



MID AMERICA DAIRYMEN, INC.

3253 E. CHESTNUT EXPWY

• SPRINGFIELD, MISSOURI 65802

• A.C. 417/865-7100

March 3, 1997

Mr. Richard McKee
 USDA/AMS Dairy Division
 Order Formulation Branch
 Room 2968, South Building
 P.O. Box 96456
 Washington, DC 20090-6456



Dear Mr. McKee,

This letter represents the comments of Mid-America Dairymen, Inc. regarding the Federal order marketing areas as proposed by USDA on December 3, 1996. Generally, we compliment the Department on the recommendation. However, we cannot agree with the configuration of the Southeast and Appalachian orders.

Southern Missouri and Northwest Arkansas

The stated purpose of Federal Orders is to provide "order" to milk markets. One example of this is to attract milk when milk is needed, but to not attract milk when milk is not needed.

Currently, there is a discrepancy between Federal Order blend prices in Southern Missouri. That gives milk the incentive to move into the Southeast Order at times when milk is actually moving out of the Southeast as seasonal surplus. Specifically, the Southwest Plains blend F.O.B. Cabool, Missouri averaged \$14.40 during 1996, while the Southeast blend F.O.B. Memphis, Tennessee averaged \$15.73. The difference of \$1.33 exceeds the additional freight expense of \$.56 to haul milk from Southwest Missouri to Memphis, Tennessee. Clearly, the incentive to move the milk is evident. Table 1 illustrates Memphis is not the only location attracting milk from Southwest

Missouri and Northwest Arkansas. Little Rock, Arkansas, Tupelo and Hattiesburg, Mississippi, Fulton, Kentucky and Huntsville, Alabama are all examples of locations that attract Southwest Missouri milk on a twelve month basis.

The problem occurs when the milk is attracted, but is not demanded. Other cooperatives are marketing milk in competition with Mid-Am in Southwest Missouri. These cooperatives are currently moving milk from Southwest Missouri to Federal Order 1007 distributing plants at Memphis, Tennessee and Fulton, Kentucky. Mid-America Dairymen seasonally moves milk out of the Southeast and also delivers milk to plants with Class II, III, and IIIA utilization within the Southeast. Obviously, an orderly market would not give the incentive for milk to move into the Southeast at times when there is more than an adequate supply for Class I use produced locally.

To solve this problem, Mid-Am confirms it's earlier proposal to include Southern Missouri and Northwest Arkansas in the Southeast Federal Order. This action will have the effect of narrowing the above mentioned price spread leading to more orderly marketing conditions.

One of the Departments criteria for the proposed order merger was whether supply areas overlap. Table 2 was requested by Mid-Am from the Market Administrator in Atlanta, Georgia. It lists Federal order 1007 producer milk and the number of farms pooled for Missouri and Arkansas counties during December, 1996. To further illustrate, we have developed a map (Attachment 3) using the information on Table 2 showing the location of the producer milk in Missouri and Arkansas. This shows significant procurement overlap of Southwest Missouri and Northwest Arkansas milk with the Southeast Federal order.

There is very little milk produced immediately north or west of the portion of Southwest Missouri and Northwest Arkansas that Mid-Am is proposing to be included in the Southeast order. This is consistent with the department criteria of natural boundaries. Accordingly, Southwest Missouri and Northwest Arkansas should be included in the Southeast order.

Louisville-Lexington-Evansville Order 1046:

The Louisville-Lexington-Evansville order should not be merged with order areas to the north. Except for the supply for, and the sales of the Kroger plant at Winchester, Kentucky, there is little overlap of supply or sales (supply from and sales into Southwestern Ohio) with plants fully regulated by orders to the north. Merger of the Louisville-Lexington-Evansville order with northern orders would result in a wide disparity in blend prices at Louisville- Lexington-Evansville vs. nearby southern locations. All milk, currently supplying the Louisville-Lexington-Evansville order plants would be drawn to the higher priced locations to the south. Louisville-Lexington-Evansville processors would be unable to attract an adequate supply at the resulting minimum order blend prices.

The Louisville-Lexington-Evansville order should be merged with the Southeast and Tennessee Valley orders to the south. There is overlap of supply areas in Central and Western Kentucky (and in Southern Indiana) with the supply for plants regulated under the Southeast order 1007 (Nashville and Murfreesboro, Tennessee and Paducah, Kentucky plants) and in Central and Eastern Kentucky with the Tennessee Valley order 1011 (Athens, Tennessee and London and Somerset, Kentucky plants).

The current supply-sales relationships strongly suggest that the Louisville-Lexington-Evansville order area should be merged with order areas to the south (Federal Orders 1005, 1007, and 1011).

Tennessee Valley Order 1011:

As indicated above, the supply and sales overlap in Central and Eastern Kentucky and Central Tennessee suggest that the Tennessee Valley order 1011 should be merged with the Louisville-Lexington-Evansville order 1046.

