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United States
Department of
Agriculture

Agricultural
Marketing
Service

Statistical
Bulletin
Number SB-810

Federal Milk Order Market Statistics

1989 Annual Summary

TABLE 12--TOTAL PRODUCER DELIVERIES OF MILK TO HANDLERS REGULATED UNDER FEDERAL ORDERS, BY MARKETING AREA, 1989

FEDERAL MILK ORDER MARKETING AREA	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
	MILLION POUNDS												
NORTH ATLANTIC													
NEW ENGLAND	438.9	400.7	447.1	438.0	444.0	407.8	400.0	401.9	391.0	401.7	391.0	412.8	4,975
NEW YORK-NEW JRSY.	964.1	899.3	1018.2	995.5	1023.4	940.8	904.5	885.3	852.3	874.2	846.2	892.9	11,097
MIDDLE ATLANTIC	540.8	496.7	550.7	535.9	536.1	475.1	455.1	463.7	444.5	464.6	462.8	482.1	5,908
REGIONAL TOTAL	1,944	1,797	2,016	1,969	2,004	1,824	1,760	1,751	1,688	1,741	1,700	1,788	21,980
SOUTH ATLANTIC													
GEORGIA	144.4	131.2	143.3	138.2	136.8	118.4	117.8	120.0	127.3	135.2	140.0	147.0	1,600
ALABAMA-W. FLORIDA	102.5	94.0	107.7	103.9	100.6	87.0	81.5	85.5	83.9	93.4	93.9	99.5	1,133
UPPER FLORIDA	64.6	63.5	69.3	71.8	69.5	59.0	57.8	58.4	53.7	58.4	56.2	51.5	734
TAMPA BAY	104.8	97.9	111.6	104.7	102.8	88.1	83.1	80.7	74.5	80.6	88.8	102.6	1,120
SOUTHESTN. FLORIDA	91.5	83.1	93.6	86.0	84.2	78.6	74.1	68.0	66.8	70.7	76.6	88.3	961
REGIONAL TOTAL	508	470	525	504	494	431	414	413	406	438	456	489	5,548
EAST NORTH CENTRAL													
MICHIGAN UP. PEN. 1/													
SOUTHERN MICHIGAN	383.9	350.9	392.6	389.3	410.8	389.3	382.1	375.8	332.3 *	342.7 *	341.5 *	356.9 *	4,448 *
E. OHIO-W. PENN.	334.2	307.9	349.6	342.6	356.1	320.8	300.5	303.4	253.0	280.6	252.6	285.5	3,687
OHIO VALLEY	212.9	193.8	216.9	217.9	223.5	196.2	190.6	191.3	203.7	190.8	196.8	182.8	2,417
INDIANA	171.0	156.6	177.3	172.4	177.6	165.2	166.7	165.7	154.5	151.3	149.5	160.3	1,968
CHICAGO REGIONAL	1344.7	1266.6	1427.8	1401.5	1459.1	1367.3	1167.9 *	1052.6 *	811.6 *	773.6 *	753.3 *	779.8 *	13,606 *
CENTRAL ILLINOIS	12.9	11.7	13.1	14.9	16.3	14.9	14.7	14.2	13.7	14.4	14.0	14.5	169
S. ILL.-E. MO. 2/	193.8	190.6	218.3	218.4	227.1	201.9	191.2	178.7 *	162.3 *	164.8 *	161.8 *	154.7 *	2,264 *
LOUIS.-LEX.-EVANS.	133.1	121.8	135.4	135.0	133.0	115.0	98.3	100.0	96.3	101.4	100.3	105.4	1,375
REGIONAL TOTAL 3/	2,786	2,600	2,931	2,892	3,004	2,770	2,512	2,382	2,027	2,020	1,970	2,040	29,934
WEST NORTH CENTRAL													
UPPER MIDWEST	914.4	840.8	936.5	901.3	932.2	891.8	768.1	608.9 *	263.4 *	275.7 *	272.3 *	473.7 *	8,079 *
IOWA	256.5	236.1	263.4	256.9	263.2	248.8	243.3 *	240.1 *	198.8 *	145.0 *	154.8 *	242.4 *	2,749 *
NEBR.-WSTN. IOWA	152.2	141.6	155.6	159.5	170.4	164.4	154.5 *	151.1 *	124.5 *	121.8 *	107.5 *	140.8 *	1,744 *
G.K.C.-E.S.D.-B.H. 4/	87.0	76.2	83.7	79.2	84.6	79.3	78.7	80.8	72.1 *	75.7 *	69.6 *	91.5 *	958 *
REGIONAL TOTAL	1,410	1,295	1,439	1,397	1,450	1,384	1,245	1,081	659	618	604	948	13,530

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See footnotes at end of table.

TABLE 12--TOTAL PRODUCER DELIVERIES OF MILK TO HANDLERS REGULATED UNDER FEDERAL ORDERS, BY MARKETING AREA, 1989--CON.

