

May 18, 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 June 1, 2017 through August 31, 2017. As will be summarized below, market conditions have not improved from the previous request granted on February 28, 2017 for the period March 1, 2017 – May 31, 2017.

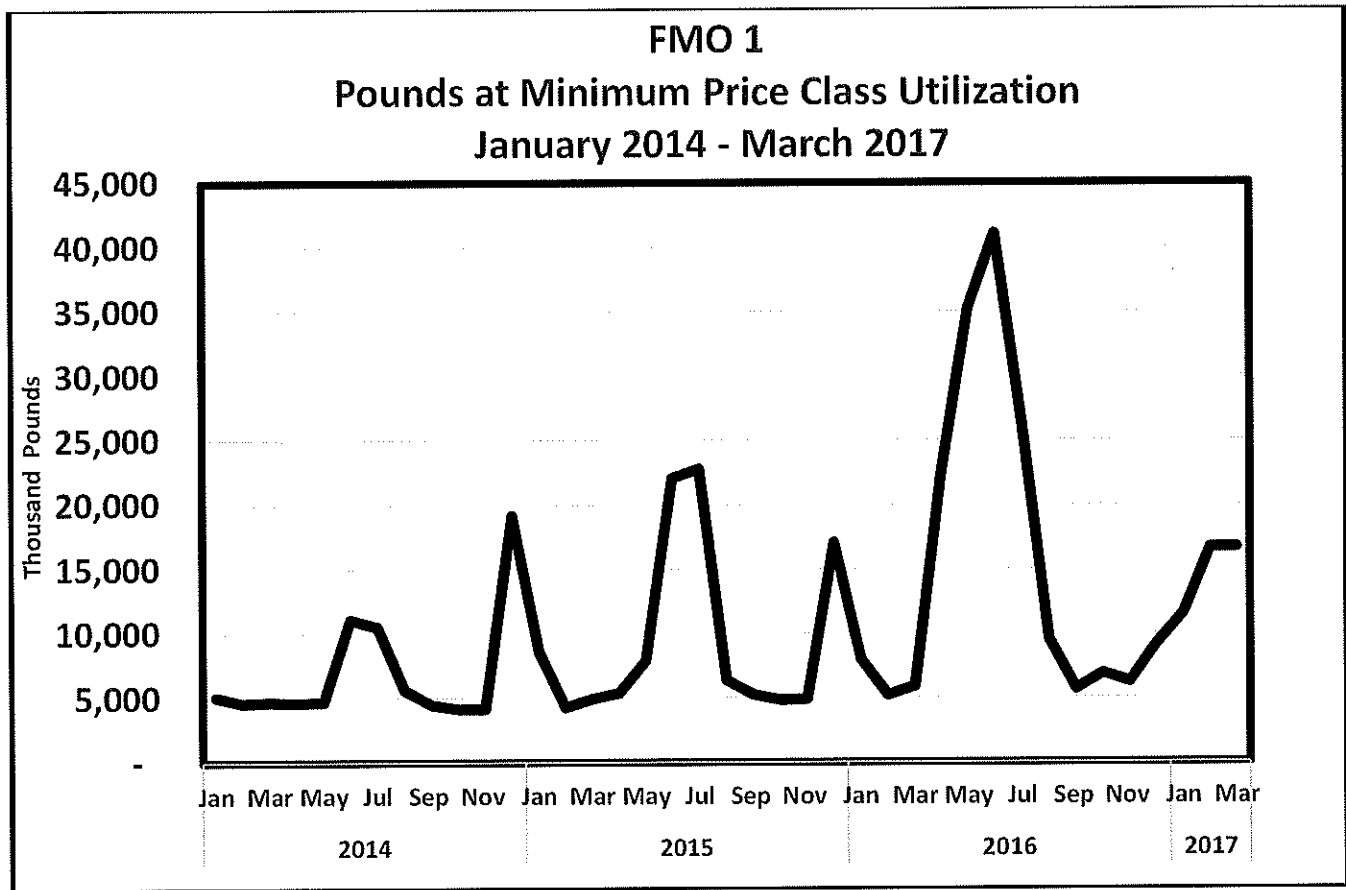
Milk production continues to increase in the primary states comprising the Order. Per the National Agricultural Statistics Service’s *Milk Production* report, combined total milk production for the first quarter of 2017 for Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont has increased 3.0% (adjusted for leap year). Note in the table below, that the rate of growth in the Northeast states as a group, is a full percentage point greater than that of the rest of the US. The additional quantity in the Northeast equates an increase of 42 tanker loads (typical tank size 60,000 pounds) per day (calendar adjusted basis) more that is looking for a home. We expect milk production conditions to remain favorable for continued increases in milk production.

