



United
States
Department
Of
Agriculture

Agricultural Marketing
Service
Dairy Program

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
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December 19, 2018

TO: Northeast Order Pool Handlers
FROM: John Marcucci, Acting Market Administrator
SUBJECT: Request to Allow Temporary Dumping of Surplus Milk - **Approved**

On December 7, 2018, pool handler Land O' Lakes (LOL) requested a temporary authorization allowing pool handlers to discard surplus milk at a farm, with any such dumped milk retaining the status of pool milk. The period requested for this temporary authorization is the Christmas-New Year's holiday period from **December 22, 2018 – January 6, 2019**. In a solicitation for additional comments on LOL's request, five cooperative handlers, each pooling considerable volumes of milk on the Northeast Order, noted their support for a temporary authorization.

Similar requests allowing for the on-farm disposal of surplus milk have been made by handlers and approved for this same time period in the three previous years. Handlers marketing milk report being challenged by school and plant closures, resulting in calls for less milk, together with some change in retail demand and impacts from the days of the week that the holidays fall on the calendar. LOL's request notes the closure of two significant plants during the past year and the subsequent loss of silo holding capacity. Comments from other handlers supportive of the request note that while there has been some expansion in processing capacity and that handlers have been actively working with customers planning for processing shut downs, changes in milk demand, and making alternative processing arrangements when possible, there still may not be sufficient plant capacity to handle the milk supply. LOL's comments explain that having to dump milk at the farm is a last resort given the economic costs incurred when milk has to be dumped at a farm.

In consideration of the comments provided by LOL and supporting handlers, continued pool volumes above long term averages, concerns about available plant processing capacity—a condition anticipated to be increasingly challenged during the upcoming holiday period—the Market Administrator agrees to temporarily authorize the pooling of milk disposed or “dumped” at farm or other non-plant locations for the requested period of **December 22, 2018, through January 6, 2019**, provided the following conditions are met:

- Handlers and/or their producers that utilize this temporary policy must have been pooled on the Northeast Order during the months of May through October 2018.
- The milk must be picked up at the farm, measured and sampled for payment. The tanker test will be a weighted average of the producer tests.
- Notification should be given to the Market Administrator's office by the next business day, or as soon as practicable, when the milk is dumped. At pool time a separate list must be submitted of all producers whose milk was dumped along with the component tests of the applicable milk (if available), and the physical location and address of where the milk was dumped.

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

December 7, 2018

John D. Marcucci, Acting Market Administrator
Federal Milk Marketing Order 1
333 Fairfax Street
Alexandria, VA 22314

Dear Mr. Marcucci:

Land O'Lakes, Inc., a cooperative milk handler with members pooled on Federal Milk Marketing Order 1 (FMMO 1), is requesting that the Market Administrator grant temporary procedures allowing surplus milk to be disposed of at the farm and retain pool eligibility for the period December 22, 2018 to January 6, 2019.

While Eastern regional production has declined year-over-year, the risk remains that insufficient processing capacity will be available for farm milk during the during the December and January holiday period. The Market Administrator notes each month in the Monthly Statistical Report a category of utilization defined as "Minimum Price Class Animal Feed, Dumpage, and Other Uses". This reporting line includes milk disposed at the farm but still pooled. More milk was utilized at Minimum Price Class in January of each of the past three years compared to December of the prior year. As shown in Table 1 – Total Dumped Milk Pounds Pooled, January 2009 – October 2018 and the accompanying Chart 1 – Pounds at Minimum Price Class Utilization, January 2015 - October 2018, the amount of milk in this category increased in January 2017 to 11.5 million pounds and in January 2018 to 14.8 million pounds. This post-holiday spike in Minimum Price Class utilization results when the ability to find distressed sales outlets and "roll milk" on transport tankers is exhausted and milk must be dumped on the farm. It is out of concern that this pattern will repeat in December 2018 and January 2019 that Land O'Lakes makes this request.

With schools closed December 22 to January 1, Class I demand will be seasonally low. Several large Class II plants will also be closed for a week or more, causing greater balancing stress than over the prior month's Thanksgiving holiday weekend. Additionally, compared to a year ago, the Northeast region has lost silo capacity with the closure of the West Lynn, MA and Erie, PA plants. In consideration of these circumstances, Land O'Lakes requests that the Market Administrator grant temporary procedures for a two-week period including the Christmas and New Year's holidays. This request accounts for recent changes in regional milk production levels and limits the scope of the period in question compared to prior petitions.