FEDERAL MILK ORDER MARKETING AREA	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
						MILLION POUNDS							
EAST SOUTH CENTRAL													
TENNESSEE VALLEY	133.7	122.0	107.8	106.6	105.9	123.1	104.8	104.6	102.2	106.0	102.9	106.9	1,326
NASHVILLE	80.1	76.5	76.1	76.7	72.3	62.9	61.8	61.0	61.8	63.1	68.0	74.1	835
PADUCAH	20.1	18.9	20.3	19.7	19.0	17.4	17.9	19.2	20.6	19.8	18.7	18.8	230
MEMPHIS	13.2	11.3	14.2	14.5	14.4	12.0	9.0	8.3	10.5	9.8	11.2	11.3	140
REGIONAL TOTAL	247	229	218	218	212	215	194	193	195	199	201	211	2,531
WEST SOUTH CENTRAL													
CENTRAL ARKANSAS	36.6	34.9	41.7	42.6	41.6	36.1	37.0	36.5	36.4	37.2	36.4	41.3	459
SOUTHWEST PLAINS	271.8	224.4	285.7	294.7	292.3	267.2	257.0	260.9	247.8	270.7	265.4	290.7	3,229
TEXAS PANHANDLE	9.0	12.3	6.4	6.1	6.1	5.8	6.2	6.0	6.0	6.1	5.6	3.0	78
LUBBOCK-PLAINVIEW	10.8	10.5	9.4	9.0	9.3	7.8	9.8	11.6	10.3	11.7	12.1	14.2	126
TEXAS	474.4	420.0	490.0	496.2	491.6	444.1	424.1	415.7	406.2	439.6	443.6	476.1	5,422
GREATER LOUISIANA	56.2	54.7	60.6	60.4	59.1	50.2	50.4	50.7	49.1	52.0	48.8	51.7	644
NEW ORLEANS-MISS.	93.3	85.4	96.6	97.0	88.4	76.4	71.1	61.2	58.4	60.9	68.7	79.2	937
REGIONAL TOTAL	952	842	990	1,006	988	888	856	842	814	878	881	956	10,894
MOUNTAIN													
E. COLO.-W. COLO. 5/	108.5	99.9	114.0	115.8	131.2	129.1	130.3	128.2	107.5	110.3	107.5	112.0	1,393
SW. IDAHO-E. OREG.	61.8	59.3	68.6	65.9	60.6	67.4	69.7	74.4	71.9	31.9 *	31.3 *	79.0	742 *
GREAT BASIN 2/	157.3	142.0	151.3	153.1	167.4	157.8	163.5	158.2	156.6	153.2 *	138.2 *	148.5 *	1,847 *
CENTRAL ARIZONA	131.8	123.9	143.0	136.3	135.9	123.9	113.2	112.4	117.2	128.7	131.1	141.7	1,539
RIO GRANDE VALLEY	53.6	46.9	50.2	49.4	54.2	50.1	51.3	51.4	43.7	49.6	47.9	48.7	597
REGIONAL TOTAL	513	471	527	521	549	528	528	525	497	474	456	530	6,118
PACIFIC													
PACIFIC NORTHWEST 2/ 6/	430.6	388.9	442.0	445.4	472.9	458.6	472.4	462.4	437.4	446.9	428.9	450.5	5,337
REGIONAL TOTAL	431	389	442	445	473	459	472	462	437	447	429	451	5,337
40-MARKET TOTAL 3/	8,791	8,092	9,090	8,952	9,173	8,499	7,980	7,649	6,724	6,814	6,696	7,413	95,873
ALL-MARKET TOTAL 3/	8,791	8,092	9,090	8,952	9,173	8,499	7,980	7,649	6,724	6,814	6,696	7,413	95,873

* Because the blend price adjusted for location was at or below the Class III price in certain zones of these markets in these months, handlers elected not to pool milk that normally would have been pooled under these orders.

1/ The data were restricted--represents confidential information.

2/ New marketing area that was formed during the period January 1, 1988-December 31, 1989. See table 1, pages 13-15.

3/ Figures are based on the same group of comparable markets--markets where the orders were in effect the entire period, January 1, 1988-December 31, 1989, and for which the data were not affected significantly by marketing area changes; all markets are comparable. However, figures exclude where applicable Michigan Upper Peninsula; see 1/.

4/ The data for Greater Kansas City, Eastern South Dakota, and Black Hills have been combined in order to mask restricted data.

5/ The data for Eastern Colorado and Western Colorado have been combined in order to mask restricted data.

6/ The data for January are the summation of the data for the two merged markets.

Table 6--Receipts of Producer Milk by Handlers Regulated Under Federal Orders, by Marketing Area, 2004 1/

Federal Milk Order Marketing Area	Order Number	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
		Million Pounds												
Northeast 2/	001	1,993	1,901	2,086	1,841	1,895	1,785							11,501
Appalachian 3/	005	569	520	500	482	517	548							3,136
Southeast 2/	007	656	626	656	562	616	647							3,764
Florida 2/	006	262	249	271	240	261	241							1,524
Mideast 4/	033	1,513	1,408	1,297	873	919	1,552							7,563
Upper Midwest 5/	030	2,209	1,944	675	608	663	2,114							8,213
Central 4/	032	1,275	1,163	712	612	652	1,235							5,650
Southwest 6/	126	799	727	601	634	672	778							4,211
Arizona-Las Vegas	131	264	255	266	253	248	241							1,527
Western 7/ 8/	135	476	455	165	---	---	---							1,096
Pacific Northwest 6/	124	614	581	601	414	440	594							3,243
All Markets Combined		10,630	9,831	7,832	6,520	6,882	9,734							51,428

