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, 2015

TO: Pool Handlers on the Northeast Order

FROM: Erik Rasmussen, Market Administrator

SUBJECT: Request to Reduce Fall-Month Shipping Percentages – Approved at 15 Percent Level

On June 4, 2015, 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.

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 2015 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. 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 relationships with several Northeast cooperatives that help to balance the market. They separate and condense product at their facility when cooperatives are long in supply and help to furnish milk supplies when they are short. During the spring and early summer of 2015, Queensboro worked closely with a particular cooperative in balancing their supply by taking and holding raw milk (destined for Class I) over the weekend and returning it back to the cooperative during the week.

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 Order's existing 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 from the petitioner saying that a 10 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 2015, but only by 5 percentage points, to 15 percent. Agri-Mark noted the combination of continued decline in the Class I utilization percentage for the Northeast Order and significant increase in the amount of producer milk in the Northeast so far this year. The handler noted that manufacturing capacity at most dairy plants has been reached, resulting in the dumping of producer milk and/or skim milk, since no willing and appropriate buyer could be found. Agri-Mark added that some pooled producers are having great difficulty finding a regular handler to purchase their milk. Agri-Mark asserts that shipping a significant percentage of their producer milk to distributing plants remains an important obligation of all milk handlers seeking to be included in the Northeast Federal Order and its payment pool. Therefore, Agri-Mark does not support lowering the percentage by the proposed 10 percentage points, from 20 percent to 10 percent, but does find appropriate lowering the minimum shipping percentage of producer milk to 15 percent, limited to only the September, October, and November 2015 period and not to other current or future time periods.

St. Albans Cooperative Creamery, Inc. (St. Albans), operator of a pool supply plant 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 2015, but only by 5 percentage points, to 15 percent. St. Albans claims balancing plants such as theirs have been operating at full capacity for a large portion of the last 18 months, largely due to continued decreases in utilization of Class I milk. This situation has put pressure on many handlers to meet requirements under the shipping requirements regulation during certain times of the year.

Dairy Marketing Services, LLC. (DMS), submitted comments in support of the reduction for the months of September, October, and November 2015, but only by 5 percentage points, to 15 percent. DMS cites the supply of raw milk exceeding the market demand in supporting a decrease to 15 percent. The handler adds that although understanding that a 20 percent shipping requirement could result in disorderly marketing, a 10 percentage decrease would be unfair to the pool handlers that balance the market throughout the year. Stating that market conditions change constantly, and that shipping percentages can be reviewed in the future if needed, their support of a 5 percentage point decrease is limited to the months of September, October, and November 2015 only.

Upstate Niagara Cooperative, Inc. (Upstate), a pool handler and cooperative handler with multiple plants regulated under the Northeast Order, submitted comments supporting a reduction for the months of September, October, and November 2015, but only to the 15 percent level. Upstate feels the issue of supply and demand imbalance will persist through the fall period. They noted that continuation of, and acceleration of, Class I sales declines 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 indicated that year-to-date Class I sales are down over 2 percent when compared to the same time last year. The cooperative cited a mild summer thus far and higher milk price returns last year that encouraged expansion are resulting in strong milk production in the Northeast. Upstate suggested feed quality may become compromised if weather conditions do not improve. Upstate feels a reduction in the shipping percentage to 10 percent is unnecessarily large and would not provide sufficient incentive to maintain an association with the pool and Class I requirements this fall.

Land O'Lakes, Inc. (Land O'Lakes), operator of a pool supply plant and a cooperative handler under Section 1000.9(c) of the Northeast Order, submitted comments in support of the reduction to 10 percent for the months of September, October, and November 2015. Land O'Lakes cited the Market Administrator's May 9, 2015, decision to modify the Order 1 shipping percentage from 10 to 5 percent from June through August and claimed the marketing conditions that characterized that decision, increased milk production and declining Class I sales, continue to be present. The handler states a requirement of 20 percent qualification in such an environment would result in uneconomic deliveries of milk.

Mohawk Valley Cooperative, Inc. (Mohawk Valley), submitted comments supporting a 10 percent shipping percentage in the fall as a good first step while suggesting eliminating the shipping requirement completely. The handler claims there no longer exists a shortage of milk that would prevent the purchase of milk for use as Class I, particularly given the continued decline of milk consumption as fluid use. Mohawk Valley suggests the market would respond quickly in the face of increasing demand by raising the Class I price.

