USDA United States Department Of Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
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July 31, 2014

TO: Pool Handlers on the Northeast Order

FROM: Erik Rasmussen, Market Administrator Erik Rasmussen

SUBJECT: Request to Reduce Fall-Month Shipping Percentages – Approved

On June 2, 2014, 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 15 percent for pool supply plants regulated under the Northeast Order.

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

This is the second consecutive year where Queensboro has requested a reduction in the shipping percentages for the months of September, October, and November. In their 2014 petition, Queensboro cited declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, their observation that Class I customers have not called upon Queensboro to sell them milk, 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. In the past several years the petition states that 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 a large cooperative 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 the spring of 2014, Queensboro notes they are helping to balance (the cooperative's) excess supply of milk by separating and condensing milk for the cooperative.

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 one of two independent supply plants 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. The petition includes a statement that a 5 percent reduction in shipping percentages would have an insignificant effect on individual producer's milk pay prices.

Summarized Handler Comments

Agri-Mark, Inc. (Agri-Mark), operator of multiple pool supply plants and a cooperative handler under Section 1000.9(c) of the Northeast Order, submitted comments in support of the reduction for the months of September, October, and November 2014. Agri-Mark noted the continued decline in the Class I utilization percentage for the Northeast Order. The handler indicated that it was their opinion that the environment is right for Northeast milk production to increase above 2013 levels during the second half of 2014. Agri-Mark notes that recent plant openings and expansions will hopefully absorb this additional milk production in the region, however these new milk sales opportunities will not be to pool distributing plants and, therefore, will not contribute toward meeting the shipping requirements under Section 1001.7 (c) (2). Therefore, Agri-Mark states, it would be appropriate to lower the required shipping percentage to assure the orderly marketing of milk throughout the Northeast Order. Agri-Mark's support is limited to only the September, October, and November 2014 period and not to other current or future time periods.

Alouette Cheese USA (Alouette), operator of a pool supply plant on the Northeast Order (aka Fleur De Lait), submitted comments in support of the reduction. Alouette stated that the conditions cited in the 2013 *"Findings, Existing Provisions and Decision"* decision, arising from the 2013 request to revise fall month shipping percentages, provides a basis for even stronger arguments for reducing the shipping requirements for 2014. The respondent notes that the market conditions reported in the 2013 decision that formed the basis for granting the requested reduction in 2013 have deteriorated even further in terms of Class I utilization and sales of fluid milk for the Northeast Order.

The Greater Northeast Milk Marketing Agency (GNEMMA) submitted comments stating they did not oppose the reduction in the shipping percentage for the limited period of September through November 2014. GNEMMA's member cooperatives this year are: Dairy Farmers of America, Inc.; Land O'Lakes, Inc.; St. Albans Cooperative Creamery, Inc.; and Dairy Marketing Services, LLC. These organizations are cooperative handlers regulated under Section 1000.9(c) of the Northeast Order and who must comply with the shipping provisions under Section 1001.7 (c) (1) and (2), which is the subject of this review.

GNEMMA stated that during the most recent 12 month period (June 2013 – May 2014), two of the Northeast Order's larger Class I plants – Farmland Dairies, Wallington, NJ, and Shenandoah's Pride, Springfield, VA, have closed. While noting that there have been two new distributing plants regulated under the Northeast Order, the volumes required by these facilities does not approach the volumes required by the closing plants. GNEMMA's statement notes the significant drop in Class I utilization through the first few months of 2014. The GNEMMA submission notes that the Northeast marketplace continues to undergo changes relative to the expansion and/or construction of additional manufacturing plants, which could escalate the demand for producer milk in the future. In light of this uncertainty, GNEMMA supports the requested reduction for the fall of 2014 period only and does not indicate any position for any future time period.

Upstate Niagara Cooperative, Inc. (Upstate), a pool handler and cooperative handler with multiple plants regulated under the Northeast Order, submitted comments supporting the requested reduction for the months of September, October, and November 2014. Upstate noted that Class I sales declines have accelerated in recent years, which presents a challenge in maintaining the pooling of milk supplies while avoiding unnecessary and disorderly shipments of milk for qualification purposes. Upstate is of the opinion that producers will be responding to higher milk price returns, better growing conditions, and lower feed costs, which are likely to encourage a milk production response for this fall with the prospect of ample milk supplies in the region.

