



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

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Website: <http://www.fmmone.com>

Albany:
302A Washington Avenue Ext.
Albany, NY 12203-7303
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Alexandria:
P.O. Box 25828
Alexandria, VA 22313-5828
Tel.: (703) 549-7000
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June 12, 2024

TO: Pool Handlers
FROM: Shawn M. Boockoff, Market Administrator
SUBJECT: Shipping Requirements Investigation – Solicitation of Comments

This office has received two requests from pool handlers, both regulated under the provisions of the Northeast Marketing Order, to lower the shipping percentage specified in Section 1001.7 (c)(2) for the months of September, October, and November from 20 percent to 10 percent *until further notice*. Section 1001.7 (c)(2) states that in each of the months of September through November such shipments and transfers, by supply plants or qualified cooperative association handlers, to distributing plants must equal not less than 20 percent of the total quantity of milk that is received at the plant or diverted from it during the month.

Under Section 1001.7(g) of the Order, the applicable shipping percentages may be increased or decreased by the Market Administrator if it is determined that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments. This office is commencing a formal assessment of milk supplies and market conditions relative to the demand for milk utilized as Class I and, in particular, for the upcoming months of September, October, and November.

The Market Administrator invites the submission of comments, data, or views on this request to lower the shipping percentages from 20 percent to 10 percent applicable during the months of September–November until further notice.

Copies of both requests are attached and can be found on the Northeast Order website: www.fmmone.com

Please submit any comments by July 12, 2024, to the address or email below.

Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203

Attention: Brian Riordon

Fax: 518-464-6468
briordon@fedmilk1.com

Boonville Farms Cooperative Inc.
Box 114
Boonville, New York 13309

June 1st 2024,

Market Administrator
Northeast Marketing Area
89 South Street
PO Box 51478
Boston, MA 02205-1478
Attn: Shawn M. Boockoff

Mr. Boockoff,

Boonville Farms Cooperative Inc. is petitioning that the required shipping percentage to Pool Supply Plants in Federal Milk Order No. 1 under Section 1001.7(c) (2) of the order, be decreased to 10% for the months of September thru November. This decrease, originally requested by Queensboro Farm Products Inc. has been repeatedly approved since 2013. We assert that the market conditions on which these past petitions were granted remain today, and are unlikely to change. Specifically, we assert the following justifications for granting of this petition.

- a) Class I utilization has seen a significant reduction over the last 20 years with the trend line showing a steady decline. It is unlikely Class I utilization will return to levels seen before 2013 when the higher 20% shipping requirement for fall months was last in effect. We have not seen supply shortages or experienced critical levels of demand from our regional customers that are Pool Supply Plants. On the contrary, there is much milk sold throughout the year in the marketing area on the spot market at underclass pricing. This is especially prevalent before and after major holidays, two of which occur during the Sept-Nov timeframe at issue (Labor Day & Thanksgiving). The combination of decreased Class I demand, and robust supply indicated by ongoing underclass sales of milk, indicates there is a robust supply of raw milk to support the Class I supply-chain without the additional support from a raised 20% shipping provision.
- b) Uneconomic shipments of milk will result from the higher 20% mandate. With local markets saturated, Boonville Farms Cooperative will need to seek out sales to farther destinations. This will lead to much higher transportation costs, and the loss of premiums from milk diverted from well established local customers. Transportation costs have increased more than 100% over the last four years. This is due to higher fuel costs, overall inflation, and critical labor shortages in the transportation sector that began during the pandemic and has remained as the new baseline.
- c) The current shipping provision of the order creates an unintended competitive disadvantage in the market-place for smaller cooperatives - Handlers. By nature, smaller

Handlers such as Boonville Farms Cooperative have a smaller market share of milk sold to Pool Supply Plants. Some co-ops are forced to sign marketing agreements with larger co-ops in order to comply with the shipping percentage provision to Pool Supply Plants, and must pay them fees to do so. This practice becomes an unfair burden for smaller cooperatives. The Market Administrator should act to mitigate such effects, so that results of the Federal Milk order No. 1 are felt more equally by all. Historically, these smaller cooperatives have played a vital role in the health of the milk supply-chain by providing choice, competition and local availability.