1/ All Markets Combined and TOTAL may not add due to rounding.
2/ Handlers in these marketing areas elected not to pool milk in April due to disadvantageous class and uniform price relationships.
3/ Handlers in this marketing area elected not to pool milk in March-May due to disadvantageous class and uniform price relationships.
4/ Handlers in these marketing areas elected not to pool milk in February-May due to disadvantageous class and uniform price relationships.
5/ Handlers in this marketing area elected not to pool milk in February-June due to disadvantageous class and uniform price relationships.
6/ Handlers in these marketing areas elected not to pool milk in March-June due to disadvantageous class and uniform price relationships.
7/ Effective April 1, 2004, the Western Federal milk order was terminated.
8/ Handlers in this marketing area elected not to pool milk in March due to disadvantageous intraorder class and uniform price relationships.

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USDA

United States Department of Agriculture
Agricultural Marketing Service
1400 Independence Avenue, SW STOP 0231
Washington, DC
20250-0231

July 12, 2004

Invitation to Submit Proposals for a Public Hearing to Amend the Pooling Provisions of the Central Marketing Order

We have received a request to amend provisions of the Central Federal milk marketing order from Dairy Farmers of America, Inc., and Prairie Farms Cooperative, dairy cooperatives marketing milk of members. The proposals would amend the pooling and performance requirements of the order.

Proponents state that amendments to the Central order pooling standards are necessary to insure that producers who regularly supply the market and share in the blend price are not disadvantaged by those producers who "opt in" the pool only when profitable and "opt out" when it is not. Specifically, the cooperatives state that if a producer desires to share in the returns of the order these proposals cause that decision to have multi-month consequences. Proponents also contend that the increase in the shipping standards should attract more milk to the market in the fall months. Requiring a producer to "touch base" at a pool plant at least 1 day during August to November and January to February, in order to maintain association with the pool, could increase actual performance. The proposals also include language that defines where milk can be diverted from to maintain pool status.

Copies of the proposals may be obtained from either Jack Rower, Marketing Specialist, USDA/AMS/Dairy Programs, Order Formulation and Enforcement Branch, STOP 0231–Room 2971, 1400 Independence Avenue, SW, Washington, DC 20250-0231, (202) 720-2357, e-mail: Jack.Rower@usda.gov or Donald R. Nicholson, Ph.D., Central Market Administrator, USDA/AMS/Dairy, P.O. Box 14650, Shawnee Mission, Kansas 66285-4650, (913) 495-9300.

These proposals have not yet been approved for inclusion in a Notice of Hearing. Before deciding whether a hearing should be held, USDA is providing interested parties an opportunity to submit additional proposals regarding the pooling standards in the Central order.

Additional proposals should be mailed to: Deputy Administrator, USDA/AMS/Dairy Programs, STOP 0225–Room 2968, 1400 Independence Avenue, SW, Washington, DC 20250-0225, by August 13, 2004. Each proposal should be accompanied by a brief but comprehensive statement on the need for the proposal. The statement will be used in deciding whether the proposals should be considered if a hearing to amend the order is to be held.

A hearing would be limited to proposals included in a hearing notice. However, appropriate modifications of the proposals in the hearing notice may be considered at the hearing. Any proposals that would extend regulation should be accompanied by the names and addresses of persons who proponents believe would be affected by the proposed extension and an estimate of the number of additional dairy farmers involved.

Actions under the Federal Milk Order Program are subject to the "Regulatory Flexibility Act (Act)." This Act seeks to ensure that, within the statutory authority of a program, the regulatory and informational requirements are tailored to the size and nature of small businesses. For the purpose of the Federal Order Program, a dairy farm is a "small business" if it has an annual gross revenue of less than $750,000 resulting in a production guideline of 500,000 pounds per month. A handler is a "small business" if they have fewer than 500 employees. If the plant is part of a larger company operating multiple plants that collectively exceed the 500-employee limit, the plant will be considered a large business even if the local plant has fewer than 500 employees. Interested persons are invited to submit hearing proposals that would carry out the intent of the Act.

If USDA concludes that a hearing should be held, all known interested persons will be mailed a copy of the hearing notice. Anyone who desires to present evidence on proposals set forth in the hearing notice will have an opportunity to do so at the hearing.

Once a hearing notice is issued and until the issuance of a final decision, USDA employees involved in the decisional process may not discuss the merits of a proceeding on an ex parte basis with any persons having an interest in the proceeding. For this purpose, the Market Administrator and his staff are considered to be involved in the decisional process. Thus, it is suggested that any discussions that you may wish to have with USDA personnel regarding hearing proposals be initiated soon. Procedural matters may be discussed at any time.

If you have any questions concerning the filing of the proposals or desire a copy of the present order, please contact this office.

Sincerely,

/s/

Clifford M. Carman
Acting Deputy Administrator
Dairy Programs

June 23, 2004

Duane Spomer
Acting - Deputy Administrator, Dairy Programs
Stop 0225, Room 2968-S
PO Box 96456
Washington, DC 20090-6456

Dear Acting - Deputy Administrator:

Dairy Farmers of America, Inc. and Prairie Farms Cooperative wish to request that a Federal Order Hearing be called to address several issues causing concern in Federal Order 32 - the Central Order.