Neither LOL nor any handler would prefer the return gained from dumping at the farm to a return from a commercial sale. Granting the petition will prevent uneconomic hauling of milk and does not incent uneconomic behavior simply to collect payment. The incentive is always to market milk when possible; however, during periods of extreme imbalance, necessity sometimes requires dumping milk at the farm. This request would allow loads to be dumped on the farm to retain pool status when accurate weights, component tests and location are reported to the Market Administrator's office.

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

Sincerely,

A handwritten signature in black ink that reads "Kai Knutson". The signature is written in a cursive style with a horizontal line extending from the end of the name.

Kai Knutson
Milk Supply Manager, Eastern Region
Land O'Lakes, Inc.

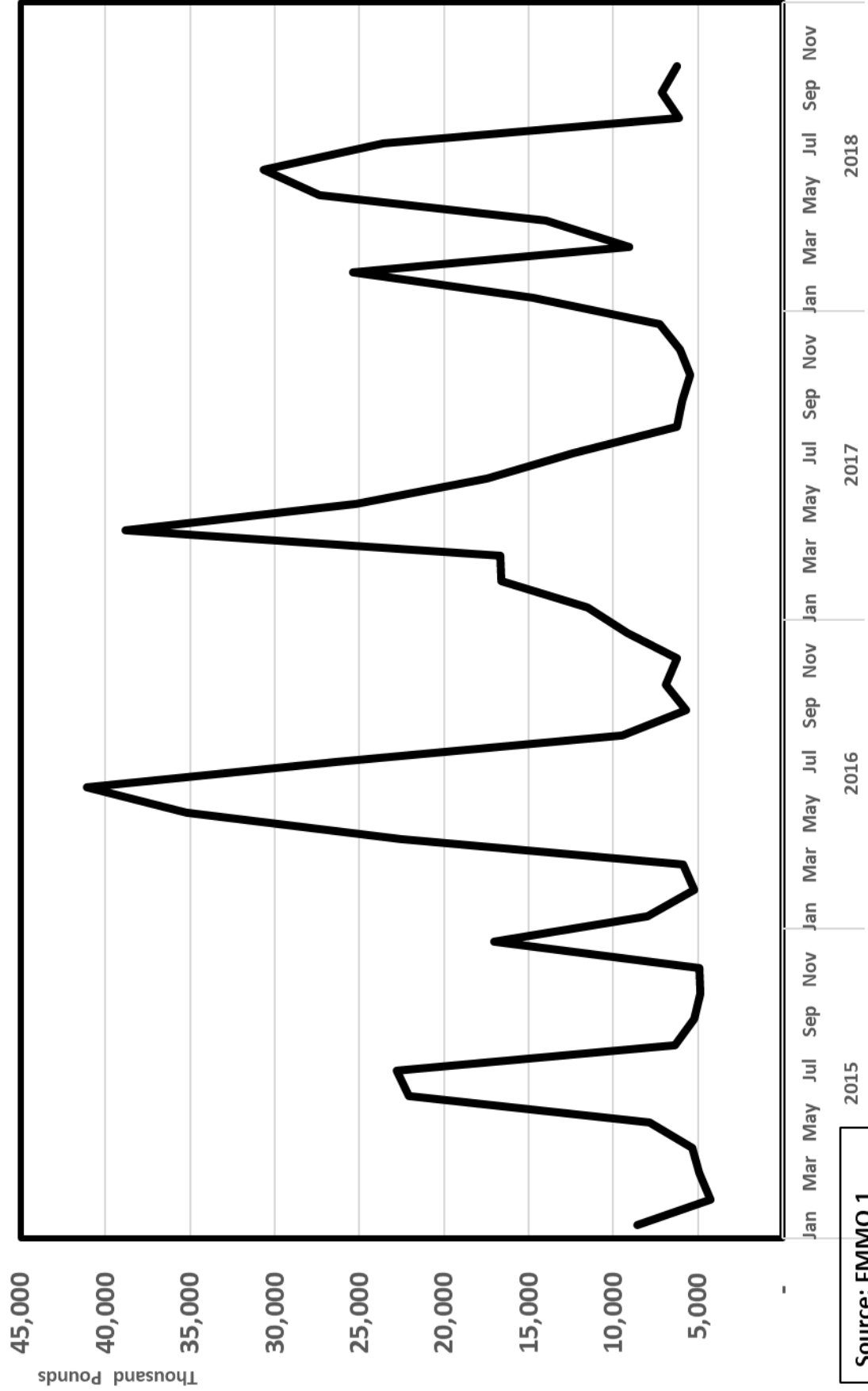
Table 1 - Total Dumped¹ Milk Pounds Pooled, January 2009 – October 2018