In summary, we request the following:

- (1) Request that required shipping percentage to Pool Supply Plants in Federal Milk Order No. 1 under Section 1001.7(c)(2) of the order, be capped at 10%, until further notice, as it has been granted since 2013.
- (2) Request that the Market Administrator study the complete effects of this 10% provision and determine if this arbitrary level could be further decreased in the future under Section 1001.7(g) in order to mitigate the conditions described above while still ensuring its mandated goals.

Thank You

Rodney J. Willson
Treasurer
Boonville Farms Cooperative

June 10, 2024

Market Administrator
89 South Street, Suite 301
Boston, MA 02111-2671

Mr. Boockoff

As the new owners of the former Queensboro Farm Products dairy plant located in Canastota NY, we would like to make a request on behalf of ourselves and all other Dairy Cooperatives in the Federal Order One. Lowville Producers Dairy Cooperative Inc. is requesting that the shipping percentage, under Section 100.7© (2) of the order, for the months of September-November be decreased to 10% for the Pool Supply Plants in Federal Order One. Just like the previous owners of our plant, we also have had zero calls for Class 1 milk. Due to our cooperative being pooled through the Federation, we were unfortunately unable to keep the plants status as a pooled plant like the previous owners had in the past. In 2005, the federal order was amended to have a year-round supply shipping standard. The handlers with multiple supply plants set up their own supply plant systems which allowed them to meet the standards by treating the supply plant system as one plant. We feel that a 10% difference in shipping would have an insignificant effect on the producer's milk pay price and it will lessen the burden for all of the coops that are in federation with each other to keep all of our producers pooled.

The constant decline of Pool Distributing Plants associated with the order makes additional shipments into the remaining plants nearly impossible. Throughout the years, there has been a large decrease in the numbers of Pool Supply Plants. In 2000 there were 20 Pool Supply Plants and in 2012 there were 11 and it is looking that this trend will continue. Since 2009, US fluid milk sales declined 1.8% CAGR. There are several alternative dairy beverages, and more people are eating rather than drinking their dairy.

Over the last 5 years, the US milk production growth went to Class III production as that is where most of the capacity additions were and still trending. On average, that is an additional 820 million pounds of milk that went to cheese. As we are all aware by now, there are several new plants being built in New York State. Some of those plants will be operational in 2024, while others in 2025 and 2026. Also, there are several additional existing non-Class 1 plants which are planning to expand in the same timeframe as mentioned above. With all these new builds and expansions my fear is that every single cooperative will be expanding to fulfill all this demand and it will trigger another set of problems in our order. From what was published for the new plant demands for raw milk and the rumors circulating around on the demand from expansions, our region will require an additional 14-17 million lbs. of raw milk per day. With this said, not a single existing plant currently being built or expending is going to be a pooled plant and all of this new milk will be used for producing Class II, III, and IV products.

The Market Administrator has recognized this in his decision to lower the Class I shipping percentage for June, July and August 2015 from 10% to 5% and to reduce the shipping percentage to 15% for 2016 and 2017. The Market Administrator used the same logic in 2019-2023. We believe that past year's reductions by the Market Administrator had no adverse effects on producers and that all Class I needs were met. For all of these reasons presented, we are requesting that the 20% Class I shipping requirements for the months of September-November be reduced to 10% for pool supply plants until further notice.