The member owners of our Cooperatives are concerned about the recent experiences of "depooling" that have occurred in Order 32. This issue makes it very difficult to supply Class I handlers because the revenue streams available from the sale of raw milk to various classified uses vary widely. The "ability to pay" difference between a sale of milk to a fluid use buyer and a Class III buyer varied by $4.02 per hundredweight in April. This meant that in order to maintain a milk supply for a Class I buyer an additional $4.02 needed to be obtained from consumers, margins or borrowings or a combination of the three sources. The reason for the disparity is the ability of other than Class I handlers to "opt out" of the pool at will with no consequence.

Dairy farmers and handlers should be able to freely choose the demand segment of the market they wish to supply. However, with the volatile prices in the market today and the now clearly understood impact of this volatility on producer blend prices over time, additional Order language is necessary to insure that those producers who wish to regularly supply the market and share in the blend price are not damaged by those who choose to do so only occasionally.

Specifically, if a producer desires to share in the Order returns our proposals would make that decision have multi month consequences in order to solidify the commitment.

The continued extension of the status quo makes it difficult for those producers who have chosen to supply the fluid market to understand why blend returns should be shared with those who "opt in" the pool only when convenient and profitable and "opt out" when it is not. It makes it very difficult to budget for and staff an Order office because of the variation in income available to the Order. It raises consumer costs in order to generate enough funds to maintain a milk supply and frustrates consumers when retail prices change frequently and dramatically. Furthermore it damages overall demand for milk products because the frequent price changes make it difficult for consumers to establish the true value of milk in their diet and beverage choice.

It is the existence of regulation that causes this to occur so the regulations need to be changed to better reflect economic reality.

In addition to proposals that directly affect the depooling issue, we propose two additional changes in the Order performance requirements that will also better define who should share in the Order's return. Specifically we seek an increase in the shipping standards by 5% "across the board" and a strengthening of the "touch base" standard. The increase from 20% to 25% during the months of August – February and 20% the remainder of the year (currently 15%) should raise the bar for performance by attracting more milk to the market in the fall months when it is difficult to attract milk to bottling plants in the Central Order marketing area. Furthermore we request that a producer "touch base" at a pool plant at least one day during August – November and January – February in order to maintain association with the pool. The current "one and done" provision is too lax.

Finally, we are concerned that the current order provisions make it too difficult to identify which milk truly serves the market and which is able to share in the Order returns simply because it is so easy to do. We are concerned that changes that may be implemented in other

Orders and the lack of a Federal Order in the Mountain states will "flush" milk to Order 32. Much the same way that milk from California, when it was prevented from pooling in Order 30, then became attached to Order 32; and then to Order 135 when the Order 32 option was foreclosed. Thus we offer language that defines where milk can be diverted from in order to maintain pool status.

This further definition, in addition to our other proposals, should assist the Market Administrator in determining which milk truly performs for the market from milk that is simply sham performance. Our proposals will better align economic reality with Order provisions and operation and not facilitate activities that would never occur absent the presence of an Order.

Our language to facilitate these concepts is as follows:

Regular case = existing language
Bold case = proposed language
~~Strikethrough = deleted language~~

§ 1032.7 Pool Plant.

...

(c) A supply plant from which the quantity of bulk fluid milk products shipped to (and physically unloaded into) plants described in paragraph (c)(1) of this section is not less than ~~20~~ **25** percent during the months of August through February and ~~15~~ **20** percent in all other months of the Grade A milk received from dairy farmers (except dairy farmers described in § 1032.12(b)) and from handlers described in § 1000.9(c), including milk diverted by pursuant to § 1032.13, subject to the following conditions:
(1) Qualifying shipments may be made to plants described in paragraphs (a) or (b) of this section;

(2) The operator of a pool plant located in the marketing area may include as qualifying shipments milk delivered directly from producer's farms pursuant to § 1000.9(c) or §

1032.13(c). Handlers may not use shipments pursuant to § 1000.9(c) or § 1032.13(c) to qualify plants located outside the marketing area.

...

§ 1032.13 Producer milk.

Producer milk means the skim milk (or the skim equivalent of components of skim milk), including nonfat components, and butterfat in milk of a producer that is:

(a) Received by the operator of a pool plant directly from a producer or a handler described in § 1000.9(c). All milk received pursuant to this paragraph shall be priced at the location of the plant where it is first physically received;

(b) Received by a handler described in § 1000.9(c) in excess of the quantity delivered to pool plants;

(c) Diverted by a pool plant operator to another pool plant. Milk so diverted shall be priced at the location of the plant to which diverted; or

(d) Diverted by the operator of a pool plant or a cooperative association described in § 1000.9(c) **located in the States of Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota and Wisconsin** to a nonpool plant subject to the following conditions:

(1) Milk of a dairy farmer shall not be eligible for diversion until ~~at least one day's production~~ **milk** of such dairy farmer has been physically received as producer milk at a pool plant and the dairy farmer has continuously retained producer status since that time. If a dairy farmer loses producer status under the order in this part (except as a result of a temporary loss of Grade A approval), the dairy farmer's milk shall not be eligible for diversion until milk of the dairy farmer has been physically received as producer milk at a pool plant;

(2) The equivalent of at least one day's milk production is caused by the handler to

be physically received at a pool plant in each of the months of August through November and January through February.