Comments opposing the requested change were submitted on behalf of Elmhurst Dairy, Inc. (Elmhurst), a pool handler operating pool distributing plants regulated under the Order. While acknowledging a decline in Class I needs and some growth in Northeast milk production, the respondent stated that future production and demand conditions are too uncertain, at this time, to make a decision to reduce required shipping percentages to fluid milk plants. The respondent noted that there are significant non-Class I demands in the Northeast Order area noting, in particular, the increased demand for milk utilized by Class II yogurt facilities along with the recent opening of a new Class IV manufacturing plant. Respondents stated that this Class IV plant is expected to process significant volumes of producer milk and would thereby remove a large block of milk from the milkshed that no longer will be available for other uses on the Order. The respondent included a comment that the pooling of milk on the Order, by non-Class I facilities is voluntary (as opposed to Class I plants who are pooled due to regulation), however such handlers accrue a financial benefit in the form of a payment from the Order's producer settlement fund for the difference between the order blend and the plant's blend value. The statement goes on to stay that in return for sharing of such funds (via the Order's producer settlement fund whose funds are largely paid for by Class I distributing plants), there is an express and crucial *quid pro quo*, that milk is ready, willing, and able to serve the fluid milk market when needed. This respondent stated that for the week following July 4, Elmhurst was unable to receive all of the fluid milk loads that it ordered.

Complete copies of comments submitted by handlers regarding the requested shipping percentages 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.

Findings

Monthly pool statistics present a rather stark picture of Class I utilization for the Northeast Order. During the last 14 consecutive monthly pool price calculations (May 2013 – June 2014), the volume of milk utilized in Class I has been the lowest for that respective month for the 14 (when comparing 2013 statistics), and now 15, years that the Northeast Order has existed. The Class I utilization for the most recent pool, June 2014, at 699.1 million pounds was the lowest ever out of 174 pool calculations. This also was the first time ever that Class I utilization accounted for less than one-third of the total pool volume. The June Class I utilization volume was nearly 111 million pounds less than the average volume utilized in Class I during the prior 14 years.

As described in the decision memorandum released with the 2013 shipping percentage review, Class I utilization, in a marketing area, is in large part a reflection of the number of plants processing milk for Class I usage in the area together with the demand for fluid milk products. Since the 2013 decision was written, two long operating and significant volume Class I bottling plants, pooled on the Northeast Order, have closed: the Farmland Dairies plant in Wallington, NJ, and the Shenandoah's Pride plant in Springfield, VA. These plant closings also were cited in GNEMMA's submission.

While the volume of milk pooled on the Order through the first 5 months of this year is slightly below last year's levels – which analysts generally attribute to a colder than usual winter and some marginal quality feed in parts of the region – the volume pooled in June was the largest ever for the month of June (15 years). The calculated daily deliveries per producer (DDP) statistic also was the highest ever under the Order topping over 6,000 pounds for only the second time. Two of the responding cooperative's comments indicated that growth in milk production for the second half of this year is anticipated as favorable feed, weather, and producer milk prices lead to increased milk production in the Northeast.

Through the first 6 months of this year, the average monthly volume of milk utilized in Class II is 30 million pounds less than what was utilized during the same 6-month period in 2013. While the June Class II volume reversed the trend of the first 5 months with a utilization volume greater than the same month previous year, historical Order data indicates declining volumes of milk utilized in Class II during the late fall months.

As noted in the 2013 decision, 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. Through the first 5 months of this year, the pounds of milk utilized in Class IV has ranked first or second, for that respective month, for the past 5 years. The June 2014 Class IV volume set a record as the highest ever for the month of June, nearly 84 million pounds greater than the average monthly volume of the first 14 years of the Order.

The 2013 decision discussed how Class I sales are largely reflective of the population and product demand within the region with Class I products largely distributed in the region where they are processed. This is unlike manufactured dairy products that can be processed in the region and then shipped across the country or placed in storage after manufacture. Using updated U.S. Census Bureau data and Northeast Order pool hander in-area Class I sales data, per capita Class I sales for the Northeast States region declined 2.3 percent during the first 6 months of 2014 when compared to the same period in 2013.