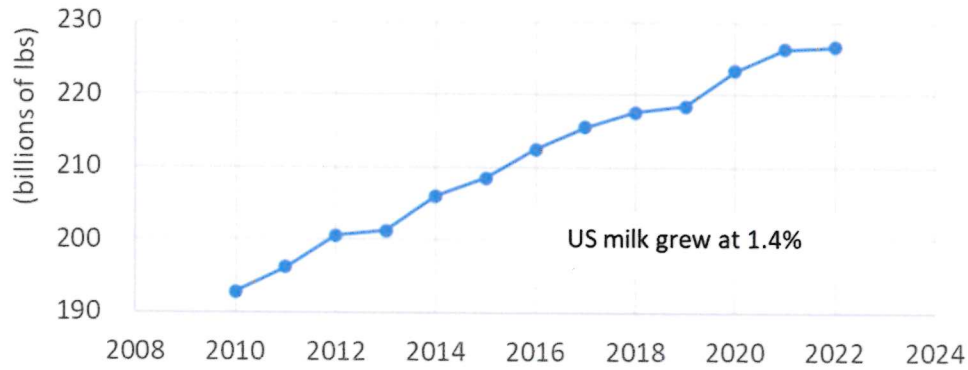
Sincerely,

A handwritten signature in black ink, appearing to read "Andy Laslo". The signature is fluid and cursive, with a prominent loop at the end.

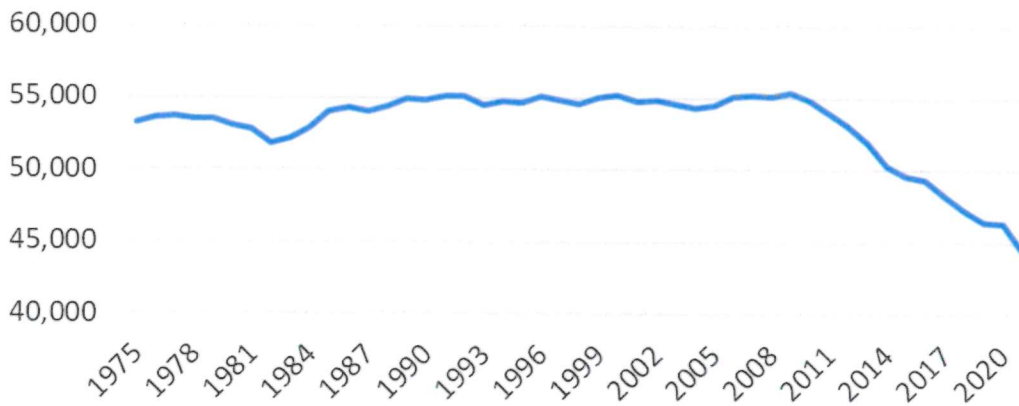
Andy Laslo

Lowville Producers Dairy Cooperative Inc.
Canastota Dairy Products LLC.
General Manager

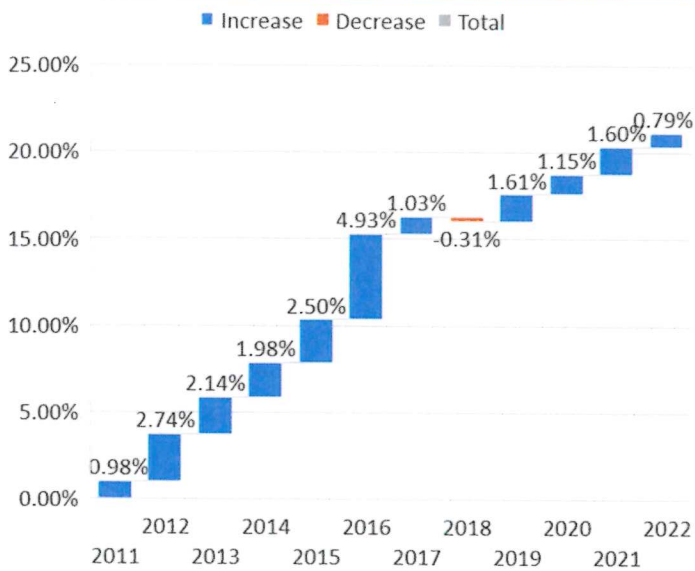
US Milk Production - Annual



US Fluid Milk Sales (million pounds)



New York Milk Production Growth



Estimated 2022 US Milk Utilization by Product

