



United
States
Department
Of
Agriculture

Agricultural Marketing
Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
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May 29, 2015

TO: Pool Handlers
FROM: Erik F. Rasmussen, Market Administrator
SUBJECT: Reduction in Shipping Requirements – June, July, August 2015

On May 21, 2015, pool handlers and interested parties were invited to submit comments regarding a proposed reduction in the shipping percentages, specified under Section 1001.7 (c) (1) of the Northeast Order, for the months of June, July, and August 2015, from 10 percent to 5 percent. As stated in the notice, Section 1001.7(g) of the Order authorizes the Market Administrator to increase or decrease the applicable shipping percentages if the Market Administrator finds that such adjustment is necessary to encourage needed shipments or to *prevent uneconomic shipments*.

Northeast Order Pool Statistics

For 9 of the last 11 months the volume of milk pooled on the Order was the largest ever for that respective month in the 16 years the Order has been in existence. Projections are that the volume pooled during the month of May may turn out to be the largest ever pool volume of the 185 monthly pool calculations under the Northeast Order. Milk production projections for the region do not indicate any significant production pull-back in the near future. For 24 consecutive months and counting, the volume of milk utilized as Class I has set a new low for that respective month in 16 years. For 11 consecutive months the volume utilized as Class IV – primarily being processed into milk powder for balancing – has set a record high for the respective month. The Class IV utilization for April 2015 was the largest ever for the Order and accounted for nearly 20 percent of the monthly pool.

Comments Received

Three pool handlers returned comments in support of the proposed reduction with no comments received opposing the reduction. Respondents noted the simultaneous increase in the volume of milk being pooled on the Order and continued declines in the volume utilized in Class I, as leading to an overwhelming of Class IV balancing plants in the region. Additionally, respondents noted a decline in the number of Class I pool distributing plants associated with the Order (a decline of 7 plants receiving at least 3 million pounds of milk per month) in just the past 5 years, limiting the options to place milk into a bottling plant, which is a stipulation of the Order provision. Comments from producers who had lost their market indicated that there was no interest from Class I handlers in signing on new producers citing current market conditions.

Decision

After reviewing milk utilization data and handler comments, receiving input from producers and cooperatives that have recently lost their markets, and speaking with handlers regarding the current milk supply and demand environment, a reduction in the shipping percentage from 10 to 5 percent will be implemented for the months of June, July, and August 2015. An Order mandated shipping percentage, stipulating shipments to Class I pool distributing plants beyond what the marketplace is demanding, can lead to uneconomic shipments and contribute to disorderly marketing conditions within the Order. A temporary reduction will help ease the burden on handlers and may help to reduce uneconomic shipments of milk during this period.



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May 21, 2015

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

Section 1001.7(g) of the Northeast Order authorizes the Market Administrator to increase or decrease the applicable shipping percentages, under Section 1001.7(c)(1) and (2), if the Market Administrator finds that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments. After reviewing milk utilization data for the Northeast Order, the Market Administrator is proposing to reduce the applicable shipping percentage for the months of June, July, and August 2015, from 10 percent to 5 percent.

It has come to our attention that the current milk supply situation is such that supplies are overly plentiful; that producers (and some cooperatives) have been released from long-standing supply agreements and are finding it difficult to obtain new buyers for their supply; and that on some occasions milk is being dumped at the farm due to handlers having run out of processing capacity. In addition, a continued softening of demand for milk utilized as Class I (beverage milk) in the Northeast Order makes it difficult for milk sellers to find willing Class I buyers who presently are not seeking new milk supplies. An Order mandated shipping percentage, stipulating shipments to Class I pool distributing plants beyond what the marketplace is demanding, can lead to uneconomic shipments and contribute to disorderly marketing conditions within the Order.

The Market Administrator invites the submission of comments, data, or views on this proposed action to lower the shipping percentages from 10 percent to 5 percent during the months of June – August, 2015. This action does not change the Order provision stipulating a 20 percent shipping requirement, under Section 1001.7(c)(2) for the months of September – November. Any investigation regarding that provision will be handled separately.

Please submit any comments by close of business Wednesday, May 27, 2015, to the address or email below. Any decision to revise the applicable percentage will be issued at least one day before the effective date.

Northeast Marketing Area
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c/o Peter Fredericks

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