The following table shows the percentage change in the volume of milk utilized in Class I for the months of September, October, and November (when existing shipping percentage rises by 10 percent) from the base month of August (when the shipping percentage is 10 percent less). For 2013, the increase above August was never more than 5 percent and, in fact, there was less milk utilized in Class I in September than in August. As comparison, looking back ten years to 2004, the percentage increase above the August base was as much as nearly 8 percentage points; still less than the 10 percent required by the provision, but significantly more than what has occurred in more recent years. This analysis would suggest that a 5 percent increase would be more in-line with the actual increased utilization for Class I, rather than the existing provision requiring a 10 percent increase. The 10 percent increase would appear to have been more appropriate at an earlier period of the Northeast Order and is not as reflective of present day market demand realities.

Percent Pounds of Milk Utilized in Class I was Above the Pounds of Milk Utilized in the Month of August

	September	October	November
2004	6.1	7.8	6.7
2013	**-1.2**	**5.0**	**4.2**

<u>Existing Provision</u>

A foundational premise of the Federal milk marketing order system is that the program helps assure consumers that they will have access to adequate and dependable supplies of milk, generally interpreted to mean adequate supplies of milk for fluid usage. The shipping provision of the Order establishes the requirement for a higher percentage of a supply plant's milk to be delivered to a distributing plant during the months when demand for fluid milk historically has increased "to encourage needed shipments"; however, the provision also authorizes the Market Administrator to adjust the shipping percentage "to prevent uneconomic shipments", if so warranted.

The provision stipulates 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. The option is not to ask whether the milk is needed or not but, instead, delivery to a pool distributing plant is stipulated. Thus, preventing the administratively required delivery of excessive milk to distributing plants, when order data and industry comments indicate a lower required shipping percentage might be appropriate, is a measure that can be taken by the Market Administrator to prevent disorderly marketing and uneconomic shipments of milk. Such "fine tuning" of individual plant supply needs is generally and more efficiently accomplished via handler and supplier negotiation.

Decision

After reviewing a variety of Northeast Order statistical data related to total pool volume, class utilization changes over time, and fluid sales reports for the Order, 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 15 percent for the months of September, October, and November is approved. Only one handler submitted comments in opposition to this requested adjustment; all other respondents were supportive of the reduction with several noting that the adjustment should be limited only to September, October, and November of 2014.

In light of market uncertainty noted by respondents regarding future milk supply along with future demand uncertainty and the potential impact on milk availability for Class I customers, this adjustment will be limited to 2014. 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.

LAW OFFICES OF MARVIN BESHORE

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Marvin Beshore
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July 15, 2014

Via email: erasmussen@fedmilk1.com
Mr. Erik F. Rasmussen
Federal Milk Market Administrator
Northeast Marketing Area
89 South Street, Suite 301
Boston, MA 02111-2671

Re: Request to reduce shipping percentage pursuant to 7 C.F.R. Section 1001.7(c)(2)

Dear Mr. Rasmussen:

This letter is submitted on behalf of the Greater Northeast Milk Marketing Agency (GNEMMA) in response to your June 9, 2014, solicitation of comments with respect to a request to reduce the shipping percentage pursuant to 7 C.F.R. Section 1001.7(c)(2) for the months of September, October, and November 2014. The dairy cooperative members of GNEMMA are: Dairy Farmers of America, Inc., Land O'Lakes, Inc., St. Albans Cooperative Creamery, Inc., and Dairy Marketing Services LLC. All of these organizations are qualified cooperative associations marketing producer milk on Order 1.

For the reasons which follow, GNEMMA does not oppose the reduction of the required shipping percentage from 20% to 15% as provided in Section 1001.7 (c)(2) for the limited time period of September through November 2014. During the most recent 12 month period for which plant lists for the Order have been published, June 2013 to May 2014, the number of Order 1 pool distributing plants has declined from 48 to 47 with two of the Order's larger plants, Farmland Dairies, Wallington, New Jersey, and Shenandoah Pride, Springfield, Virginia, having closed. During this time two Section 7(a) plants, Ultra Dairy, LLC in East Syracuse and Valley Pride, LLC in Hagerstown have opened. However, the milk supplies demanded by these new plants do not approach the volumes required by the closing plants.

