



Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1 Northeast Marketing Area

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December 23, 1999

To: Handlers Receiving Milk From Producers

From: Erik F. Rasmussen, Designated Market Administrator

Subject: Minimum Prices Payable to Producers

Under the Consolidated Northeast order, the minimum price payable to producers is the sum of the butterfat, protein, and other solids values plus the total volume multiplied by the applicable producer-price differential at the location of the plant *where the milk is first received*.

The minimum price per hundredweight payable to producers for diverted milk may be different than the minimum rate due when the producer's milk is not diverted. This would be the case in those instances where milk is diverted to plants located in counties with a different differential than that of the diverting plant.

It is recognized that many automated producer payroll systems are designed to calculate only one "pay price" per producer. A handler is permitted, therefore, to use a single producer price differential and a single hauling charge to calculate the value of the producer's entire production for the month even if on certain days the producer's milk was diverted to plants located in counties with a different location differential. However, to ensure that the minimum payment provisions of the order have been met, the resulting payment to the producer must be at least equal to the amount that would have been payable if milk diverted to plants located in other counties were valued using the actual differential values and hauling costs.

For those handlers using an automated producer-payroll system which has the ability to accumulate the receipts of individual producers by destination, the appropriate payment rates may be used for the exact quantities diverted to various locations.

In any case, each handler must maintain appropriate records that will enable this office to determine the final destination and hauling costs of each load of producer milk.