Queensboro Farm Products, Inc.

156-02 Liberty Avenue • Jamaica, N.Y. 11433 • Telephone (718) 658-5000 • Fax (718) 658-0408

June 6, 2016

Market Administrator
Northeast Marketing Area
Attn: Erik Rasmussen
89 South Street
Suite 301
Boston, MA 02111-2671

Mr. Rasmussen,

Queensboro Farm Products, Inc. is requesting that the shipping percentage, under Section 1001.7(c)(2) of the Order, be decreased for the months of September, October, and November from 20 percent to 10 percent for the Pool Supply Plants in Federal Order One. As a handler operating as a family business for 107 years and one of the two Pool Supply Plants remaining in Order One, we have only had one call for Class I milk in years, which we immediately complied with, and we feel that the 10% difference in shipping would have an insignificant effect on the producer's milk pay price.

In the context of the entire Order, the volume is not noteworthy, but it has a big impact on our company. In order to fulfill the 20% shipping requirement, we would have to make uneconomical and unnecessary movements of milk which would result in higher hauling charges to our producers. The constant decline of Pool distributing Plants associated with the Order (the loss of 7 large plants in the past 5 years) makes additional shipments into the remaining plants virtually impossible. In the current economic climate, any additional cost to either the producers or to a small company, such as Queensboro, could jeopardize both our viabilities.

In June 2005, when the Federal Order was amended to have year round supply plant shipping standards, handlers with multiple supply plants set up their own supply plant systems. This allowed them to meet the standards by, in effect, treating the supply plant system as one plant. They could have one plant in the system that has a high Class I shipping percentage and that could provide enough Class I sales to cover the entire plant system. Queensboro, being an independent small business and a one plant operation, does not have that luxury. As stated above we would need to move milk in an uneconomical manner to meet the shipping standards. This seems to discourage entrepreneurship and penalizes small business.

Historically there has been a dramatic drop in the number of pool supply plants. In January 2000 there were 20 pool supply plants and in January 2013 there were only 11 "plant systems" and 2 independent supply plants. Queensboro is one of those two.

Class I sales are decreasing every year and the number of viable Class I dealers is decreasing as well. In the past several years Queensboro has had to seek out Class I customers in

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order to reach the 20% shipping requirement. In addition this year in the Northeast, milk and skim milk have been dumped due to lack of plant capacity. Class 1V the balancing class in the order is ever increasing due to higher milk production and ever decreasing Class I sales in the order .The figures for March 2016 indicate that the Class 1 volume was the lowest ever for the month and the Class1V volume the highest for the month. This imbalance in supply and demand will continue throughout and be with us for the foreseeable future. In the last few years only one Class I customer has called upon us to sell to them and we immediately complied. We also have not heard of any other instances where Class I needs have not been covered.

Class I sales declined from 2010 to 2011 by 3.0 percent and from 2011 to 2012 by an additional 2.7 percent. This decline continued in 2013 with Class I volumes setting new lows. In fact, in 2013 Class I volume was the lowest ever. Volume was down 3% from the 2012 total. Eleven months in 2013 had the lowest Class I volume for those respective months in 14 years. Since the inception of the Northeast Order in 2000, annual Class I volume has declined by more than 1 Billion pounds. January 2014 had the lowest Class I volume of any January on record. The volume in June 2013 was the lowest Class I total out of 169 monthly pools. Even with the population increasing by 3.2 percent in the Northeast, these declines continue. Since the inception of Order I, almost 20% of the pool distributing plants have closed. Another difficulty Queensboro has encountered is the fact that many of the remaining pool distributing plants in the Northeast Order have established full supply arrangements with cooperatives. This certainly reduces our options and increases the cost of the movement of the milk. In point of fact, Queensboro has a unique relationship with these cooperatives. We separate and condense product when they are long in supply and we help furnish milk supplies when they are short. In the spring of 2015, at the request of a large Northeast Order cooperative, Queensboro is helping to balance their excess supply of milk by separating and condensing for them. In addition we unload and store their excess Class I weekend supplies of raw milk and feed it back to them during the week.

In a previous year's decision letter from the Market Administrator, dated August 5, 2013, it was stated that "the macro trends supported by this analysis support a reduction in the shipping percentage." We believe that those trends are continuing and past year's reduction by the Market Administrator had no adverse effect on producers. All of our industry contacts informed us that all Class I needs were met. The latest statistic available, which confirms our beliefs, is that Class I utilization for April 2016 was 32.0 percent April 2015 was 32.8 percent April 2014 was 34.4 percent and Class I for April 2013 was 36.5 percent. In the first quarter of 2015 Class I sales have dropped to an average of 35%. In point of fact for 24 consecutive months the volume of milk utilized as Class I has set a new low for that respective month in 16 years. Class IV utilization is rising each month to take up the slack. Milk supplies are rising dramatically and the market Administrator has recognized this in his recent decision to lower the Class I shipping percentage for June, July and August 2015 from 10% to 5%. Times have changed. For all of the reasons that we have presented, we are requesting that the 20% Class I shipping requirement for

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September, October, and November be reduced to 10% for pool supply plants until further notice.