Through May (and normalized for leap year) in 2012 milk delivered to the market's pool plants and utilized as Class I totaled 4.1 billion pounds; in 2013 the total was 4.0 billion pounds, a 2.4 percent decrease. Class I utilization through the first five months of this year totaled 3.8 billion pounds, a 4.4 percent decrease from last year.

Additionally, total milk pooled on the Order decreased between 2013 and this year by only 114.4 million pounds or 1.1 percent through the first five months. These data suggest that the marketing conditions are more challenging in 2014 than they were in 2013 when the Market Administrator reduced the Fall months' shipping percentage to 15%.

These factors contribute to the uncertainty that may affect individual distributing plant demand for pool milk from pool supply plants or cooperative handlers this Fall and, thus, the relative appropriate minimum shipping percentage in the Order.

Furthermore, the northeast marketplace continues to undergo significant changes relative to the expansion and/or construction of large dairy manufacturing plants. Anticipated completion within the next year or two could escalate the demand for producer milk in the Northeast and possibly create milk availability issues for pool distributing plants in the future. In addition, normal supply and demand conditions can change from year to year in the Northeast. We therefore want to underscore GNEMMA's position not to oppose the reduction of the shipping percentage for the months of September, October and November 2014. This position applies solely to these months in 2014 and does not indicate any position for any future time period.

Thank you for considering our comments.

Very truly yours,

Marvin Beshore

MB: amb
cc: (via email only)
Peter Fredericks (pfredericks@fedmilk1.com)
GNEMMA member cooperatives

alouette cheese USA

July 15, 2014

Market Administrator
Northeast Marketing Area
Attn: Erik Rasmussen
89 South Street
Suite 301
Boston, MA 02111-2671

Mr. Rasmussen,

Thank you for the opportunity to comment on the Shipping Requirements for September-November 2014 in the Northeast milk marketing order.

Alouette Cheese USA (AC-USA) operates a plant in New Holland, PA (aka Fleur de Lait- East) that manufactures cream cheese, Neufchatel, and specialty spreadable cheeses. We are the other independent supply plant remaining in FMMO #1 (besides Queensboro) that is mentioned in the request by Queensboro Farm Products. AC-USA supports the request to reduce the monthly shipping requirement from 20% to 15% for the months of September through November 2014.

As is stated in your Solicitation of Comments, dated June 9, 2104, this is similar to the request made by Queensboro in 2013, which AC-USA also supported.

Reviewing the Findings, Existing Provisions, and Decision following the 2013 request, published August 5, 2013, provides one with a basis for even stronger arguments for reducing the shipping requirements for 2014. The data that caused the request to be granted in 2013 have deteriorated even further. Class I utilization in FMMO #1 has continued to decline. After the request was granted last year, Class I utilization declined another 3.9% for the period of September-November 2013, following 4.8% and 1.1% downturns for the same periods of 2011 and 2012, respectively. The January – May period of 2014 indicates more of the same, with Class I utilization down 4.4%. The most recent report printed in Dairy Market News of YTD (April) total Class I sales in the Northeast shows Fluid Milk Product sales volume down 2.0%. I will grant that total producer receipts from January – May 2014 are down 1.0% versus the same period in 2013, but should point out that the 2014 total is the second highest January – May volume in the history of FMMO #1, eclipsed only by 2013. Finally, following the 38.9, 40.2, and 41.0 monthly Class I utilizations for September-November 2013, respectively, those month's now show declines of 10.4, 9.3, and 8.2 percentage points since the first year of FMMO #1.

Given that the conditions leading to last year's decision have only gotten worse, I hope you will grant the request to reduce Shipping Requirements in 2014 also.

Sincerely,

John Rutherford

John Rutherford
Director, Dairy Procurement
Alouette Cheese, USA

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July 15, 2014

VIA E-Mail – pfredericks@fedmilk1.com

Mr. Peter Fredericks
Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203-7303

Re: Shipping Requirements Investigation

Dear Mr. Fredericks:

This letter is submitted on behalf of Elmhurst Dairy in opposition to the request to decrease the applicable shipping percentages under § 1001.7(g) of Order 1. Elmhurst operates a pool distributing plant regulated on Order 1 that pays substantial sums into the producer-settlement fund. Those sums are in turn distributed to handlers who voluntarily pool under the order and whose Class I utilization, if any, is less than the order average Class I utilization. In return for sharing in these substantial funds paid every month to these handlers, there is an express *quid pro quo* – that milk is ready, willing and able to serve the fluid market when the milk is needed. One mechanism to ensure that milk is available are provisions for minimum shipping requirements especially during the fall production "short" months when fluid milk demand peaks. Not surprisingly those voluntary pooling entities that share in this windfall chafe at shipping requirements and again seek to have them lowered. But the *quid pro quo* is absolutely crucial and cannot be ignored.