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 continue to present a picture of significantly declining Class I utilization for the Northeast Order. Excluding June 2015, during the last 25 consecutive monthly pool price calculations (May 2013 – May 2015), the volume of milk utilized in Class I has been the lowest for that respective month for all years that the Northeast Order had existed at that time. The Class I utilization for the most recent pool, June 2015, at 712.0 million pounds was the third lowest ever out of 186 pool calculations. While June's Class I utilization may have finished slightly higher than expected, it is thought that weather-related winter time school closings resulting in many states from New England south to Maryland having to extend their 2014-15 school year by days or in some cases weeks, provided a temporary boost to June sales. Nonetheless, the June Class I utilization volume was roughly 90 million pounds less than the average volume utilized in Class I during June of the prior 15 years.

The volume of milk utilized as Class I accounted for less than one-third of the total pool volume for the first time ever in June 2014. This was also the case in July 2014 as well as April and May, 2015. Class I utilization likely also would have accounted for less than one-third of total pool volume during June, if the volume of milk that handlers elected to depool during the month (due to price relationships) had been included in the pool. It is expected that this milk will be part of the Northeast Order pool during the month of July.

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. As noted in last year's decision, in the past 3 years 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. In late 2014 a mid sized bottling plant, Rosenberger's Dairies, LLC, Hatfield, PA, was closed.

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 for the respective month for the last 13 consecutive months (June 2014 – June 2015). DDP has surpassed 6,000 pounds for the last 5 months.

Through the first 6 months of this year, the average monthly volume of milk utilized in Class II is 6 million pounds less than what was utilized during the same 6-month period in 2014. Historical Order data indicates declining volumes of milk utilized in Class II during the late fall months.

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 6 months of this year, the pounds of milk utilized in Class IV has ranked highest, for that respective month, since the Order's inception. Total Class IV volume over the first 6 months of 2015 was 38 percent higher than the same period in 2014, and 25 percent higher than the same period in 2008 (the previous record high for that period). For May and June 2015, Class IV utilization equaled more than 20 percent of the pool volume. The average utilization percent for May and June during the prior 15 years was 14.2 and 12.5 percent, respectively. The 2015 figures reflect that the region's milk powder balancing plants are processing significant volumes of milk not presently needed by the plants utilizing milk in the other classes.

Existing Provision

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 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. The table below shows that there is an increase in the volume of milk utilized in Class I during the fall months, above the volume required during the month of August. To reduce the mandated shipment volume to Class I plants by too much, could jeopardize the ability of Class I handlers to procure adequate milk supplies during a period of the year when historically milk availability becomes tighter. Thus, some caution is appropriate when making a downward adjustment in the Order required shipping percentages.

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

	September	October	November
2004	6.1	7.8	6.7
2013	-1.2	5.0	4.2
2014	**3.9**	**10.9**	**3.0**

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 10 percent for the months of September, October, and November is not approved, **however a reduction to 15 percent is approved**. This is the same amount that the fall months shipping percentage has been reduced during the past two years; is the level of reduction supported by the majority of respondents; and appears prudent given some degree of uncertainty regarding market supply and demand conditions up to four months in the future. The reduction will be limited to September, October, and November of 2015.

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 anytime conditions so warrant a review.

Erik F. Rasmussen

June 29, 2015

Erik F Rasmussen
Peter Fredericks
Federal Milk Order No. 1
Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203

I would like to offer these comments regarding shipping percentages under Section 1001.7(c)(2)

My suggestion would be to eliminate this requirement completely. There is no longer a shortage of milk that would prevent the purchase of such for use as class 1. Adding to this is the fact that the consumption of milk for fluid use continues to decline. If the demand for fluid were to increase beyond the available supply, I'm sure the market would respond quickly by raising the price for class 1 and farmers would get higher uniform prices for their milk. The market has proven it can adjust to supply as is evidence by the lower prices this year in response to increased production.

Times have changed and so have our milk markets. Excess milk is now more common than shortages of milk for any type of use. I feel it is time to adjust our market order to reflect these changes. Changing to 10% during the fall is a good first step, but I would strongly support the elimination of such a requirement completely.