Very truly yours

Mark Heuman

Mark Heuman

USDA 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

June 8, 2016

TO: Pool Handlers

FROM: Erik F. Rasmussen, Market Administrator

SUBJECT: Shipping Requirements Investigation – Solicitation of Comments

This office has received a request from a pool handler, 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. After reviewing milk utilization data for the Northeast Order, 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.

A copy of the request can be found on the Northeast Order website: www.fmmone.com

Please submit any comments by July 7, 2016, to the address or email below.

Northeast Marketing Area
302A Washington Avenue Extention
Albany, NY 122203

Attention: Peter Fredericks

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

June 8, 2016

Erik F Rasmussen
Peter Fredericks
Federal Milk Order No. 1
Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203

Last year I wrote the following and still feel the same way. **Going from 20% in the fall to 10% is a good move – but I'd strongly support elimination of the minimum requirement for Class 1 – as our market continues to prove this point:**

"I would like to offer these comments regarding shipping percentages under Section 1001.7(g):

As you know, our cooperative lost its market in April – probably the worst time in history to get new markets for raw milk in the northeast. Support from many people and agencies such as yours, proved invaluable in allowing us to find short term markets through the summer. Now we are faced with extending these new markets and perhaps other markets into the future.

The requirement to have a percentage going into class 1 has resulted in our lowest price. I could not get as high a premium for a class 1 market as I could for classes 2 and 3.

My suggestion would be to eliminate this requirement completely. There is no longer a shortage of milk that would prevent the purchase of such for use as class 1. Adding to this is the fact that the consumption of milk for fluid use continues to decline. If the demand for fluid were to increase beyond the available supply, I'm sure the market would respond quickly by raising the price for class 1 and farmers would get higher uniform prices for their milk. The market has proven it can adjust to supply as is evidence by the lower prices this year in response to increased production.

Times have changed and so have our milk markets. Excess milk is now more common than shortages of milk for any type of use. I feel it is time to adjust our market order to reflect these changes. Changing to 5% during the summer is a good first step, but I would strongly support the elimination of such a requirement completely. "

Thank you

David R Wood, President

Mohawk Valley Cooperative Inc

1253 Eastern Avenue

West Charlton, NY 12010

Agri-Mark, Inc.
P.O Box 5800, Lawrence, MA 01842
Office Location: 40 Shattuck Rd., Suite 301
Andover, MA 01810

Agri·Mark FAMILY DAIRY FARMS ™

agrimark.coop
P. 978.552.5500

June 16, 2016

Eric Rasmussen
Federal Milk Market Admin. Office
P.O.Box 51478
Boston, MA 02205

Dear Mr. Rasmussen,

In response to your letter dated June 8, 2016. Agri-Mark Dairy Cooperative supports lowering the minimum shipping percentage of producer milk to Federal Order 1 distributing plants from 20% to 15% for the months of September, October and November, 2016.

There has been a significant increase in the amount of producer milk in the Northeast so far in 2016 while Class I sales in the Order have continued to decline and manufacturing capacity at most dairy plants has been reached. This has resulted in the dumping of producer milk and/or skim milk at appropriate disposal sites, since no willing and time appropriate buyer could be found. This has also resulted in some pooled producers having great difficulty in finding a regular handler to purchase their milk. Under these circumstances, we understood your recent action to lower the summer shipping requirements by 5 percentage points, from 10% to 5%.

We believe that the continuation of such a 5% decline in the normal shipping requirements for September, October and November of 2016 would be an appropriate action at this time. However, shipping a significant percentage of their producer milk to distributing plants remains an important obligation of all milk handlers seeking to be included in the Northeast Federal Order and its payment pool. This is especially important as schools come back into session and Class I milk needs rebound. At this time, we do not support lowering the percentage by the proposed 10 percentage points, from 20% to 10%.

Thank you for your consideration of these comments.

Sincerely,

Robert D. Wellington

Robert D. Wellington
Senior V.P. of Economics,
Communications & Legislative Affairs

LAND O'LAKES, INC.
growingtogether
405 Park Drive, Carlisle, PA 17015 • Ph: 1-800-888-6455 • Fax: 717-486-3152

June 27, 2016

Peter Fredericks, Economist
Federal Milk Marketing Order 1
302A Washington Avenue Extension
Albany, NY 122203

Dear Mr. Fredericks,

This letter is in response to the Market Administrator's Solicitation of Comments to Queensboro's Farms request to relax the shipping percentages specified in Section 1001.7 (c)(2) from 20 to 10 percent for the months of September through November. This is the fourth request by a Handler to lower shipping requirements since 2013.

