

United States Department Of Agriculture

Agricultural Marketing Service Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
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November 17, 2016

TO: Northeast Order Pool Handlers
FROM: Erik F. Rasmussen, Market Administrator
SUBJECT: Request to Allow Temporary Dumping of Surplus Milk Granted

Handlers regulated under the Northeast Federal Order have requested that the Market Administrator allow pool handlers to temporarily dispose of surplus milk at a farm or non-plant location, with that milk retaining the status of pooled producer milk during the upcoming Thanksgiving through New Year’s holiday period.

Similar requests allowing for the on-farm disposal of surplus milk have been made and approved by the Market Administrator during selective time periods over the past two years as handlers in the region have dealt with milk supplies exceeding demand and plant processing capacity.

In consideration of continued strong milk production and the supply of raw milk exceeding, in some cases, available plant processing capacity—a condition anticipated to escalate during the above mentioned 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 **November 22, 2016, through January 9, 2017**, provided the following conditions are met:

- Handlers and/or their producers that utilize this temporary policy must have been pooled on the Northeast Order for all of their commercially marketed production for the months of May through October 2016.
- 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.



Dairy Farmers of America

October 27, 2016

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 of at the farm but retain pool eligibility for the period of 11/22/2016 – 01/09/2017.

Milk balancing stress is returning to Federal Milk Order 1 (FMO 1) markets and is occurring earlier in the fall months of 2016 than it did in 2015. DFA is already experiencing balancing plant capacity being fully utilized at times and has already made some, albeit limited as of yet, marketing arrangements to process milk excess to Class I markets out of the marketing area.

Milk production is continuing to increase in the primary states comprising the Order. According to the National Agricultural Statistics Service's *Milk Production* report, combined total milk production year-to-date thru September 2016 for Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont has increased 2.45% (adjusted for leap year).

Quarterly Milk Production - NASS								
States Comprising FMO 1								
million pounds								
State	Q1 2016	% chg. prior yr.	Q2 2016	% chg. prior yr.	Q3 2016	% chg. prior yr.	YTD 2016 (Jan-Sep)	% chg. prior yr.
ME	155	8%	163	9%	158	5%	476	7%
MD	250	1%	246	-4%	229	-4%	725	-2%
VT	679	3%	694	2%	677	1%	2,050	2%
NH	72	3%	73	1%	70	0%	215	1%
NY	3,596	6%	3,760	5%	3,729	4%	11,085	5%
RI	4	0%	4	0%	4	0%	12	0%
MA	54	0%	56	0%	53	-2%	163	-1%
CT	103	5%	105	3%	100	2%	308	3%
DE	26	0%	26	0%	22	-4%	74	-1%
PA	2,732	1%	2,809	0%	2,684	0%	8,225	1%
NJ	31	-6%	32	-3%	29	-6%	92	-5%
Total	7,702	3.619%	7,968	2.654%	7,755	2.21%	23,425	2.82%
2016 Adjusted for Leap Year							23,340	
2015 YTD Volume							22,782	
Percent Change Adjusted Volume								2.45%

Market Administrator data recording dumped milk volume is regularly reported. Attached to this letter is a reprint of that data by month for 2000–2016 to date. The table explanation notes include the following definition, “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.” Order regulations allow for milk to be dumped and pooled for a variety of reasons that are normal occurrences in commerce. However, in order to protect the value and integrity of the pool, strict procedures must be followed, a practice we support.

More Cooperative.

Reviewing the data from 2015-2016 to date, a period in which pooling milk dumped at a farm was allowed, underscores the need for this request. In the months of December 2015, January and April – August 2016, large volumes of milk were reported as “Dumped Milk Pounds Pooled”. The typical volumes in this category for FMO 1 are four to six million pounds per month. (Note the monthly volumes in prior years.) The difference in these months would generally represent milk dumped at farms due to a lack of available balancing capacity. Note that neither DFA nor any other milk marketer would prefer the return gained from dumping at the farm to a return from a commercial sale.

During these months, as balancing capacity fills, buyers of excess milk reduce the price they are willing to pay for milk reflecting competitive market conditions for milk, the added cost of plant operations to process milk above normal operational patterns and the potential for a lower price for the manufactured product that must be ultimately sold at some future date. We are also experiencing an unusual problem due to the current “long milk cycle” where warehouse space is filled or becoming more expensive due to more products being inventoried and buyers are unwilling or unable to make extra product even from “holiday milk reduced prices”. This period encompasses many days in which schools are closed and that represents a serious disruption to the regular demand cycle. Additionally, during the holiday season, many Class II facilities either have their holiday demands filled and reduce orders or in the most severe case simply close down production for several days or weeks.

As local capacity fills, milk must be moved longer distances mostly into the Lake States and the Upper Midwest region – if capacity there is available. This causes transport equipment to be on the road longer and in effect reduces total supply of equipment and drivers. At some point, there is no available plant capacity or no available milk transport or the net return approaches zero and it is simply more cost effective to dump the milk.

Total milk processing capacity has decreased in the region. We are aware that processing capacity has or will soon be closed at the plant in Jamaica, NY and there has been a reduction in volume at the Campbell, NY plant since the last Christmas/New Year’s holiday season. While some portion of this capacity has likely been absorbed into other plants in the marketing area the net result is less processing capacity available to balance the Class I market.

