remaining on the Order, Queensboro asserts that this seems to discourage entrepreneurship and penalize small businesses. The petition notes that to fulfill the current 20 percent shipping requirement, Queensboro would have to make uneconomical and unnecessary movements of milk resulting in higher hauling costs to their producers. Queensboro further states that in the current economic environment, additional cost to either the producer or a small company, such as themselves, could jeopardize the viability of both. The petition includes a statement asserting that a reduction to a 10 percent shipping percentage would have an insignificant effect on individual producer's milk pay prices.

Summarized Handler Comments Received

Cayuga Marketing LLC (Cayuga Marketing), a cooperative handler under Section 1000.9(c) of the Northeast Order, submitted comments in support of the reduction from 20 to 10 percent, for the months of September, October, and November, until further notice. Cayuga Marketing underscored their support of the reduction by presenting data that compared relatively stable and then declining Class I utilization against producer milk available. They state the results show that producer milk is more than sufficient to meet Class I demand given Class I utilization has fallen precipitously since 2010. Cayuga Marketing claims it would be forced into maintaining uneconomic milk sales in an effort to meet a 20 percent minimum requirement. Cayuga Marketing states they would be forced into maintaining uneconomic milk sales to meet a twenty percent minimum pooling requirement for shipments during the months of September, October, and November, which will only serve to reduce their members net milk price to meet shipping requirements.

Upstate Niagara Cooperative, Inc. (Upstate Niagara), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of pool distributing, partially regulated pool distributing plants, and nonpool plants, submitted comments supporting a reduction for the months of September, October, and November, but prefer the Market Administrator continue to review the matter regularly rather than an approval for "until further notice". Upstate Niagara acknowledges that there isn't the same requirement to service the Class I market but believes there are burdens and benefits to servicing that market.

Findings

Monthly pool statistics continue to present a picture of declining Class I receipts for the Northeast Order, though there had been some slowing of this trend earlier in 2021. The Class I receipts for the most recent pool, May 2022, at 678 million pounds was the second lowest volume for the month in 20 years, roughly 6 million pounds above the prior May (the record lowest for that month). At 28.7 percent, Class I utilization in May was the lowest ever for the month and sixth lowest Class I utilization by percent for any month since the Order's inception. In 2000, the year in which the 20 percent fall month shipping percentages were adopted as part of Order Reform, the Class I utilization for the months of September, October, and November averaged 49 percent of the volume of milk pooled during those months. In 2021, Class I utilization for these same three months averaged 31.5 percent of the total pool – a drop of roughly 18 percentage points.

Chart 1 presents September-November Class I receipts as compared to that period during the year 2000. In 2021, Class I receipts for the September through November period was 24.3 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less milk has been utilized as Class I in recent years compared to when the Order's shipping provisions were first adopted.