In summary, production and demand conditions are at best too uncertain for a decision to be made in July to reduce supply plant shipping percentages for milk supplied to fluid milk plants for the shortest months of the year – September through November; moreover, as described below, at least one fluid milk facility has just this past week been unable to obtain all of its raw milk requirements when orders were placed for milk.

Any discussion of raising or decreasing the applicable shipping percentages under the Order must start with the principle that pooling of milk under the Order by non-Class I facilities is voluntary and creates a financial benefit to the handler pooling the milk in the form of a payment from the producer-settlement fund to that handler for the difference between the order blend and the plant's blend value. Class I plants in contrast are always pooled pursuant to regulation and must pay the highest minimum regulated class price for their milk receipts. Supply plants obtain the privilege of pooling milk by making a small percentage of their milk available for fluid use. In the months in which traditionally milk supplies are lower, but demand is highest, supply plants under the Order are required to supply only 20 percent of their milk to fluid plants in return for receiving the benefit of pool blend on 100 percent of their milk year round. It is not a small or incidental request to decrease the applicable shipping percentage by 5 points, or 25% of the existing requirement.

While milk production in the Northeast has been strong in the early part of 2014, Elmhurst for the week following July 4 was unable to receive all the loads of fluid milk which it ordered. There are significant non-Class I demands on milk in this market. Although, as is acknowledged, Class I needs have been declining in this market, indeed nationwide, the Northeast is experiencing a great increase in Class II use especially to supply Greek style yogurt manufacturers. Additional facilities only fully opened in late 2013; the impact of the total needs of these facilities for the fall of 2014 is not yet known. The needs for all the new yogurt facilities is so significant that in 2013, at the request of producer cooperatives, a Northeast dairy meeting was convened to discuss the coming shortages of milk for Order 1 needs. Finally, it is our understanding that the entity making the request to lower Class I shipping requirements has a supply contract to supply the fluid milk needs of one of these newer yogurt manufacturing plants. Of course, the requester is perfectly entitled to do so, but it should not be then rewarded by lowering the applicable shipping percentages so that it can more easily ship milk for Class II use that does not return the highest value to the pool.

But the story in 2014 is even more dramatic than in 2013 when the Market Administrator determined to lower the shipping percentages only to have raw milk available for Class I use to become tight in the fall. In addition to the newer Class II facilities, Cayuga Milk Producers has just opened a new facility to process significant volumes of raw milk into Class IV products (generating of course less money for the pool than Class I or II facilities). This plant is reported to be gearing up to receive and process 2 million pounds of raw milk a day. *See* http://countryfolks.com/maximizing-value-by-minimizing-volume. As a result, we don't know, of course, what impact drawing 2 million pounds of milk into Class IV uses will have on the available milk supply for Class I plants – the plants of course that contribute to the producer-settlement fund. Any decision regarding shipping percentages cannot ignore this very large block of milk which will no longer be available for other uses on the order.

Class I handlers facing great stress in this low margin business, should not both pay the highest applicable minimum federal order price and then simultaneously be told that due to *other* milk use demands, the applicable shipping percentages will be reduced, making it easier for non-Class I handlers to receive milk at the expense of the Class I handlers who foot the bill for the pool.

The Market Administrator should not at this time under all of these circumstances decrease the applicable shipping percentages for September through November.

Respectfully submitted,

Chip English

Chip English

Agri-Mark, Inc.
P.O. Box 5800, Lawrence, MA 01842
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Methuen, MA 01844

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P. 978.689.4442

July 14, 2014

Dear Mr. Rasmussen,

Agri-Mark Dairy Cooperative supports the lowering of the shipping percentage from 20% to 15% specified in Section 1001.7 (c)(2) for the limited time period of the months of September through November 2014.