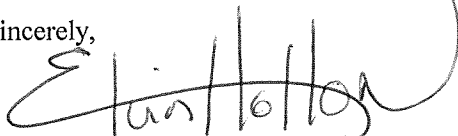
Balancing the fluid milk markets was very difficult during the holiday period of 2015-2016 as noted by the volume of milk in the “Dumped Milk Pounds Pooled” table. Current experience and near term expectations are for an increase in milk supplies, little change in the demand for Class I milk and a decrease in in-area balancing capacity.

We note this situation is also prevalent in the Central Order where we will be making a similar request. We have already begun the process of looking for balancing capacity in the Lake States and Upper Midwest regions and find less available capacity there due in large part to increased milk production. As Northeast balancing capacity fills raw milk and condensed milk supplies look to processing homes in these areas.

In 2015-2016 your office granted 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 again allow loads to be dumped on the farm and retain pool status when accurate weights, component tests and location are reported to the Market Administrator. Doing so will prevent the uneconomic hauling of milk. Note again, that the return, gained by this request, represents a small fraction of the total value of the load of milk and in no way would incent uneconomic behavior simply to collect the payment.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Elvin Hollon", written over a large, light-colored circular scribble or stamp.

Elvin Hollon
Vice President, Economic Analysis/Fluid Marketing

Total Dumped1 Milk Pounds Pooled, January 2000 - June 2016

Year	Month	Order 1
2000	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
2001	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
2002	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 Dumped1 Milk Pounds Pooled, January 2000 - June 2016

Year	Month	Order 1
2003	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
2004	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
2005	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 Dumped1 Milk Pounds Pooled, January 2000 - June 2016

Year	Month	Order 1
2006	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
2007	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
2008	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 Dumped1 Milk Pounds Pooled, January 2000 - June 2016

Year	Month	Order 1
2009	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
2010	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
2011	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 Dumped1 Milk Pounds Pooled, January 2000 - June 2016

Year	Month	Order 1
2012	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
2013	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
2014	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 Dumped¹ Milk Pounds Pooled, January 2000 - June 2016

Year	Month	Order 1
2015	January	8,603,877
	February	4,269,904
	March	4,940,495
	April	5,377,652
	May	7,889,126
	June	22,072,762
	July	22,787,614
	August	6,387,811
	September	5,249,370
	October	4,843,618
	November	4,913,155
	December	17,065,412
2016	January	7,993,058
	February	5,212,368
	March	5,915,425
	April	22,566,880
	May	35,244,516
	June	41,072,283
	July	26,338,725
	August	9,507,126
	September	5,685,158
	October	
	November	
	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 could reveal confidential information.

From: Bob Wellington [<mailto:rwellington@agrimark.net>]
Sent: Monday, November 07, 2016 12:20 PM
To: Rasmussen Erik
Cc: Fredericks Peter; jrutherford@dfamilk.com; Ed Townley; Ed Pcolar; Robert Stoddart; Scott Werme; Jeffrey Saforek; Neal Rea; cobardairy@gmail.com; Quadros Steven; Leon Graves (Leon_Graves@stalbanscooperative.com); Harner, Tim; Pickard, Kimberly; Gloria Little; Denise DiMento; Lorrie Curtis; eholton@dfamilk.com
Subject: DFA Request to grant temporary procedures to allow milk disposed of at the farm to retain pool eligibility

Mr. Erik Rasmussen, Market Administrator
Northeast Federal Milk Marketing Order
89 South Street
Boston, MA 02111-2671

November 7, 2016

Dear Mr. Rasmussen,

Agri-Mark Dairy Cooperative supports the Dairy Farmers of America request of October 27, 2016 for your office to grant temporary procedures to allow milk disposed of at the farm to retain pool eligibility during the period of 11/22/2016 to 01/09/2017.

Orderly marketing of producer milk in the Northeast Federal Order has been a severe challenge in the past two years as milk produced and marketed in the Northeast Milk marketing area has exceeded the regional dairy plant capacity necessary to process that milk during key times of the year. This problem has been further exacerbated by the unavailability of surplus plant capacity in nearby regions that have served as an outlet for Northeast milk in the past.

Cooperatives like Agri-Mark, DFA, Upstate Niagara, St. Albans and others have worked hard to maintain orderly marketing of milk in the Northeast Federal Order. This has come as a substantial cost as milk has been dumped at the farm, surplus dairy products, such as condensed skim milk, have been sold at large losses and farmer investment at balancing and manufacturing plants has been increased at a time of great financial stress for cooperative farm families.

The burden of this orderly marketing costs have fallen disproportionately on cooperative members via reduced net returns from their plant and business investments, reduced over-order premiums and even direct member assessments. Agri-Mark members have experienced the first two impacts but have been able to avoid the third.

We believe the Northeast dairy industry should consider implementing market service payments under the Federal Order to deal with these ongoing problems. We expect to join with other cooperatives that are already considering this option and submit a proposal to your office in the near future.

In the meantime, we support the DFA request for your office to grant temporary procedures to allow milk disposed of at the farm to retain pool eligibility.

Sincerely yours,

Robert D. Wellington
Sr. Vice President for Economics, Communications and Legislative Affairs
Agri-Mark Dairy Cooperative
Andover, Massachusetts

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