Land O'Lakes is a cooperative with members poled on Order 1.

Land O'Lakes supports Queensboro's request for a 10 percent reduction in shipping percentages, but only for the current 2016 marketing year. The reality of increasing producer milk production and decreasing Class I sales in the marketing area has resulted in the growing difficulty experienced by Handlers in qualifying dairy farmers historically pooled on the market. The marketing environment in the Northeast has been characterized by the closing of bottling plants and the concentration of ownership of the reaming Section 1001.7 (a) plants. Maintaining the current 20 percent shipping percentage in 2016 would most certainty result in inefficient movements of milk.

Sincerely,

Dennis J. Schad
Director, Milk Sourcing and Regulatory Affairs.

Dairy Farmers of America

June 28, 2016

Erik F. Rasmussen, Market Administrator
Federal Milk Marketing Order #1
89 South St
Boston, MA 02111

RE: Shipping Requirements Investigation memo dated June 8, 2016

Dear Mr. Rasmussen,

I am responding on behalf of Dairy Farmers of America- Northeast Council (DFA-NE) and Dairy Marketing Services (DMS) to your memo soliciting comments on the request to reduce the shipping requirement specified in Section 1001.7 (c) (2) for the months of September, October, and November from twenty percent to ten percent until further notice.

The shipping requirements in the fall are important due to the combination of decreasing seasonal milk production and increased Class I demand (with schools reopening). Keeping the shipping requirements elevated from September through November is done to ensure milk associated with the market is available for Class I needs. However, when there is excess milk and declining Class I demand, the higher shipping requirement increases the pressure on the available milk to be forced into the Class I plants in order to satisfy the shipping requirement.

Milk production has been growing in the Northeast at the same time Class I needs are declining. These are the same basic conditions that have warranted a similar request to the Market Administrator in 2013, 2014, and 2015. Looking at January through April 2016 numbers from the NE Statistical Handbook (available on the FO#1 website) and making the appropriate calculations, receipts from producers are up 3.2% while Class I utilization is down another 0.5%. These are continuing upward trends that, from an annual perspective, have existed since 2010 (for receipts) and 2011 (for Class I).

Considering these market facts, DFA-NE and DMS support the response that you have given the similar requests in prior years: a five percent reduction of the shipping percentage for September – November 2016. We feel that further reduction is not warranted. Reduction to the ten percent level could undermine the integrity of the shipping requirement and usher in other disorderly movement of milk.

Similarly, we are comfortable with extending the reduction to apply for September- November 2017 as well. Given that an expansion can be operational in less than two years, the market conditions that provide for the shipping requirement to be reduced could change by 2018. We feel the best course is to limit the change to 2016 and 2017.

In summary, DFA-NE and DMS support a reduction of the shipping requirement by five percentage points, from twenty percent down to fifteen percent, for September- November of 2016 and 2017 respectively.

Thank you for this opportunity to comment.

Sincerely,

John D. Rutherford Jr.

John D Rutherford Jr
Director of Economics, Planning, and Operations
Dairy Farmers of American- Northeast Council

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

Tele: 802-524-6581
800-559-0343
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Email: stalbanscoop@stalbanscooperative.com

June 29, 2016

Erik F. Rasmussen, Market Administrator
Federal Milk Marketing Order #1
89 South Street
Boston, MA 02111

RE: Shipping Requirements Investigation memo, dated June 8, 2016

Dear Mr. Rasmussen,

I am writing to you on behalf of St. Albans Cooperative regarding your memo soliciting comments on the request to reduce the shipping requirement specified in Section 1001.7 (c) (2) for the months Of September, October and November from 20% to 10% until further notice.

St. Albans Cooperative, a Dairy Marketing Services (DMS) partner is dealing with the same issues detailed in a letter from John Rutherford at DFA, dated June 28, 2016.

The marketing dynamics in the northeast; declining Class I sales with continued growth in milk production are the reasons for supporting this request in the last three years. Producer milk receipts are up 3.2% while Class I utilization is down 0.5%.

In light of these market conditions, St. Albans Cooperative supports the response given to similar requests in prior years: a 5% reduction of the shipping percentage for September-November 2016. I do not support a further reduction at this time and do not support the indefinite reduction requested in the petition.

Additionally, I support the extension of the reduction for September-November 2017. An expansion of the shipping requirements can be adjusted in a timely manner; therefore, I feel that the change should be limited to 2016 and 2017.

In closing, St. Albans Cooperative supports a 5% reduction of the shipping requirement, from 20% to 15% for September-November of 2016 and 2017. Thanks for your consideration of my request, let me know if you'd like further information.