States - Federal Order 1 Milk Production			
Million Pounds			
State	Q1 2017	Q1 2016	Pct Chg*
<b>Connecticut</b>	104	103	2.1%
<b>Delaware</b>	25	26	-3.6%
<b>Maine</b>	155	155	1.1%
<b>Maryland</b>	247	247	1.1%
<b>Massachusetts</b>	54	54	1.1%
<b>New Hampshire</b>	71	72	-0.3%
<b>New Jersey</b>	31	31	1.1%
<b>New York</b>	3,697	3,596	4.0%
<b>Pennsylvania</b>	2,751	2,711	2.6%
<b>Rhode Island</b>	3	4	-15.7%
<b>Vermont</b>	680	679	1.3%
<b>Eleven State Total</b>	7,818	76,78	3.0%
<b>Total US</b>	53,540	52,998	2.2%
<b>US without Eleven</b>	45,722	45,320	2.0%
* Leap year adjusted			
Source: National Agricultural Statistics Service			

With this increasing milk production has come expanded Federal Order 1 pool volumes. The sum of the months of January – March 2017 compared to same period in 2016 results in 4.1% more milk (adjusted for leap year).



Reviewing the data from 2014 to date, shown in the chart **FMO 1 Pounds at Minimum Price Class Utilization January 2014 – March 2017**, a period in which pooling milk disposed of 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 **“Pounds at Minimum Class Price Utilization”**. In prior years, the typical volume in this category for FMO 1 was 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 disposed of in some form due to a lack of available balancing capacity and would include farm disposal.



As shown in the chart, distressed volumes increased in January and more so in February and March as local production began to overwhelm local plant capacity and out of region plant capacity was less available. February and March data show much larger volumes in 2017 than in any of the prior three years. We expect the trend of increased production that exceeds balancing capacity to continue.

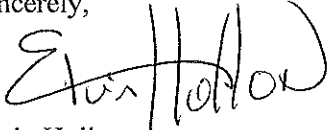
In addition, the Canadian government has amended policies related to milk ingredients that prior to February 28 were being imported from US sources in New York. Due to these changes, those market outlets are effectively no longer available, returning significant volumes back into an already stressed milk market.

On the demand side, we do not anticipate any changes that would alter this market situation. After May 31, 2017, we will start to see the annual reductions in Class I needs as educational facilities wrap up their school years and adjourn for the summer. Since our original request, no new plant capacity has come online nor been announced to become operational before August 31, 2017.

Currently, Federal Order 1 is granting 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 continue to allow loads to be disposed of at the farm and retain pool status when accurate weights, component tests and location are reported to the Market Administrator for the period of June 1, 2017 – August 31, 2017. Doing so will prevent the uneconomic hauling of milk and plant handling costs.

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 stylized with a large initial "E" and "H".

Elvin Hollon  
Vice President, Economic Analysis/Fluid Marketing

**Total Pounds Pooled Minimum Class Price, January 2000 - March 2017**

<b>Year</b>	<b>Month</b>	<b>Order 1</b>
<b>2000</b>	January	5,566,214
	February	4,976,429
	March	5,521,640
	April	4,179,737
	May	5,151,896
	June	5,203,767
	July	5,024,319
	August	5,788,635
	September	6,382,461
	October	6,861,268
	November	4,517,081
	December	6,079,768
<b>2001</b>	January	6,883,626
	February	5,252,463
	March	5,829,949
	April	6,269,843
	May	6,958,217
	June	6,896,930
	July	6,560,354
	August	7,277,185
	September	5,729,803
	October	6,317,891
	November	6,216,483
	December	5,892,539
<b>2002</b>	January	6,049,827
	February	6,326,544
	March	6,011,306
	April	6,739,802
	May	6,167,272
	June	6,870,867
	July	6,959,203
	August	7,323,716
	September	6,205,489
	October	5,621,160
	November	5,676,874
	December	6,889,140

**Total Pounds Pooled Minimum Class Price, January 2000 - March 2017**

<b>Year</b>	<b>Month</b>	<b>Order 1</b>
<b>2003</b>	January	9,310,592
	February	5,938,420
	March	6,008,072
	April	6,544,838
	May	6,534,883
	June	6,541,256
	July	7,005,923
	August	7,840,475
	September	6,781,894
	October	6,403,799
	November	6,191,142
	December	8,026,469
<b>2004</b>	January	7,274,856
	February	10,077,798
	March	7,201,401
	April	6,674,691
	May	8,065,800
	June	7,068,964
	July	7,845,425
	August	7,428,517
	September	7,308,283
	October	7,512,835
	November	6,656,266
	December	7,575,342
<b>2005</b>	January	7,795,026
	February	8,030,507
	March	7,951,205
	April	7,421,935
	May	9,736,906
	June	8,860,148
	July	9,356,122
	August	8,968,643
	September	7,913,953
	October	8,844,315
	November	7,878,028
	December	7,975,523