The cumulative Class I utilization percentage has steadily declined during the past several years. It has fallen from 39.1% during the first six months in 2012 to 36.4% in that same period last year. That percentage continued to decline to 35.1% during the same cumulative six months in 2014. At this point, it appears that these trends are likely to continue into this autumn.

Uniform prices to Northeast dairy farmers were at or near record high levels throughout this past winter and spring. Combined with more moderate feed prices and improved growing conditions for many farms, we expect milk production to be above last year during the second half of 2014. While recent plant openings and planned expansions will hopefully be able to absorb this additional milk production, these milk sales opportunities are not in Class I pool distributing plants so shipments to those operations will not contribute to meeting Section 1001.7 (c) (2) threshold percentages. Therefore, we believe that it is appropriate to lower the shipping requirement percentage to 15% in order to assure the orderly marketing of milk throughout the Northeast Federal Order milk shed.

The Northeast market continues to undergo significant changes in its use of producer milk. However, anticipated manufacturing demand for producer milk in the Northeast could still create milk availability issues for pool distributing plants in the future years, despite the lower Class I percentages.

In addition, normal supply and demand conditions often change from year to year in the Northeast. It is therefore important to note that Agri-Mark's position supporting the lowering of the shipping percentage applies exclusively to the months of September, October and November 2014 and no other current or future time periods.

Thank you for your consideration of our comments.

Sincerely yours,

Robert D. Wellington
Senior Vice President
Economics, Communications
& Legislative Affairs

Upstate Niagara Cooperative, Inc.

25 Anderson Road, Buffalo, NY 14225 | 716.892.3156 | Fax: 716.892.3157 | upstateniagara.com

Via email: erassmussen@fedmilk1.com
Mr. Erik F. Rassmussen
Federal Milk Market Administrator
Northeast Marketing Area
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RE: Request to Reduce Shipping Percentage Requirements

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

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

Information Technology:
90 Anderson Road
Buffalo, NY 14225

Dear Mr. Rassmussen:

On behalf of Upstate Niagara Cooperative, this letter is submitted for the purpose of supporting the request to reduce shipping percentages from 20% to 15% for the months of September, October, and November 2014. We believe market conditions warrant this change for 2014.

The major issue impacting the market continues to be deterioration of Class I sales in the Northeast Order area (and elsewhere for that matter). Class I sales declines have accelerated in the last couple of years and present challenging issues of maintaining the pooling of milk supplies while avoiding unnecessary and disorderly shipment of milk for qualification purposes. In May for example, Class I sales were almost 5% below last year. In June, Class I sales were 31.9% of total market usage as compared to 33.7% in June 2013, and 38.1% in June 2012. We are also seeing reduced use in Class II products which prior to this year was offsetting Class I sales declines.

While milk production in the Northeast has been tempered by harsh weather and poor quality forage over this past winter and early spring, better growing conditions and lower feed costs appear to be improving. Higher milk price returns for dairy farmers are also likely to encourage a milk production response for this fall with the prospect of ample supplies in the market.

In summary, with the likelihood of ongoing reduced Class I demand and increased milk supply, Upstate Niagara supports the reduction from 20% to 15% for 2014 for the months of September, October and November.

We appreciate this opportunity to comment and your consideration. Thank you.

Sincerely,

Craig S. Alexander
Director of Bulk Milk Sales and Regulatory Affairs

USDA Agricultural Marketing Services
Dairy Programs

FEDERAL MILK ORDER No. 1
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June 9, 2014

TO: Pool Handlers

FROM: Erik F. Rasmussen, Market Administrator *Erik F Rasmussen*

SUBJECT: Shipping Requirements Investigation – Solicitation of Comments

This office has received a request from a pool supply plant, 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 15 percent. 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. A similar request and review of the fall month shipping percentages was undertaken in 2013, with a determination made to lower the percentages for September–November 2013 to 15 percent.

The Market Administrator invites the submission of comments, data, or views on this request to lower the shipping percentages from 20 percent to 15 percent applicable during the months of September–November.

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

Please submit any comments by July 15, 2014, to the address or email below.

Northeast Marketing Area
302A Washington Avenue Extention
Albany, NY 122203

c/o Peter Fredericks

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