



United
States
Department
Of
Agriculture

Agricultural Marketing
Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
89 South Street, Suite 301, Boston, MA 02111-2671

Mailing Address:

P.O. Box 51478
Boston, MA 02205-1478
Phone: 617-737-7199 --- Fax: 617-737-8002
E-mail: NortheastOrder@fedmilk1.com
Website: <http://www.fmmone.com>

Albany:
302A Washington Avenue Ext.
Albany, NY 12203-7303
Tel.: (518) 452-4410
Fax: (518) 464-6468

Alexandria:
P.O. Box 25828
Alexandria, VA 22313-5828
Tel.: (703) 549-7000
Fax: (703) 549-7003

November 9, 2017

TO: Northeast Order Pool Handlers
FROM: Erik F. Rasmussen, Market Administrator
SUBJECT: Request to Allow Temporary Dumping of Surplus Milk – *Approved 11/15/2017 – 1/08/2018*

On October 30, 2017, pool handler Dairy Farmers of America, Inc. (DFA) requested that the Market Administrator allow pool handlers to temporarily dump surplus milk at a farm location with any such discarded milk retaining pool eligibility. The time period of the requested authorization would run from November 22, 2017, through January 8, 2018. In a November 3, 2017, letter in support of DFA's request, pool handler Land O' Lakes, Inc. (LOL) asked that the temporary authorization be moved back to the week immediately prior to the Thanksgiving holiday week; thus the requested temporary authorization would commence on November 15, 2017.

During the past four years, pool handlers have requested a similar temporary dumping allowance on several occasions. More recently, temporary authorizations were approved for the periods November 22, 2016, through January 9, 2017; March 1, 2017, through May 31, 2017; and June 1, 2017, through August 31, 2017. Note, during the above approved periods no handler dump milk requests were received specifying that raw milk was being dumped at a farm due to surplus reasons. The only reported requests seeking authorization for dumping raw milk at a farm were caused by snow storm milk pick up complications. Therefore, volumes reported in the Northeast Marketing Area's *Monthly Statistical Report* utilization table under Class IV Minimum Price Class (and often referred to as dumped milk) represent milk that was delivered to a plant, processed to some extent, and then discarded for any number of internal handler specific reasons. Such dumps are an accepted plant utilization under the provisions of the Northeast Order and do not require the temporary on-farm dumping authorization that has been requested.

DFA's submission cites a number of factors regarding the region's milk supply and available plant capacity during the upcoming holiday period as key considerations behind their request. LOL's statement in support of DFA's request notes that this is a period where multiple plants have announced plant shut downs, thereby effectively removing processing capacity from the milk shed. DFA notes that as local processing capacity is filled, milk sometimes is moved out of the region to find available processing capacity, often at considerable cost and discount. In a worse-case scenario, DFA states that it becomes more cost effective to simply dump milk at the farm rather than to find distant outlets if any are even available.

Recent USDA milk production statistics for the month of September indicate that New York State's milk production fell slightly below the production during September 2016, but that the state had approximately 4,000 head of additional dairy cows in September 2017 compared to September 2016. Pennsylvania's September 2017 milk production was 1.7 percentage points above the September 2016 volume. The volume of milk pooled on the Northeast Order has set an all-time record monthly volume (for the 18 years the Northeast Order has existed) in eight of the nine monthly pools completed to date in 2017. The daily production per producer (DDP) through September is averaging 5 percent above the DDP for the same period in 2016. In addition to DFA's request and LOL's requested extension, cooperative handlers Agri-Mark, Inc., Maryland and Virginia Milk Producers Cooperative, Inc., St. Albans Cooperative Creamery, Inc. and Upstate Niagara Cooperative, Inc. submitted comments acknowledging the potential for having milk supplies in excess of

available plant processing capacity during the upcoming holiday period, and were thus supportive of approving the temporary authorization as some measure of relief to pool handlers if necessary

After the consideration of handler comments, market conditions, and the short term supply/demand situation, 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 15, 2017, through January 8, 2018**, 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 2017.
- 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 will be subject to audit verification by the Market Administrator as a condition to be included as pooled producer milk, during the respective pool period.

October 30, 2017

Eric F. Rasmussen
Market Administrator
Federal Order 1
302A Washington Avenue Ext.
Albany, NY 12203-7303

Dear Market Administrator Rasmussen:

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 11/22/2017 – 01/08/2018.

Milk balancing stress, while reduced has not been eliminated in Federal Milk Order 1 (FMO 1) markets. Currently balancing capacity for excess Class I milk supplies is available in the market but we expect it to be inadequate to cover the upcoming Christmas and New Year’s holiday period. We are aware of additional processing capacity added in the Northeast region since last year at St. Albans, Vermont and Middlebury Center in Pennsylvania but that new capacity will not be sufficient to process all the milk seeking a manufacturing home during this period.