Chart 1

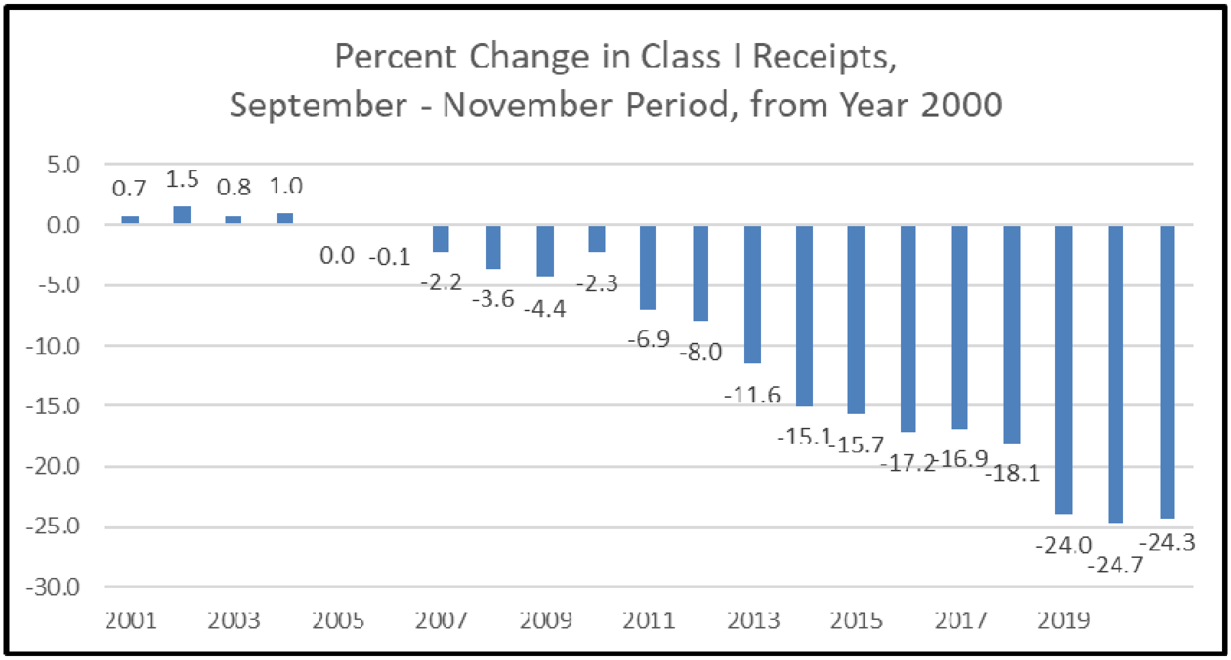
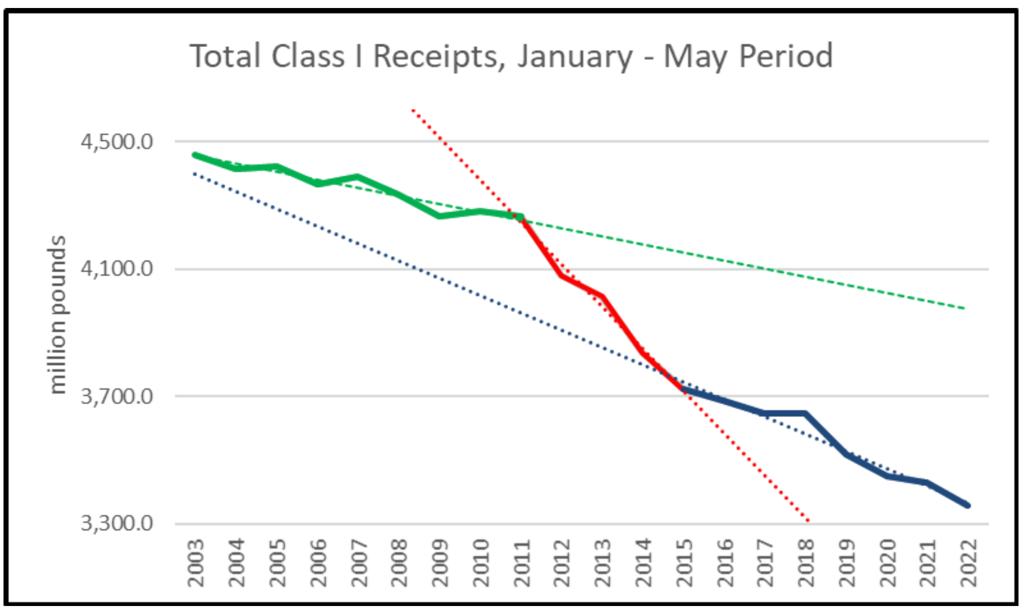


Chart 2 presents total Class I receipts for the period January through May of each year since 2000 (leap year adjusted). The trend lines in the chart highlight the more rapid decline in Class I receipts from 2011 to 2015 and a somewhat slower but still consistent decline from 2018 to 2022.

Chart 2



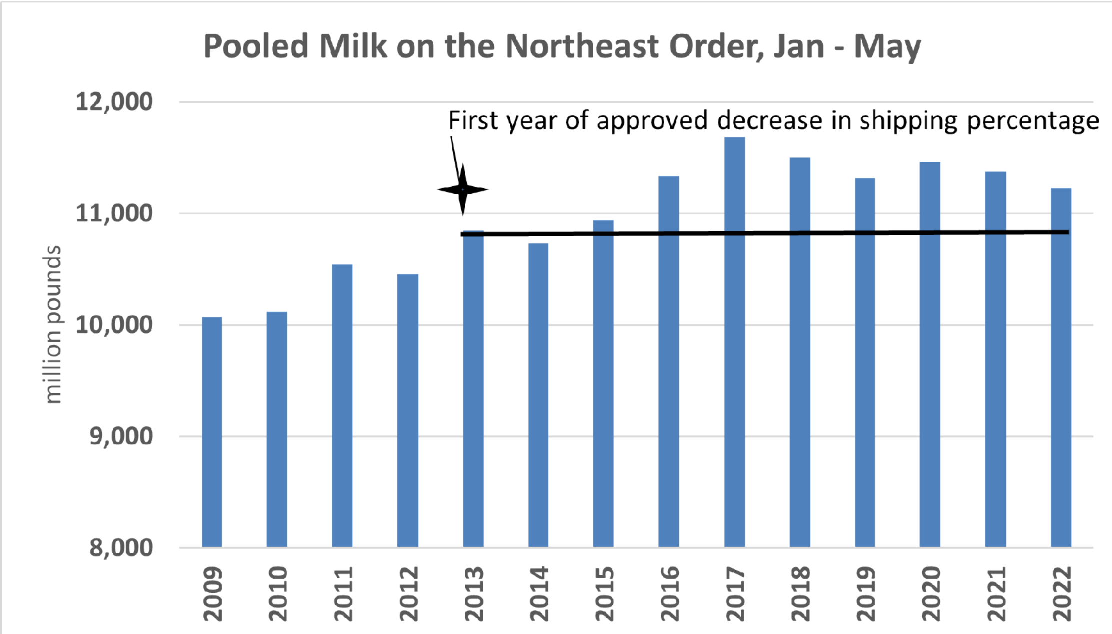
The following table presents average level of Class I receipts on the Northeast Order for a 3-month spring period and the immediately following 3-month fall period. The intent is to show a seasonal change as a simplistic expectation of where fall Class I receipts may be based on where the previous spring level was. The 2022 projection in the table is based on a Class I calendar composition and seasonal factors with current levels of Class I utilization. This projection is showing a potential for a small increase in fall month Class I utilization compared to spring. This would suggest a lack of need to return to a shipping percentage higher than has been approved in recent years, at least for fall 2022.