Thank you

David R Wood, President
Mohawk Valley Cooperative Inc
1253 Eastern Avenue
West Charlton, NY 12010

Agri-Mark, Inc.
P.O Box 5800, Lawrence, MA 01842
Office Location: 40 Shattuck Rd., Suite 301
Andover, MA 01810

Agri·Mark
FAMILY DAIRY FARMS ™

agrimark.coop
P. 978.552.5500

July 9, 2015

Eric Rasmussen
Federal Milk Market Admin. Office
P.O.Box 51478
Boston, MA 02205

Dear Mr. Rasmussen,

Agri-Mark Dairy Cooperative supports lowering the minimum shipping percentage of producer milk to Federal Order 1 distributing plants from 20% to 15% for the months of September, October and November, 2015.

There has been a significant increase in the amount of producer milk in the Northeast so far in 2015 while Class I sales in the Order have continued to decline and manufacturing capacity at most dairy plants has been reached. This has resulted in the dumping of producer milk and/or skim milk at appropriate disposal sites, since no willing and time appropriate buyer could be found. This has also resulted in some pooled producers having great difficulty in finding a regular handler to purchase their milk. Under these circumstances, we understood your recent action to lower the summer shipping requirements by 5 percentage points, from 10% to 5%.

We believe that the continuation of such a 5% decline in the normal shipping requirements for September, October and November of 2015 would be an appropriate action at this time. However, shipping a significant percentage of their producer milk to distributing plants remains an important obligation of all milk handlers seeking to be included in the Northeast Federal Order and its payment pool. This is especially important as schools come back into session and Class I milk needs rebound. At this time, we do not support lowering the percentage by the proposed 10 percentage points, from 20% to 10%.

Thank you for your consideration of these comments.

Sincerely,

Robert D. Wellington
Senior V.P. of Economics,
Communications & Legislative Affairs

St. Albans Cooperative Creamery, Inc.

138 Federal Street

St. Albans, Vermont 05478

Tele: **802-524-6581**

800-559-0343

Fax: **802-524-4015**

July 17, 2015

Northeast Marketing Area
3012 A Washington Avenue Extension
Albany, New York 12203

Erik Rasmussen, Market Administrator

Dear Erik:

St. Albans Cooperative Creamery, Inc. supports reducing the shipping requirements under Section 1001.7 (c) (2) for the period of September 1, 2015 through November 30, 2015.

The Northeast region continues to be under tremendous pressure as balancing plants, like ours, have been operating at full capacity for a large portion of the last 18 months. One of the major drivers behind this milk surplus is the continued decrease in utilization of Class I milk. This situation has put pressure on many handlers to meet the requirements under this regulation during certain times during the year. Due to a similar situation last fall you recognized the challenge this created and dropped the shipping requirement percentage from 20 percent to 15 percent for September through November 2014. We support an adjustment to 15 percent this year would assist in making this situation more manageable for the region's pool handlers.

Sincerely,

Leon Berthiaume

CEO

LAND O'LAKES, INC.
growingtogether

July 20, 2015

This letter is in response to the Market Administrator's Request for Comments regarding the request for the relaxation of Order 1's Shipping Requirements. Queensboro Farms has submitted a request to decrease the Shipping Requirements under Section 1001.7 (c) (2) from 20% to 10% until further notice.

Land O'Lakes is a dairy cooperative with members pooled on Federal Order 1.

Land O'Lakes supports Queensboro Farms petition, however only for the period September through November 2015. On May 9, 2015 the Order 1 Market Administrator announced a decision to modify shipping percentage in Order 1 from 10 percent to 5 percent for the months of June through August. The marketing conditions characterized by increased milk production and declining Class I sales, cited in that decision, continue into the present.

Requiring a 20 percent qualification threshold in this environment would most certainly result in disorderly marketing and uneconomic deliveries of milk within the Order.

Due to the present market conditions in the Northeast Marketing Area, Land O'Lakes supports Queensboro's Petition, but only for the period of September through November of this year.

Sincerely,

Dennis J Schad

Director, Milk Sourcing and Regulatory Affairs

Land O'Lakes, Inc.