Milk production is continuing to increase in the primary states comprising the Order. According to the National Agricultural Statistics Service’s October *Milk Production* report, (Table 1) combined total milk production year-to-date thru September 2017 for Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont has increased 1.3% (adjusted for extra day in 2016). Converted into a loads-per-day increase, using a 60,000-pound typical load weight for the region, the increase represents an additional 19 loads per day that must be marketed. The data does indicate a slowing in the rate of increase in the region’s milk production in the third quarter of 2017 the YOY increase was 0.5% versus the YTD change of 1.3% or an additional seven loads per day requirement to be marketed.

Market Administrator data recording dumped milk volume is regularly reported. Attached to this letter is a reprint of that data by month for 2000 – 2017 to date. The table explanation notes include the following definition from the Market Administrator, “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, to protect the value and integrity of the pool strict procedures must be followed, a practice we support.

Reviewing the data from 2016-2017 to date in Chart 1 (attached), a period in which pooling milk dumped at a farm was allowed, underscores the need for this request. In the months of December 2016, January and April – September 2017, 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 either on Chart 2 or the attached table from Market Administrator data.) The difference between the larger volume months and the lower volume months represent increased balancing volumes including (but not exclusively) milk dumped at farms due to a lack of available balancing capacity. This factor is increasingly acute during the fall holiday season from Thanksgiving to New Year’s Day.

This period encompasses many days in which schools are closed, representing a serious disruption to the regular demand cycle. Additionally, during the holiday season, many Class II facilities either have their holiday demands filled and

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reduce orders or in the most severe case simply close production for several days or weeks. Additionally, Christmas and New Year's Day this season are on Monday and likely many plants will be down an extra day to accommodate their employees holiday plans versus 2016 where the date fell on Sunday and was a regular down day for many plants.

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.

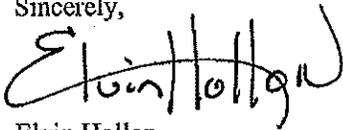
Balancing the fluid milk markets was very difficult in the holiday period of 2016-2017 as noted by the volume of milk in the "Dumped Milk Pounds Pooled" table. Current experience and near-term expectations are for an increase in milk supplies, little change in the demand for Class I milk and a very modest increase to in area 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. The return to any entity (Order 1 Statistical Uniform Blend less the lowest Class price) which would have to dispose of milk on the farm would average \$2.17 per hundredweight thus far in 2017; ranging from a high return of \$2.98 and a low of \$1.64.

In 2016-2017 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 would not 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". The signature is written in a cursive style with a large, sweeping initial "E".

Elvin Hollon

Vice President, Economic Analysis/Fluid Marketing

Table 1 - Milk Production Northeast Region

	YTD	Change	Q3	Change
	2017	YOY	2017	YOY
	000 pounds	pct	000 pounds	pct
CT	312	1%	102	2%
DE	70	-4%	21	-2%
ME	477	0%	159	1%
MD	720	0%	226	-1%
MA	161	-1%	52	-2%
NH	208	-3%	65	-7%
NJ	90	-2%	28	-3%
NY	11,279	2%	3,737	0%
PA	8,275	1%	2,693	1%
RI	10	-10%	3	-3%
VT	2,057	0%	680	0%
Northeast Region	23,659	1.3%	7,767	1%
Change Pounds	308		39	
% Change		1.3%		0.5%
Loads/Day Change	19		7	

Source: National Agricultural Statistics Service Milk Production, October 2017

Total Dumped¹ Milk Pounds Pooled, January 2000 - September 2017

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

Total Dumped¹ Milk Pounds Pooled, January 2000 - September 2017

Year	Month	Order 1
	November	5,676,874
	December	6,889,140
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

Total Dumped¹ Milk Pounds Pooled, January 2000 - September 2017

Year	Month	Order 1
	September	7,913,953
	October	8,844,315
	November	7,878,028
	December	7,975,523
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

Total Dumped¹ Milk Pounds Pooled, January 2000 - September 2017

Year	Month	Order 1
2008	July	7,699,264
	August	6,541,886
	September	6,056,668
	October	6,809,682
	November	5,679,755
	December	7,337,563
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
	January	5,568,425
	February	5,087,598
	March	5,396,035
	April	4,626,381

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Total Dumped¹ Milk Pounds Pooled, January 2000 - September 2017

Year	Month	Order 1
2014	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
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	12,360,871
	September	5,685,158
	October	6,900,544
	November	6,241,497
	December	9,164,668

Total Dumped¹ Milk Pounds Pooled, January 2000 - September 2017

Year	Month	Order 1
2017	January	11,554,401
	February	16,633,715
	March	16,670,847
	April	38,796,873
	May	25,184,645
	June	17,481,856
	July	12,360,871
	August	6,238,802
	September	5,956,477
	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 would reveal confidential information.

From: Mike Asbury
Sent: Thursday, November 02, 2017 9:02 AM
To: Fredericks Peter
Cc: Mike John
Subject: RE: FW:

Maryland & Virginia Milk Producers Cooperative has no issues related to the request to grant authorization for surplus milk to be discarded at a farm location while remaining eligible to be pooled for the upcoming holiday period 11/22/2017 – 01/08/2018.

Mike Asbury
Maryland & Virginia Milk Producers Cooperative Association, Inc.