Year	Class I Utilization		
	Mar-May Avg	Sep-Nov Avg	% Difference
	million pounds		
2000	867	912	5.3
2001	900	919	2.1
2002	892	926	3.8
2003	892	920	3.1
2004	890	921	3.5
2005	890	912	2.5
2006	887	911	2.7
2007	885	892	0.9
2008	873	879	0.8
2009	860	873	1.4
2010	874	892	2.0
2011	847	849	0.2
2012	821	839	2.2
2013	807	807	0.0
2014	765	775	1.2
2015	742	769	3.7
2016	741	755	1.9
2017	735	758	3.1
2018	737	748	1.4
2019	705	693	-1.6
2020	702	687	-2.2
2021	691	690	-0.1
2022	674	688	2.1*

*Projection based on Class I Calendar, historical seasonal factors, and current utilization

The volume of milk pooled on the Order through the first 5 months of this year is slightly below the prior year, and roughly 168 million pounds below the most recent three-year average for the period, adjusted for leap year. Still, as depicted in Chart 3 below, the volume is above levels at which the first request to lower the shipping requirement was approved.

Chart 3



USDA National Agricultural Statistics Service *Milk Production* report indicates that some slowdown in monthly milk production has been occurring, averaging almost a 1 percent decline, year over year. The decline has not been at a rate that has resulted in shortages of supply as the Northeast Market Administrator again this spring received a request for a milk disposal policy and that analysis indicated some continued stress in finding destinations for surplus milk faced by the marketplace.

Though high-level data support the characterization of a regional market with ample supplies of milk coupled with declining Class I usage, the COVID-19 pandemic situation, though improving, is not entirely in the past, and has shown to present hard to predict outcomes. The data on current milk volumes and Class I demand, overall, and experiences with a 10 percent shipping requirement in the fall of recent years at similar production and utilization levels would indicate the 10 percent level is appropriate.

<u>Existing Provision</u>

The shipping provisions of the Order (under Section 1001.7 (c) (1) and (2) stipulate that a supply plant (and this also applies to cooperatives operating as handlers under Section 1000.9(c)) must deliver milk to a distributing plant in order to meet the requirement. As noted in prior decisions, the option is not to "ask" whether the milk is needed or not, but instead, delivery to a pool distributing plant is stipulated. However, under Section 1001.7(g) the provision authorizes the Market Administrator to adjust the shipping percentage "to prevent uneconomic shipments", if so warranted. Thus, preventing the administratively required delivery of excessive milk to distributing plants, when order data and industry comments indicate a lower required shipping percentage is appropriate, is a measure that can and has been taken for the past eight years by the Market Administrator, following the receipt of similar industry requests to review the provision as a measure to prevent disorderly marketing and uneconomic shipments of milk.

Decision

After reviewing a variety of Northeast Order statistical data related to total pool volume, class utilization changes over time, fluid sales reports for the Order, and recent industry dynamics, together with comments submitted by parties responding to the call for comments on Queensboro's request, **a reduction in the shipping percentage under Section 1001.7 (c) (2) of the Northeast Order from 20 to 10 percent for the three months of September, October, and November, is approved.**

Considering 2022 will be the fifth year in a row that the shipping percentage will have been reduced to 10 percent and given that the market conditions that warranted previous reductions continue to exist, the reduction in the shipping percentage to 10 percent will apply to September-November **for years, 2022 and 2023**. As provided under the terms of the Northeast Order under Section 1001.7 (g), **the Market Administrator may review the need for any further adjustment on his own initiative or at the request of interested parties.**

More Information

Complete copies of comments submitted by handlers regarding the requested shipping percentage reduction, along with Queensboro's request, can be found on the Northeast Order website; www.fmmone.com or by contacting the Market Administrator's office at 518-452-4410.