3) The equivalent of at least one days' milk production is caused by the handler to be physically received at a pool plant in each of the months of March through July and December if the requirement of paragraph (d)(2) of this section (§1032.13) in each of the prior months of August through November and January through February are not met, except in the case of a dairy farmer who marketed no Grade A milk during each of the prior months of August through November or January through February.

~~(2)~~ **(4)** Of the quantity of producer milk received during the month (including diversions, but excluding the quantity of producer milk received from a handler described in § 1000.9(c)) the handler diverts to nonpool plants not more than ~~80~~ **75** percent during the months of August through February, and not more than ~~85~~ **80** percent during the months of March through July, provided that not less than ~~20~~ **25** percent of such receipts in the months of August through February and ~~15~~ **20** percent of the remaining months' receipts are delivered to plants described in § 1032.7(a) and (b);

~~(3)~~ **(5)** Receipts used in determining qualifying percentages shall be milk transferred to or diverted to or physically received by a plant described in § 1032.7(a) or (b) less any transfer of diversion of bulk fluid milk products from such plants.

~~(4)~~ **(6)** Diverted milk shall be priced at the location of the plant to which diverted;

~~(5)~~ **(7)** Any milk diverted in excess of the limits prescribed in paragraph (d)(2) of this section shall not be producer milk. If the diverting handler or cooperative association fails to designate the dairy farmers' deliveries that are not to be producer milk, no milk diverted by the handler or cooperative association during the month to a nonpool plant shall be producer milk; and

~~(6)~~ **(8)** The applicable diversion limits in paragraph (d)(2) of this section may be increased or decreased by the market administrator if the market administrator finds that such revision is necessary to assure orderly marketing and efficient handling of milk in the marketing area. Before making such a finding, the market administrator shall investigate the need for the revision either on the market administrator's own initiative or at the request of interested persons if the request is made in writing at least 15 days prior to the month for which the requested revision is desired effective. If the investigation shows that a revision might be appropriate, the market administrator shall issue a notice stating that the revision is being considered and inviting written data, views, and arguments. Any decision to revise an applicable percentage must be issued in writing at least one day before the effective date.

(e) Producer milk shall not include milk of a producer that is subject to inclusion and participation in a marketwide equalization pool under a milk classification and pricing program imposed under the authority of a State government maintaining marketwide pooling of returns.

(f) The quantity of milk reported by a handler pursuant to § 1032.30(a)(1) and/or § 1032.30(c)(1) for the current month may not exceed 125 percent of the producer milk receipts pooled by the handler during the prior month. Milk diverted to nonpool plants reported in excess of this limit shall be removed from the pool. Milk received at pool plants in excess of the 125% limit, other than pool distributing plants, shall be classified pursuant to § 1000.44(a)(3)(v) [Note: this would be other source milk]. The handler must designate, by producer pick-up, which milk is to be removed from the pool. If the handler fails to provide this information the provisions of 1032.13(d)(5) shall apply. The following provisions apply:

(1) Milk shipped to and physically received at pool distributing plants shall not be subject to the 125 percent limitation;

(2) Producer milk qualified pursuant to § _____.13 of any other Federal Order in the previous month shall not be included in the computation of the 125 percent limitation; provided that the producers comprising the milk supply have been continuously pooled on any Federal Order for the entirety of the most recent three consecutive months.

(3) The market administrator may waive the 125 percent limitation:

(i) For a new handler on the order, subject to the provisions of § 1032.13(f)(3), or

(ii) For an existing handler with significantly changed milk supply conditions due to unusual circumstances;

A bloc of milk may be considered ineligible for pooling if the market administrator determines that handlers altered the reporting of such milk for the purpose of evading the provisions of this paragraph.

Please direct any questions you may have to me.

Elvin Hollon

Director of Fluid Marketing and Economic Analysis
Dairy Farmers of America, Inc.

D

Farm & Dairy Online 7-29-04

Dairy Excel: Balancing act: Depooling zaps F.O. 33 farmers

By: Cam Thraen

07/29/2004

Table A

	Small Supply Plant	Large Supply Plant	Manufacturing Plant
Class III Percent	35	35	85
Location Differential	+0.10	+0.00	-0.25
Class III Price	$19.66	$19.66	$19.66
Less: Location adjusted uniform price	$15.98	$15.88	$15.63
Dollars gained by not pooling Class III milk	$3.68	$3.78	$4.03
Average gain on total milk #	$1.288	$1.323	$3.425
PPO impact	minus $1.66	minus $1.66	minus $1.66
Net producer impact	minus $0.372	minus $0.337	plus $1.765

[illegible]

[illegible]

[illegible]

Depooling in April and May cost F.O. 33 milk producers who remained pooled $21.3 million, says columnist and Ohio State ag economist Cam Thraen.