DMS
Dairy Marketing Services

July 22, 2015

Erik F. Rasmussen
Market Administrator
Federal Milk Order No. 1
89, South Street, Boston, MA, 02111

Mr. Rasmussen,

Re: Shipping Requirements Investigation Memo dated June 25, 2015

I am responding on behalf of Dairy Marketing Services (DMS) to your memo regarding a request from Queensboro Farms to lower the shipping percentage specified in Section 1001.7©(2) from 20 percent to 10 percent during the months of September, October and November.

Considering the current market conditions, where supply of raw milk from the farms exceeds the market demand, DMS will support a decrease in shipping percentage from 20 percent to 15 percent in the months of September, October and November 2015 only. We do not see the need to reduce the shipping percentage to 10 percent or to extend it beyond 2015. Market conditions change constantly and the shipping provision can be review again if needed in the future.

While a 20 percent shipping requirement this year could result in disorderly marketing a 10 percentage decrease will not be fair to the Pool Handlers that balance the market throughout the year.

In summary, DMS will support a decrease in Shipping Percentage under section 1001.7© (2) by 5 percent for the months of September, October and November 2015 only.

Sincerely,

Sharad Mathur
Chief Operating Officer

Upstate Niagara Cooperative, Inc.

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

Via email: erasmussen@fedmilk1.com

July 24, 2015

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 Requirements

Dear Mr. Rasmussen:

On behalf of Upstate Niagara Cooperative, this letter is submitted for the purpose of supporting a change to reduce shipping percentages from 20% to 15% for the months of September, October, and November 2015. We believe market conditions again warrant this change for 2015.

The issue of supply and demand imbalance will continue to impact the Northeast market for the fall period. The long-term trend of deterioration in Class I sales continues. 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. Year-to-date, Class I sales are down over 2% when compared to the same time last year. With exception to the most recent month, every month's Class I utilization has been below the prior year for the last nineteen months. For some time, strong growth in Class II products helped to offset the declining trend in Class I. However, demand for Class II products has steadied as milk supplies on the Order have continued to grow.

Milk production in the Northeast has continued to grow and in fact may be stronger due to the mild summer. Higher milk price returns for dairy farmers last year have also likely encouraged expansion. However, some farmers throughout the region are reporting that feed quality could become compromised if weather conditions do not improve. None-the-less, milk supplies are up in the face of reduced Class I demand.

However, contrary to the proposal submitted to reduce the shipping percentages to 10%, we believe this may be an unnecessarily large reduction in requirements and would not provide sufficient incentive to maintain an association with the pool and Class I requirements this Fall. Therefore, Upstate Niagara supports the reduction from 20% to 15% for 2015 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

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:
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Cultured Products Plant:
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North Country Dairy LLC
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North Lawrence, NY 12967

Information Technology:
90 Anderson Road
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United States Department Of Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
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June 25, 2015

TO: Pool Handlers

FROM: Erik F. Rasmussen, 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. 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 2014, with a determination made to lower the percentages for September–November 2014 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 10 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 24, 2015, 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

Queensboro Farm Products, Inc.

156-02 Liberty Avenue • Jamaica, N.Y. 11433 • Telephone (718) 658-5000 • Fax (718) 658-0408

June 4, 2015

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

Mr. Rasmussen,

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 percent to 10 percent for the Pool Supply Plants in Federal Order One. As a handler operating as a family business for 106 years and one of the two Pool Supply Plants remaining in Order One, we have only had one call for Class I milk in years, which we immediately complied with, and 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 7 large plants in the past 5 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. In the past several years Queensboro has had to seek out Class I customers in order to reach the 20% shipping requirement. Only one Class I customer has called upon us to sell to them 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 percent and from 2011 to 2012 by an additional 2.7 percent. 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 percent 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. In the spring of 2015, at the request of a large Northeast Order cooperative, Queensboro is helping to balance their excess supply of milk by separating and condensing for them. In addition we unload and store their excess Class I weekend supplies of raw milk and feed it back to them during the week.

In a 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 April 2014 was 34.4 percent and Class I for April 2013 was 36.5 percent. In the first quarter of 2015 Class I sales have dropped to an average of 35%. In point of fact for 24 consecutive months the volume of milk utilized as Class I has set a new low for that respective month in 16 years. Class IV utilization is rising each month to take up the slack. Milk supplies are rising dramatically and the market Administrator has recognized this in his recent decision to lower the Class I shipping percentage for June, July and August 2015 from 10% to 5%. Times have changed. 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,

Mark Heumann