From: Bob Wellington
Sent: Friday, November 03, 2017 12:57 PM
To: Rasmussen Erik; Fredericks Peter
Cc: Robert Stoddart; Scott Werme; Catherine de Ronde
Subject: DFA request regarding pooling of milk discarded at farms

Mr. Rasmussen,

Agri-Mark Dairy Cooperative supports the Dairy Farmers of America's request to grant temporary authorization for surplus milk to be discarded at a farm location while retaining eligibility to be pooled, for the upcoming holiday period 11/22/2017 – 01/08/18 in the Northeast Federal Milk Marketing Order.

Thank you for consideration of this request.

Robert D. Wellington
Se. Vice President
Agri-Mark Dairy Cooperative

From: Knutson, Kai
Sent: Friday, November 03, 2017 4:06 PM
To: Fredericks Peter
Cc:

Subject: RE: FW:

Dear Market Administrator,

Land O'Lakes, Inc. supports the Dairy Farmers of America (DFA) request of October 30, 2017 for your office to grant temporary procedures to allow milk disposed of at the farm to retain pool eligibility during the period of 11/22/2017 to 01/08/2018. **Land O'Lakes further requests that milk disposed of at the farm during the one week period immediately prior to Thanksgiving week, 11/15/2017 to 11/21/2017, also be allowed to retain pool eligibility.**

As DFA's Vice President of Economic Analysis/Fluid Marketing, Elvin Hollon, noted in his request, milk balancing stress has been reduced but not eliminated in Federal Milk Order 1 (FMO 1) markets in the past year. Land O'Lakes concurs with the assessment that balancing capacity for excess Class 1 milk supplies will be inadequate to cover the upcoming Christmas and New Year's holiday periods. Land O'Lakes would add that during the period preceding the Thanksgiving holiday, we expect capacity will not be sufficient to process all the milk seeking a manufacturing home as some plants plan to close either for maintenance, to complete capital upgrades, or to observe the holiday. The 2016 holiday period was a very difficult one, as the data presented by Mr. Hollon bear out, but given the timing of the planned shutdowns of some milk processors prior to Thanksgiving, we expect there will be more milk disposed of in the period 11/15/2017 to 11/21/2017 than there was a year ago. One of Land O'Lakes largest customers has notified us that they plan to reduce milk orders beginning 11/16 and to receive no milk 11/20 to 11/25. This is in addition to multiple customers that plan to shut down immediately prior to the holiday. Though some additional processing capacity has been added within the region this year, it is exceeded by the amount of milk that we estimate will be displaced during a two-week period centered on Thanksgiving as a result of these and other plant shutdowns.

Land O'Lakes requests that your office consider this information in addition to that presented with DFA's request and allow loads to be dumped on farm between 11/15/2017 and 01/08/2018 to retain pool status when accurate weights, component tests, and location are reported to the Market Administrator.

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

Thank you,

Kai Knutson

Milk Supply Manager- Eastern Region

 **LAND O'LAKES, INC.**

(651) 375-7716

From: Bob Wellington
Sent: Monday, November 06, 2017 7:17 AM
To: Knutson, Kai; Fredericks Peter
Cc:

Subject: Re: RE: FW:

Mr. Fredericks,

Agri-Mark notified your office of its support for the DFA discarded farm milk pooling request last week. We also support the Land O' Lakes request to expand the requested time period to begin on November 15, 2017.

Thank you for consideration of our comments.

Robert D. Wellington

Sent from my iPhone

St. Albans Cooperative Creamery, Inc.
138 Federal Street
St. Albans, Vermont 05478



Tele: 802-524-6581
800-559-0343
Fax: 802-527-1769
Email: stalbanscoop@stalbancooperative.com

November 6, 2017

Eric F. Rasmussen
Market Administrator
Federal Order 1
302 A Washington Avenue Extension
Albany, NY 12203-7303

Dear Market Administrator:

St. Albans Cooperative Creamery, Inc supports Dairy Farmers of America's request dated October 30, 2017 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 November 22, 2017 through January 8, 2018. There may be a need to begin this eligibility period as early as November 15, 2017 based on customer processing schedules that are in the process of being determined.

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 Dairy Farmers of America has provided regarding the impact of sales, reduction in plant manufacturing during this period. This same period for 2016 was very challenging and we are anticipating that this period will again have challenges.

St. Albans Cooperative requests the same consideration as in 2016 -2017 whereby you granted the relaxation of the requirement to deliver a load of milk to a pool plant before disposing of it to gain pool status. We support the request of Dairy Farmers of America 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".

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

Sincerely,

A handwritten signature in cursive script that reads "Leon Berthiaume".

Leon Berthiaume
CEO


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

November 7, 2017

Erik F. Rasmussen, Market Administrator
Federal Order 1
P.O. Box 51478
Boston, MA 02205-1478

Dear Mr. Rasmussen,

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 November 22, 2017 through January 8, 2018.

Upstate Niagara corroborates Dairy Farmers of America's concerns related to demand from Class I bottlers and other manufacturers during the aforementioned period of time.

Thank you in advance for your consideration of this request.

Sincerely,



Kim Pickard-Dudley
General Manager, Membership/Bulk Sales Division