Dairy farmers whose milk is pooled on Federal Order 33 continue to lose money to plants pooling and depooling milk in this federal order.
Data recently made public by the Federal Order 33 market administrator's office shines a bright light on the financial cost of depooling in the Mideast federal order - and the cost of not taking action.
A short refresher. Milk not destined for a bottling plant is pooled on a voluntary basis. That means milk used in all but Class I can be depooled.
Depooling occurs when a buyer decides not to participate in the market pool. This decision is made at the end of each month, after all class prices are known.
The decision not to participate in the market pool is determined by the relative position of the class prices to the uniform price (utilization weighted average of Class I through Class IV prices). A Class II, III, or IV price that exceeds the uniform price signals reduced pooling of that class.
Losses begin in 2003. According to detailed data compiled by the Mideast Federal Order 33, the total volume of milk depooled during 2003 was 1.87 billion pounds. Ninety-three percent of this total was Class III milk removed from the market pool during July through October.
What was the cost of this collective decision to not participate in the market pool? A significant $7.4 million. If your milk was pooled during this period, you lost an average of 18 cents per hundredweight on your total shipment for these four months.
Cost soars in 2004. Milk depooled from Class III during April and May 2004 totaled 1.3 billion pounds. The cost to producers who remained pooled on the Mideast federal order was a staggering $21.3 million.
How does this affect your bottom line? Take your total milk shipment for April and May and multiply it by a $1.19 and that is what you lost as a direct result of the collective decision to depool milk on the Mideast order during these two months.
Don't we all gain? Let's consider three types of plants pooling milk on the Mideast order.
The first is a small supply plant with a 35 percent Class III utilization and a location differential of a +10 cents.
The second is a large volume supply plant with a 35 percent Class III utilization and a location differential of zero.
The third is a manufacturing plant with an 85 percent Class III utilization and a location differential

in the Mideast order of a -25 cents from the base zone.
The Class III price for April is $19.66. The uniform or blend price is $15.88. The gain-loss calculations by depooling for each of the three types of plants is shown in the Table A.
At first glance. Looking at the numbers in Table A, it appears the decision to not pool is the right one, based on the dollars earned by receiving the Class III price and paying out only the adjusted uniform price.
Gain is earned, however, only on Class III milk. When weighted by the Class III percent, the apparent gain is reduced significantly for both the small and large supply plants. The manufacturing plant still gains considerably even with the large negative location differential.
Larger impact. If this were the end of the story, perhaps the argument is correct that these dollars will eventually be paid back to cooperative members supplying milk to these plants. Unfortunately this is not the end.
Remember the depooling of such a large amount of milk has reduced all producers' uniform pay price by an additional $1.66. The last row in the table shows the net price impact on producers.
The negative impact of the producer price differential swamps the gain from depooling and all producers are worse off. The only real winner is the manufacturing plant pooling and depooling distant milk on the Mideast Order.
This manufacturing plant earns a positive $1.765 per hundredweight. Some may flow back to producers, provided the manufacturing plant is supplied by a cooperative. If the plant's milk is supplied from independent producers, then the distribution of this gain is determined by the plant owners.
Huge ebb and flow. Looking at the federal order data, one does not have to speculate as to why milk pooled on the Mideast Order, coming from Wisconsin, Minnesota, and Iowa dropped 93 percent from 318 million pounds in January to 22 million pounds in April.
And you can bet the cow that it will come right back again now that the Class III price is under the uniform price earning a positive producer price differential.
Federal orders are about ensuring orderly marketing and this is not orderly marketing.
Do something about it. You cannot sit on your hands while those in surrounding federal orders actively move to adopt language that will severely limit the ability to freely move milk onto and out of the order.
Major cooperatives representing membership in the Upper Midwest Federal Order 30 are requesting such a change for Federal Order 30. Recently Dairy Farmers of America and Prairie Farms Dairy, Inc. have requested a change in the pooling provisions for the Central Federal Order 32.
Balancing act. Doing nothing in the Mideast order will make the Mideast Order the balancing pool for others.
Distant milk will flow into the Mideast order in an ever-growing volume, reducing the average producer price differential when the Class III price is below the uniform price.
During periods of price volatility, and it appears that this is becoming more likely, this large volume of milk will just as quickly be depooled, imposing yet another price penalty on our producers.
Federal order provisions spell out clearly what can be done about this and how to go about initiating the process to get necessary modifications to the Mideast Federal Order.
A request for a hearing can come from any single individual or group affected by this situation. (See related information.)
Dairy cooperatives have taken a leadership role in federal orders 30 and 32, and perhaps they will do so on behalf of the dairy producers in the Mideast Order. To date, however, they have not taken any formal action on the pooling-repooling issue in our Federal Order 33.
Call to action. A request for a hearing can come from any single individual or group affected by this situation.
Contact the USDA Agricultural Marketing Service. All that is required is a formal request to end this practice of disorderly marketing, to amend the order language for the purpose of tightening pooling-repooling provisions, and to limit the economic damage being caused the current order provision.

Send your written request to:
Deputy Administrator
Stop 0225, Room 2968-S
USDA, AMS, Dairy
1400 Independence Avenue S.W.
Washington, DC 20250-0225.

For a complete explanation, visit the Ohio Dairy Web 2004 Web site: http://aede.osu.edu/programs/ohiodairy.

(The author is a dairy marketing and policy state specialist with Ohio State University Extension. Questions or comments can be sent in care of Farm and Dairy, P.O. Box 38, Salem, OH 44460.)

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Milk Revenue Pooling: What Does it Mean to Your Milk Price?