**Total Pounds Pooled Minimum Class Price, January 2000 - March 2017**

<b>Year</b>	<b>Month</b>	<b>Order 1</b>
<b>2006</b>	January	8,672,488
	February	7,740,251
	March	7,277,415
	April	7,432,113
	May	7,783,227
	June	8,433,031
	July	8,117,438
	August	7,862,160
	September	7,819,606
	October	7,625,348
	November	6,580,260
	December	7,644,863
<b>2007</b>	January	8,034,403
	February	6,300,758
	March	7,379,307
	April	6,855,067
	May	8,349,466
	June	7,271,181
	July	7,330,645
	August	7,538,635
	September	7,231,363
	October	6,765,415
	November	6,994,919
	December	7,484,755
<b>2008</b>	January	8,079,539
	February	6,906,259
	March	6,817,945
	April	7,073,179
	May	6,345,893
	June	7,926,840
	July	7,699,264
	August	6,541,886
	September	6,056,668
	October	6,809,682
	November	5,679,755
	December	7,337,563

**Total Pounds Pooled Minimum Class Price, January 2000 - March 2017**

<b>Year</b>	<b>Month</b>	<b>Order 1</b>
<b>2009</b>	January	6,461,121
	February	5,865,612
	March	6,353,465
	April	6,482,204
	May	6,322,695
	June	8,098,820
	July	8,086,849
	August	7,658,127
	September	8,033,874
	October	7,851,592
	November	7,814,569
	December	10,557,181
<b>2010</b>	January	7,495,598
	February	6,753,297
	March	7,932,745
	April	9,077,418
	May	6,123,571
	June	8,651,253
	July	8,520,600
	August	8,612,493
	September	6,660,655
	October	6,824,641
	November	6,268,294
	December	7,443,418
<b>2011</b>	January	5,568,425
	February	5,087,598
	March	5,396,035
	April	4,626,381
	May	5,337,723
	June	5,288,086
	July	5,099,304
	August	5,802,556
	September	6,497,953
	October	5,168,801
	November	4,757,380
	December	5,805,301

**Total Pounds Pooled Minimum Class Price, January 2000 - March 2017**

<b>Year</b>	<b>Month</b>	<b>Order 1</b>
<b>2012</b>	January	4,984,381
	February	4,851,712
	March	5,070,034
	April	5,586,436
	May	5,103,059
	June	4,590,053
	July	7,417,790
	August	5,048,459
	September	4,704,957
	October	4,825,568
	November	5,747,860
	December	5,354,564
<b>2013</b>	January	5,378,501
	February	4,655,981
	March	4,753,723
	April	4,397,808
	May	6,368,695
	June	5,775,130
	July	6,038,688
	August	6,401,353
	September	5,203,710
	October	5,209,599
	November	5,095,841
	December	4,733,383
<b>2014</b>	January	5,096,826
	February	4,621,912
	March	4,721,564
	April	4,640,535
	May	4,711,609
	June	11,103,300
	July	10,545,045
	August	5,625,211
	September	4,488,671
	October	4,164,245
	November	4,163,744
	December	19,190,399



**Total Pounds Pooled Minimum Class Price, January 2000 - March 2017**

<b>Year</b>	<b>Month</b>	<b>Order 1</b>
<b>2015</b>	<b>January</b>	<b>8,603,877</b>
	<b>February</b>	<b>4,269,904</b>
	<b>March</b>	<b>4,940,495</b>
	<b>April</b>	<b>5,377,652</b>
	<b>May</b>	<b>7,889,126</b>
	<b>June</b>	<b>22,072,762</b>
	<b>July</b>	<b>22,787,614</b>
	<b>August</b>	<b>6,387,811</b>
	<b>September</b>	<b>5,249,370</b>
	<b>October</b>	<b>4,843,618</b>
	<b>November</b>	<b>4,913,155</b>
	<b>December</b>	<b>17,065,412</b>
<b>2016</b>	<b>January</b>	<b>7,993,058</b>
	<b>February</b>	<b>5,212,368</b>
	<b>March</b>	<b>5,915,425</b>
	<b>April</b>	<b>22,566,880</b>
	<b>May</b>	<b>35,244,516</b>
	<b>June</b>	<b>41,072,283</b>
	<b>July</b>	<b>26,338,725</b>
	<b>August</b>	<b>9,507,126</b>
	<b>September</b>	<b>5,685,158</b>
	<b>October</b>	<b>6,900,544</b>
	<b>November</b>	<b>6,241,497</b>
	<b>December</b>	<b>9,164,668</b>
<b>2017</b>	<b>January</b>	<b>11,554,401</b>
	<b>February</b>	<b>16,663,715</b>
	<b>March</b>	<b>16,670,847</b>

**1 "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.**

**2 Order 126 data does not include dumps at farms or diversions to animal feed production; these are included in a published 'other' category; revision of historical data to conform with the definition in other markets could reveal confidential information.**