2010	January	7,495,598	2013	January	5,378,501	2016	January	7,993,058
	February	6,753,297		February	4,655,981		February	5,212,368
	March	7,932,745		March	4,753,723		March	5,915,425
	April	9,077,418		April	4,397,808		April	22,566,880
	May	6,123,571		May	6,368,695		May	35,244,516
	June	8,651,253		June	5,775,130		June	41,072,283
	July	8,520,600		July	6,038,688		July	26,338,725
	August	8,612,493		August	6,401,353		August	12,360,871
	September	6,660,655		September	5,203,710		September	5,685,158
	October	6,824,641		October	5,209,599		October	6,900,544
	November	6,268,294		November	5,095,841		November	6,241,497
	December	7,443,418		December	4,733,383		December	9,164,668
2011	January	5,568,425	2014	January	5,096,826	2017	January	11,554,401
	February	5,087,598		February	4,621,912		February	16,633,715
	March	5,396,035		March	4,721,564		March	16,670,847
	April	4,626,381		April	4,640,535		April	38,796,873
	May	5,337,723		May	4,711,609		May	25,184,645
	June	5,288,086		June	11,103,300		June	17,481,856
	July	5,099,304		July	10,545,045		July	12,360,871
	August	5,802,556		August	5,625,211		August	6,238,802
	September	6,497,953		September	4,488,671		September	5,956,477
	October	5,168,801		October	4,164,245		October	5,480,164
	November	4,757,380		November	4,163,744		November	6,047,957
	December	5,805,301		December	19,190,399		December	7,261,107
2012	January	4,984,381	2015	January	8,603,877	2018	January	14,779,895
	February	4,851,712		February	4,269,904		February	25,386,127
	March	5,070,034		March	4,940,495		March	9,083,444
	April	5,586,436		April	5,377,652		April	13,973,828
	May	5,103,059		May	7,889,126		May	27,359,268
	June	4,590,053		June	22,072,762		June	30,649,059
	July	7,417,790		July	22,787,614		July	23,559,956
	August	5,048,459		August	6,387,811		August	6,153,897
	September	4,704,957		September	5,249,370		September	7,130,990
	October	4,825,568		October	4,843,618		October	6,251,092
	November	5,747,860		November	4,913,155		November	
	December	5,354,564		December	17,065,412		December	

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 would reveal confidential information.

Chart 1 - Pounds at Minimum Price Class Utilization
 January 2015 - September 2017



Source: FMMO 1

December 10, 2018

John D. Marcucci, Acting Market Administrator
Federal Milk Marketing Order 1
333 Fairfax Street
Alexandria, VA 22314

Dear Mr. Marcucci:

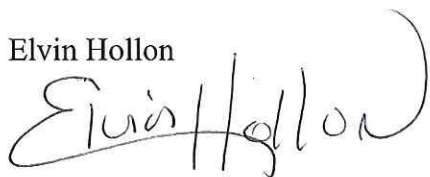
Dairy Farmers of America, Inc. is a Federal Milk Marketing Order 1 cooperative milk handler with milk pooled on the Order every month. We support the request from Land O'Lakes, Inc. (LOL) to the Market Administrator to grant temporary procedures allowing surplus milk to be disposed of at the farm and retain pool eligibility for the narrowly defined period of December 22, 2018, to January 6, 2019.

We concur with the observations and conclusions made by the LOL request. Our marketing staffs have been working on securing milk balancing arrangements for this period for several weeks. Milk balancing during this time is compounded by the reduction in Class I needs due to school closings, variations in operating schedules for retail milk outlets and extended closures of milk processing plants in the Order – including a facility closed for the entire month.

Each of these reasons impact the entire market and the resulting costs should be borne fairly by all market suppliers. Granting this request will insure that the costs of market balancing in this instance will be shared equally among all producers thru the market wide pool.

Thank you for your consideration.