By Christopher Wolf
Michigan State University

Watching dairy markets and policy in the past four years, some jargon that was not heard all that often previously has now become commonplace. Specifically, I am referring to "depooling" and "pool riding." The two are related to the ability of milk to enter and withdraw from a marketing order.

Federal marketing orders perform two tasks that directly affect your milk check: set minimum prices for milk based on end use, and pool all the minimum price class revenues to calculate a uniform price.

The minimum prices for Classes II, III and IV are national while the Class I price depends on a differential that varies by area (even within a milk marketing order). The market administrator calculates a uniform price that is the weighted average of the class use that month.

The Producer Price Differential (PPD) is the uniform milk pool value in excess of the Class III price. It is literally defined by an accounting identity – the uniform price for that month less the Class III price. We do not expect the PPD to be negative often but it can happen when the Class III price increases quickly and is temporarily larger than the uniform price (see John Dilland's May 2004 article). This occurs when the Class III price increases quickly enough to exceed the uniform price. A one-month lag between the Class I and Class III prices allows a negative PPD in these situations.

The New Milk Marketing Vocabulary

Producer Price Differential (PPD): The uniform milk pool value in excess of the Class III price. It is literally defined by an accounting identity – the uniform price for the month less the Class III price.

Depooling: When a plant disassociates itself with the order for a particular month.

Pool Riding: Milk that is attached to an order solely to draw out the PPD and not to service the market.

Part of the justification for sharing the revenues across all uses of milk is that cooperatives and others operate excess manufacturing capacity to process excess milk. The plants operate a large portion of the time below capacity. This excess capacity serves as insurance for processing milk during flush times and provides insurance of available milk supplies when supplies are tight. These market services occur across orders as well; the large price differentials in Florida, for example, encourage milk to flow there to meet consumer demand.

The pool value is complicated by two factors: the ability of outside milk to attach itself to an order and draw out the PPD (pool-riding) and the ability for some milk to opt out of the pool (depooling). Both of these are functions of the qualifying standards for each order.

Depooling means that a plant disassociates itself with the order for a particular month. When a plant depools it is not obligated to conform to minimum prices. Class I plants do not have the option to withdraw from the pool. However, manufacturing product plants (e.g., Class III cheese) can elect to depool. Normally, Class III milk draws the PPD from the order pool and therefore benefits from being on the pool. However, when the PPD is negative, Class III milk would pay into the pool rather than withdraw funds from it.

Because these situations are fairly easy to see approaching, Class III plants can notify the Market Administrator as required and depool the milk. When the milk is depooled, the plants keep the higher Class III price and the pool is composed of the lower Class I, II and IV prices.

In summer 2003, large Class III price increases led to the depooling of about one-third of the milk normally priced under the federal orders. This spring experienced an even larger increase in Class III price. The actual amount of milk depooled is not known yet but should be at least as large as the summer of 2003.

Pool Riding

A related subject is the ability for milk produced in one location to be pooled in a distant order. This is not necessarily a problem – recall the example of shipping milk to Florida to meet consumer beverage needs. "Pool riding" generally refers to milk that is attached to an order solely to draw out the PPD and not to service the market. With national cooperatives and dairy manufacturers, it is increasingly possible to coordinate milk pooling to withdraw the PPD, and therefore profit, from orders with liberal pooling rules.

The effect on the Mideast Order from pool riding has been significant. When the Mideast Order came into effect in 2000, the Class I utilization looked to be about 50 percent without outside milk. With outside milk attached to the Mideast pool, Class I utilization has often been closer to 30-35 percent.

When outside milk rides the pool, it lowers the PPD by spreading the Class I value over more units of milk. The lowering of the PPD has also reduced the basis (difference between the mailbox price and the Class III price) I discussed in last month's article. Order consolidation enabled pool riding because the large pools generate large amounts of PPD. That is, the Mideast order produces more than one billion pounds of milk per month so that a large amount of outside milk can attach itself and still meet order qualifying requirements.

The Mideast order requites that a minimum of 30 percent of a milk supply must serve the Class I market to qualify for the blend price and the benefits of the PPD.

It seems reasonable to expect that producers who service order needs on a daily basis over time should reap the rewards from the revenues. Pooling rules have been controversial since order consolidation in 2000. Producers have the right to request tightening pooling rules. For example, the California order (a state rather than Federal Order) has a rule that when milk is depooled, it remains out of the pool for 12 months. This rule certainly has organizations carefully weighing the decision to withdraw from the pool.

Simon to Lead MSU as President

On Friday, June 18 the MSU Board of Trustees unanimously appointed Provost Lou Anna K. Simon as the university's 20th president. Simon will begin a three-year contract on Jan. 1, 2005.

Also, effective immediately, Simon will assume the title of president designate, and will retain her title of provost in order to facilitate a smooth transition during the remainder of President Peter McPherson's presidency.

McPherson announced in May that he would step down Jan. 1 after 11 years at MSU's helm.

"We look forward to working with Dr. Simon to help further the mission of the land-grant university," says MMPA President Elwood Kirkpatrick. "MSU plays an integral part in Michigan's agriculture community. We hope to continue the successful partnership between the univeristy and the agriculture industry."

Simon currently serves as MSU provost and vice president for academic affairs. At the time of her appointment as provost in 1993, she was among the youngest to hold such a position in the Association of American Universities (AAU) and is one of only 11 women holding the position of chief academic officer among the 62 leading research institutions that compose the organization.

