33,155</b>	<b>2.65%</b>

\*Leap-year adjusted  
 Source: National Agricultural Statistics Service

More Cooperative.

As noted in prior submissions, Market Administrator data recording dumped milk volume is regularly reported. Attached to this letter is a data table showing that data by month for 2000 – 2017 to date. The Table explanation notes includes the following definition, “Dumped” milk for all orders (except FO 126) includes pooled milk that is dumped at plants - including route returns - or at farms, lost by occurrence beyond the handler's control, or used for animal feed.” Order regulations allow for milk to be dumped and pooled for a variety of reasons that are normal occurrences in commerce. However, in order to protect the value and integrity of the pool strict procedures must be followed.

Reviewing the data from 2015/17 to date, a period in which pooling milk dumped at a farm was allowed, underscores the need for this request. In the flush period months of 2014, 2015 and 2016, large volumes of milk were reported as “Dumped Milk Pounds Pooled”. The typical volumes in this category for FMO 1 are five to seven million pounds per month. (Note the monthly volumes in prior years. The January – March period of 2016 showed an average of 6.4 million pounds) The difference in flush months versus the January to March period would generally represent milk dumped at farms due to a lack of available balancing capacity. As noted in the chart below the increase in pounds dumped not only has increased but the timing of the increase has started earlier in the flush season.



Note that DFA nor any other milk marketer would prefer the return gained from dumping at the farm to a return from a commercial sale. If there is no market for the milk, dumping at the farm saves trucking, intake, processing, and disposal cost at the plant. The financial benefit from dumping at the farm is the difference between the Statistical Uniform Price (SUP) and the lowest Class price. Usually between one and two dollars per hundredweight.

During the flush months, as balancing capacity fills, buyers of excess milk reduce the price they are willing to pay for milk reflecting competitive market conditions for milk, the added cost of plant operations to process milk above normal operational patterns and the potential for a lower price for the manufactured product that must be ultimately sold at some future date. The end of the flush months also coincides with school closing and the additional loss in demand incurred.

As local capacity fills, milk must be moved longer distances mostly into the Lake States and the Upper Midwest region, if capacity there is available. This causes transport equipment to be on the road longer and in effect reduces total supply of equipment and drivers. At some point, there is no available plant capacity or no available milk transport or the net return approaches zero and it is simply more cost effective to dump the milk.

Total milk processing capacity has decreased in the region since the last flush period. The Elmhurst plant in Jamaica, NY closed, and milk production has increased. An additional issue, yet unresolved, involves the loss of the Canadian market to ultra-filtered milk. Canada's dairy regulatory system has recently put in place policies that will effectively close off the market for U.S. (primarily Northeast region produced) ultra-filtered (UF) milk.

Industry analysts estimate that manufacturers in New York alone are selling in excess of 300 million pounds of skim milk equivalent on an annualized basis of UF milk. If this policy change occurs, that milk will also be seeking a market outlet in an already surplus market.

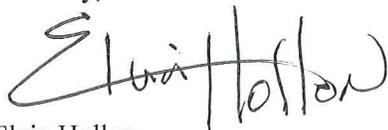
Balancing the fluid milk markets was very difficult in the holiday period of 2016/17 as noted by the volume of milk in the "Dumped Milk Pounds Pooled" table. Current experience and near term expectations are for an increase in milk supplies, little change in the demand for Class I milk and little if any increase in in-Area balancing capacity.

We have already begun the process of looking for balancing capacity in the Lake States and Upper Midwest regions and find less available capacity there due in large part to increased milk production. As Northeast balancing capacity fills, raw milk and condensed milk supplies look to processing homes in these areas.

In 2015 and 2016 your office granted a relaxation of the requirement to deliver a load to a pool plant before disposing of it in order to gain pool status. Our request is to again allow loads to be dumped on the farm and retain pool status when accurate weights, component tests and location are reported to the Market Administrator for the period of 3/01/2017 – 5/31/2017. Doing so will prevent the uneconomic hauling of milk. Note again, that the return, gained by this request, represents a small fraction of the total value of the load of milk and in no way would incent uneconomic behavior simply to collect the payment.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Elvin Hollon". The signature is written in a cursive, somewhat stylized font.

Elvin Hollon  
Vice President, Economic Analysis/Fluid Marketing

**From:** Bob Wellington  
**Sent:** Tuesday, February 28, 2017 10:48 AM  
**To:** Rasmussen Erik  
**Cc:**  
**Subject:** DFA request regarding milk dumped at the farm

Mr. Rasmussen,

Agri-Mark Dairy Cooperative supports the Dairy Farmers of America request of February 21, 2017 to allow loads of producer milk to be dumped at the farm and retain pool status when appropriate information is provided to the Market Administrator for the period March 1, 2017 to May 31, 2017.

Sincerely

Robert D. Wellington  
Sr. Vice President  
Agri-Mark Dairy Cooperative  
Andover, Massachusetts

-----Original Message-----

From: Pickard, Kimberly

Sent: Tuesday, February 28, 2017 10:57 AM

To:

Cc: Subject: Re: DFA request regarding milk dumped at the farm

Mr. Rasmussen,

Upstate also supports the DFA request of February 21, 2017 allowing loads of producer milk to be dumped at the farm and retain pool status when appropriate information is provided to the Market Administrator for the period March 1, 2017 to May 31, 2017.

Respectfully,

Kim Pickard-Dudley

G.M., Membership/Bulk Sales Division|Chief Economist