



United
States
Department
Of
Agriculture

Agricultural Marketing
Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
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May 1, 2018

TO: Pool Handlers
FROM: Erik F. Rasmussen, Market Administrator
SUBJECT: Shipping Requirements Investigation – Solicitation of Comments

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 *until further notice*. 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.

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 until further notice.

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

Please submit any comments by June 15, 2018 to the address or email below.

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Attention: Peter Fredericks

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April 5, 2018

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 % to 10 % for the Pool Supply Plants in Federal Order One. As a handler operating as a family business for 109 years and one of the two Pool Supply Plants remaining in Order One, we have zero calls for Class I milk in years. 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 at least 8 large plants in the last 7 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 past years Queensboro has had to seek out Class I customers in order to reach the 20% shipping requirement. In addition this year as in other recent years in the Northeast, milk and skim milk will have to be dumped due to lack of plant

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capacity. Class IV, the balancing class in the order is ever increasing due to higher milk production and ever decreasing Class I sales in the order. The figures for February 2018 indicate that the Class I volume was the lowest ever for the month and the Class IV volume among the highest for the month. This imbalance in supply and demand will continue throughout the next ten years and for the foreseeable future. In the last few years only one customer has called upon us to sell 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 % and from 2011 to 2012 by an additional 2.7 %. 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 % 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. Again, in the spring of 2018 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 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 February 2018 was less than 32.0 %. April 2017 was 29.4%, April 2016 was 32.0 %, April 2015 was 32.8 %, April 2014 was 34.4 % and Class I for April 2013 was 36.5 %. In the first quarter of 2018 Class I utilization will have dropped to approximately 32.0 %. In point of fact for many months the volume of milk utilized as Class I has set a new low for that respective month. Class IV utilization is rising each month to take up the slack. Milk supplies have risen dramatically and the market Administrator has recognized this in his decision to lower the Class I shipping percentage for June, July and August 2015 from 10% to 5 % and to reduce the shipping percentage to 15% for 2016 and 2017. 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,

Lewis P. Miller

President