Sincerely,

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

Oatka Milk Products:
700 Ellicott Street
Batavia, NY 14020

June 30, 2016

Erik F. Rasmussen
Market Administrator
Federal Milk Marketing Order #1
P.O. Box 51478
89 South Street
Boston, MA 02111

RE: Shipping Requirements Investigation – Solicitation of Comments

Dear Mr. Rasmussen,

This letter is in response to your solicitation for comments dated June 8, 2016 on the proposal which would reduce shipping requirements for September, October, and November from 20% to 10% until further notice.

Milk production in the Northeast has continued to grow while available capacity for processing continues to be finite. During May 2016, over 35 million pounds of milk were classified as Minimum Price Class – Animal Feed and Dumpage. Given the current market conditions, it is apparent that the issue of oversupply is likely to persist throughout the fall period. Growing milk supplies have combined with deteriorating Class I sales in the last several years. This condition can present challenging issues of maintaining the pooling of milk supplies while avoiding unnecessary and disorderly shipment of milk for qualification purposes. Therefore we support a reduction in Class I shipping requirements. However, we believe that a reduction to 10% may be an unnecessarily large reduction in requirements and would not provide sufficient incentive to maintain an association with the pool and Class I requirements this fall. Upstate Niagara would contend that a reduction to 15%, rather than 10%, would be more prudent as this reduction has been sufficient as to prevent uneconomical shipments when this change has been made in previous years.

Additionally, Upstate Niagara would prefer the change in shipping requirements be in place for September, October and November of 2016 and 2017 rather than 'until further notice' as it states in the proposal. While the current market conditions have persisted for the past several years, there are many things that can change the overall dynamics in the market. For instance, long-term stress in farm-level economics, hot and dry weather conditions, and the potential for new or changing capacity in the market. As such, Upstate Niagara would suggest a more judicious approach when determining the length of time in which this change in shipping requirements would be in effect.

In summary, Upstate Niagara believes that a reduction in shipping requirements from 20% to 15% for September, October, and November are warranted given current market conditions and deteriorating Class I sales. Furthermore, Upstate Niagara would prefer the change to the shipping requirements be in place for September, October and November of 2016 and 2017 rather than 'until further notice' as the solicitation for comments indicated.
We appreciate this opportunity to comment and your consideration. Thank you.

Sincerely,

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

From: mark@cayugamarketing.com [mailto:mark@cayugamarketing.com]
Sent: Tuesday, July 05, 2016 4:37 PM
To: Fredericks Peter
Subject: Order 1 shipping requirement comments

Peter,
Cayuga Marketing would like to submit the following comments regarding the request to lower the fall shipping requirements from 20% to 10%.

We are in agreement that the fall 2016 pooling requirement should be reduced to 10%. All the factors that Kevin outlined in last year's comments continue to prevail. U.S. milk production continually has had a substantial growth year over year. Order 1 milk production is up over 5% May '15 vs. May '16. Internally, Cayuga Marketing milk production has increased over 10% YOY. The Class I utilization for Order 1 is basically flat for May '15 vs. May '16. Given the fact that the shipping percentage was reduced to 15% last year combined with an increase in overall milk production of 5% YOY, a strong case can be made for reducing the shipping percentage to 10%. New York State also has had substantial production increases year over year given the excellent quality of forages harvested in 2015, the mild winter, cool spring, and favorable summer to date. Based on the following observations we can support a shipping percentage between 10% and 15%.

There have been no material increases in Class 1 sales in the past year or any increase in the number of Class 1 processors. Class 1 handlers appear to be fully supplied as we've had no success in increasing sales in that market. Milk is overly abundant in the Northeast as we have seen some skim solids being wasted in manure pits. All indications are that milk production will remain strong through the remainder of the year as producers try to maximize cash flow due to extremely low milk prices.

Given the above, Cayuga Marketing can support lowering the pooling requirement for September, October, and November from 20% to 10-15%.

Please feel free to contact Kevin or myself with any questions.

Mark Stevenson
Cayuga Marketing LLC.
15 Eagle Drive
Auburn, NY 13021
315-759-3123
mark@cayugamarketing.com

From: Susan Smith [mailto:fjsmith2@frontiernet.net]
Sent: Thursday, July 07, 2016 8:49 AM
To: Fredericks Peter
Cc: Lisa Kraeger; Judy Post; Leon and Angela Atwell; Brian Reape; Scott Sawyer
Subject: Shipping Percentage for Sept, Oct, Nov.

July 7, 2016

Oneida Lewis Milk Cooperative Inc. is in favor or a lower shipping percentage. Our coop has difficultly marketing fluid milk. Pool handlers are not interested in taking extra milk because they either have their own farms or have contracts with DMS. We are a small coop of 15 farms and would like to stay independent.

Regards,

Michael A. Kraeger
Secretary/Treasurer
Oneida Lewis Milk Cooperative
(315)397-2592

sms