Simon and McPherson, who served in their respective roles for 11 years, are the longest-serving president-provost team in the Big Ten.

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August 13, 2004

Dana Coale
Acting Deputy Administrator,
USDA/AMS/Dairy Programs,
STOP 0225BRoom 2968
1400 Independence Avenue, SW
Washington, DC 20250-0225,

Re: Response on behalf of AMPI, Bongards Creameries, Ellsworth Cooperative Creamery, Family Dairies USA, First District Association, and Wisconsin Cheese Makers Association to Invitation to Submit Proposals.

Dear Deputy Administrator Coale:

I write on behalf of Associated Milk Producers, and other cooperative associations and milk manufacturing representatives identified above, in response to the Department's invitation of July 12, 2004, for comments on the June 23, 2004, proposals of DFA and Prairie Farms ("DFA Proposal") to amend the Central Milk Marketing Order, 7 C.F.R. Part 1032. This letter addresses that part of the DFA proposal for amendments to limit depooling or repooling by amending Section 1032.13(f).

We respectfully urge USDA to consider these proposals, if at all, only at a national hearing for several reasons.

1. The proposals would severely change practices of cooperatives and other handlers of long historical duration. Depooling of milk to secure nothing more than the market value of milk for producers, when regulated prices do not reflect current value of milk, is a practice that has been exercised by cooperatives and other handlers for decades, as shown in footnotes to Tables 11-12 of annual Federal Milk Order Market Statistics ("FMOS") for the 1980's and 1990's, and in Tables 6, 21, and 26 of FMOS's for 2000 to date.
2. The practice of depooling when regulated prices are out-of-sync with current milk market value is, and has been, widespread. During last spring's unusual escalation of commodity cheese and Class III prices, cooperatives and other handlers depooled milk to maximize revenue for producers in *all* federal milk order markets except Arizona-Las Vegas. FMOS, 2004 annual, Table 21. During late 2000, depooling of Class IV milk was widespread for the same reasons, affecting six federal milk orders.
3. Failure to address depooling issues on a national basis will not only create inequities between orders, it will also invite marketing and pooling abuses between orders if Order 32 is amended along the DFA-proposed lines. For example, DFA is a significant supplier of milk to Order 33, Order 5 and Order 7, but has proposed no changes for these orders. Perhaps the explanation is simple: in some markets DFA can depool and benefit more than its competitors; in other markets (such as Order 32) the benefit of depooling goes primarily to other cooperatives and their members.
4. Because depooling of milk is historically both widespread and of long duration, DFA's characterization of depooling as a local problem shown by "recent experiences of depooling that have occurred in Order 32" is misleading both in its geographical and time reference. The primary regulatory source of depooling is regulation reflecting current values of milk for

Class III and IV uses, while Class I and II prices reflect market value of milk in the past. It may be true, as stated by DFA, that "existence of regulation… causes [depooling] to occur so the regulations need to be changed to better reflect economic reality." It does not follow that the regulations need to be changed to discourage a practice caused by class price misalignment with market prices. If a regulatory remedy is needed, it may be more rational to adjust the current Class I and II price formula to reflect economic reality.

5. There is, moreover, no rational basis to conduct hearings on an "emergency" basis to address the depooling issue raised by DFA. As observed, it is a practice that is neither recent, surprising, nor localized. It is also not likely to recur to the degree observed last spring in the near future. NMPF's July 2004 *Dairy Marketing Report* (published by Dairy Management, Inc.), observes that June's negative PPD in the Pacific Northwest "is likely to be the *last negative PPD for the foreseeable future,* and 'depooling' should be limited to milk not easily returned to pool status in the next few months."

Thank you for your careful consideration of our views on these issues.

Respectfully submitted,

John H Vetne

Ec: Clifford M. Carmen
Chief, Order Formulation

Jack Rower
Marketing Specialist

Donald R. Nicholson, Ph.D.
Market Administrator

Exhibit No. - G

F.O. 30 / CWT Class & Blend Prices

		Jan. '04			Apr. '04	
Class I Mover		11.85	12/19/2003		13.64	3/19/2004
Class I Differential		1.80			1.80	
		13.65			15.44	
	utilization %			utilization %		
Class I	17.8	13.65		62.8	15.44	
Class II	5.5	11.67		15.8	15.21	
Class III	68.9	11.61	1/30/2004	1.8	19.66	4/30/2004
Class IV	7.8	10.97		19.6	14.57	
Statistical Blend		11.98			15.55	
Producer Price Differential (PPD (difference between Class III & Statistical Blend)		.37			<4.11>	

Exhibit No. ______- H

Old Federal Order 1068
Blend vs. Class III 1990 - 95
Negative PPD's 1996 - 99

4/93	-	$ .14
5/93	-	$ .05
10/93	-	$ .01
4/94	-	$ .01
10/95	-	$ .02
5/96	-	$ .26
8/97	-	$ .16
9/97	-	$ .58
7/98	-	$ 2.29
8/98	-	$ .65
11/98	-	$ .48
12/98	-	$ .43
4/99	-	$ .32
7/99	-	$ 1.12
8/99	-	$ 2.95
9/99	-	$ 1.50