Elvin Hollon



Vice President Fluid Marketing and Economic Analysis





St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, VT 05478
802.524.6581
800.559.0343

December 12, 2018

John D. Marucci,
Acting Market Administrator
Federal Milk Marketing Order 1
333 Fairfax Street
Alexandria, VA 22314

Dear Market Administrator:

St. Albans Cooperative Creamery, Inc supports Land O'Lakes letter dated December 7, 2108 for your office to grant temporary procedures to allow surplus milk that needs to be disposed at the farm to retain pool eligibility during the period of December 22, 2018 to January 6, 2019.

St. Albans Cooperative and other Cooperatives in the region continue to work very diligently to minimize the need for milk to be disposed at the farm. We have worked with our customers to encourage the utilization of milk during this period, we have worked to increase our plant capacity but even with these efforts there could be days that there is not sufficient capacity to process all the milk.

We agree with the information and assessment that Land O'Lakes has provided regarding the impact of sales, reduction in plant manufacturing during this period. We can attest from our own operations the changes in our customers operations during this time period and the added burden to our facilities.

These changes in market conditions affect the entire market and the costs associated with this disruption in operations, should be shared amongst all dairy farmers in the marketing region.

Please let me know if you have any questions or require additional information.

Sincerely,

Leon Berthiaume
CEO



1258 Maryland Ave.
Hagerstown, MD 21740
P: (301) 393-5554
F: (301) 393-5585

December 13, 2018

Mr. Peter Fredericks
Assistant Market Administrator
Northeast Federal Milk Order
P.O. Box 25828
Alexandria, VA 22313

Dear Mr. Fredericks,

Lanco-Pennland Quality Milk Producers is in full support of the Land O'Lakes' request to discard surplus milk at farm locations while retaining their ability to be pooled from 12/22/2018 – 1/6/2019. We believe the fragile processing capacities available during the above period validates the request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kurt Williams'. The signature is fluid and cursive, with a large loop at the end.

Kurt Williams

General Manager


UPSTATE NIAGARA
COOPERATIVE, INC.
FARMER OWNED

General Office:
25 Anderson Road
Buffalo, NY 14225

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

Information Technology:
90 Anderson Road
Buffalo, NY 14225

Buffalo Fluid Plant:
1730 Dale Road
Buffalo, NY 14225

Rochester Fluid Plant:
45 Fulton Avenue
Rochester, NY 14608

Valley Farms Dairy, LLC:
1860 East Third Street
Williamsport, PA 17701

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

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

O-AT-KA Milk Products
Cooperative, Inc.:
700 Ellicott Street
Batavia, NY 14020

December 14, 2018

Peter Fredericks, Assistant Market Administrator
Federal Order 1
P.O. Box 51478
Boston, MA 02205-1478

Transmitted via email to pfredericks@fedmilk1.com

Dear Mr. Fredericks,

Upstate Niagara Cooperative, Inc. supports the request for temporary procedures allowing surplus milk to be disposed at the farm but retain pool eligibility for the period of December 22, 2018 through January 6, 2018.

Upstate Niagara corroborates Land O' Lakes, Inc.'s concerns related to demand from Class I bottlers as a result of school closures and access to value added markets during the holiday period.

Thank you in advance for your consideration of this request.

Sincerely,



Jodi Smith Krzysiak
Economist



Agri-Mark, Inc.

40 Shattuck Rd., Suite 301
Andover, MA 01810



agrimark.coop

P. 978.552.5500

December 20, 2018

Peter Fredericks, Assistant Market Administrator
Federal Order 1
P.O. Box 51478
Boston, MA 02205-1478

Dear Mr. Fredericks,

Agri-Mark, Inc. supports the request for temporary procedures allowing surplus milk to be disposed at the farm but retain pool eligibility for the period of December 22, 2018 through January 6, 2019.

Agri-Mark Inc. corroborates Upstate Niagara and Land O' Lakes, Inc.'s concerns related to demand from Class I bottlers as a result of school closures and access to value added markets during the holiday period.

Thank you in advance for your consideration of this request.

Sincerely,

A handwritten signature in black ink that reads "Scott Werme". The signature is fluid and cursive, written over a white background.

Scott Werme
VP, Membership



Owned by the farm families of Agri-Mark who provide their farm fresh milk to their award-winning brands.

agrimark.coop | cabotcheese.coop | mccadam.coop