LAW OFFICES OF MARVIN BESHORE

130 State Street, P.O. Box 946
Harrisburg, PA 17108-0946

Telephone: (717) 236-0781
Facsimile: (717) 236-0791

Marvin Beshore
mbeshore@beshorelaw.com

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

Davis Wright Tremaine LLP

Suite 800
1919 Pennsylvania Avenue N.W.
Washington, D.C. 20006-3401

Charles M. English
202-973-4272 tel
202-973-4472 fax

ChipEnglish@dwt.com

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
Office Location: 100 Milk St. Office Park
Methuen, MA 01844

Agri·Mark FAMILY DAIRY FARMS ™

agrimark.coop
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
89 South Street, Suite 301
Boston, MA 02111-2671

RE: Request to Reduce Shipping Percentage Requirements

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

Rochester Fluid Plant:
45 Fulton Avenue
Rochester, NY 14608

Syracuse Depot:
6361 Thompson Road
Syracuse, NY 13206

Buffalo Fluid Plant:
1730 Dale Road
Buffalo, NY 14225

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