The Tennessee Valley order 1011 should be merged with the Carolina order 1005. There is an overlap of supply areas in Eastern Tennessee and Southwestern Virginia and the sales areas from Eastern Tennessee throughout the Carolina order area. Tennessee Valley order 1011 plants selling into the Carolina order 1005 area and Carolina order 1005 plants selling into the Tennessee Valley order 1011 area.

The Tennessee Valley order 1011 should be merged with the Southeast order 1007. There is an overlap of supply areas in South Central Kentucky and Central Tennessee and sales areas in Central Tennessee, Georgia, and Northern Alabama.

Southern Virginia:

The Southern half of Virginia should be a part of the Carolina order 1005. The major plant (Kroger at Lynchburg, Virginia) is located in the area and is now a fully regulated distributing plant under the Carolina order 1005. There is a substantial overlap of the supply in Southern and Southwestern Virginia areas for Virginia unregulated and Carolina order 1005 plants.

The Southern half of Virginia should not be a part of the Middle Atlantic order 1004, or any merger of Northeast orders. Except for one Southern Virginia plant (Richfoods at Richmond, Virginia, a chain store processing plant with captive sales in the Middle Atlantic order 1004 area), there is little overlap of supply for Middle Atlantic order 1004 plants and the supply for Southern Virginia unregulated plants.

Based on the supply-sales tie in Southern Virginia with Carolina order 1005 regulated plants, for consistency of regulation, and to promote market stability, the Southern Virginia area should be a part of the Carolina order 1005 area.

Carolina Order 1005:

As outlined above, the Carolina order 1005 should include the Southern Virginia area and be merged with the Tennessee Valley order 1011.

The Carolina order 1005 should be merged with the Southeast order 1007. Sales by Carolina order processors (Milkco at Asheville, North Carolina; Superbrand at Greeneville, South Carolina; Pet, Inc. at Spartanburg, South Carolina; and Regis Milk Company at Charleston, South Carolina) are substantial into the Southeast order 1007 area. In addition, eastern Georgia serves as a common supply area for plants regulated under both the Carolina order 1005 and the Southeast order 1007.

Summary:

The proposed Southeast order is the largest area definable that will meet the normal criteria (as outlined in the Norse report) of supply and sales areas used in determining the scope of a Federal milk marketing order. The individual merger of each of the four existing orders (1005, 1007, 1011, 1046, Northwest Arkansas and Southern Missouri, and the unregulated Southern Virginia area) will also meet this criteria. A map (Attachment 4) is enclosed reflecting the modified proposal as supported by Mid-America Dairymen.


The combination of the Appalachian and Southeast orders causes the number of merged orders to be reduced to nine. Mid-Am suggests the department choose between Southern Michigan, Central Arizona or Eastern Oregon-Southwest Idaho as a stand alone market to create the tenth order as required by law.

Mid-Am congratulates the department for a fine job on formulating the proposed Federal Orders.

We ask the department to only modify the orders as explained above.

Sincerely,

MID-AMERICA DAIRYMEN, INC.



John J. Wilson
Vice President of Fluid Milk Marketing/
Economic Analysis

JJW/dr

**Federal Order Blend Analysis
1996 Annual Average**

Origin	Destination	Blend	Additional Haul	Net	Gain
Cabool	Cabool	\$14.40	\$0.00	\$14.40	
	Memphis	\$15.73	(\$0.56)	\$15.17	\$0.77
	Little Rock	\$15.73	(\$0.60)	\$15.13	\$0.73
	Tupelo	\$15.79	(\$0.97)	\$14.82	\$0.42
	Fulton	\$15.39	(\$0.67)	\$14.72	\$0.32
	Hattiesburg	\$16.36	(\$1.69)	\$14.67	\$0.27
	Huntsville	\$15.79	(\$1.39)	\$14.41	\$0.01
Fayetteville	Fayetteville	\$14.77	\$0.00	\$14.77	
	Little Rock	\$15.73	(\$0.41)	\$15.32	\$0.55
	Memphis	\$15.73	(\$0.90)	\$14.83	\$0.06

Producer Milk by County, State where Producers per County > 2

2/14/97

December 1996

7:14 am

Order No. 7

Page: 5

Missouri

	<u>County Name</u>	<u>No. Farms</u>	<u>Total Pounds</u>
3	Andrew	3	61,056
15	Benton	22	879,346
29	Camden	42	1,866,235
43	Christian	4	480,503
59	Dallas	27	1,332,471
67	Douglas	90	3,787,754
91	Howell	70	4,479,231
105	Laclede	96	7,527,185
149	Oregon	20	1,706,544
153	Ozark	66	4,709,959
167	Polk	6	788,540
215	Texas	66	4,128,537
225	Webster	25	1,985,216
229	Wright	153	10,205,734
999	Restricted	11	1,142,632
Total for Missouri		701	45,080,943

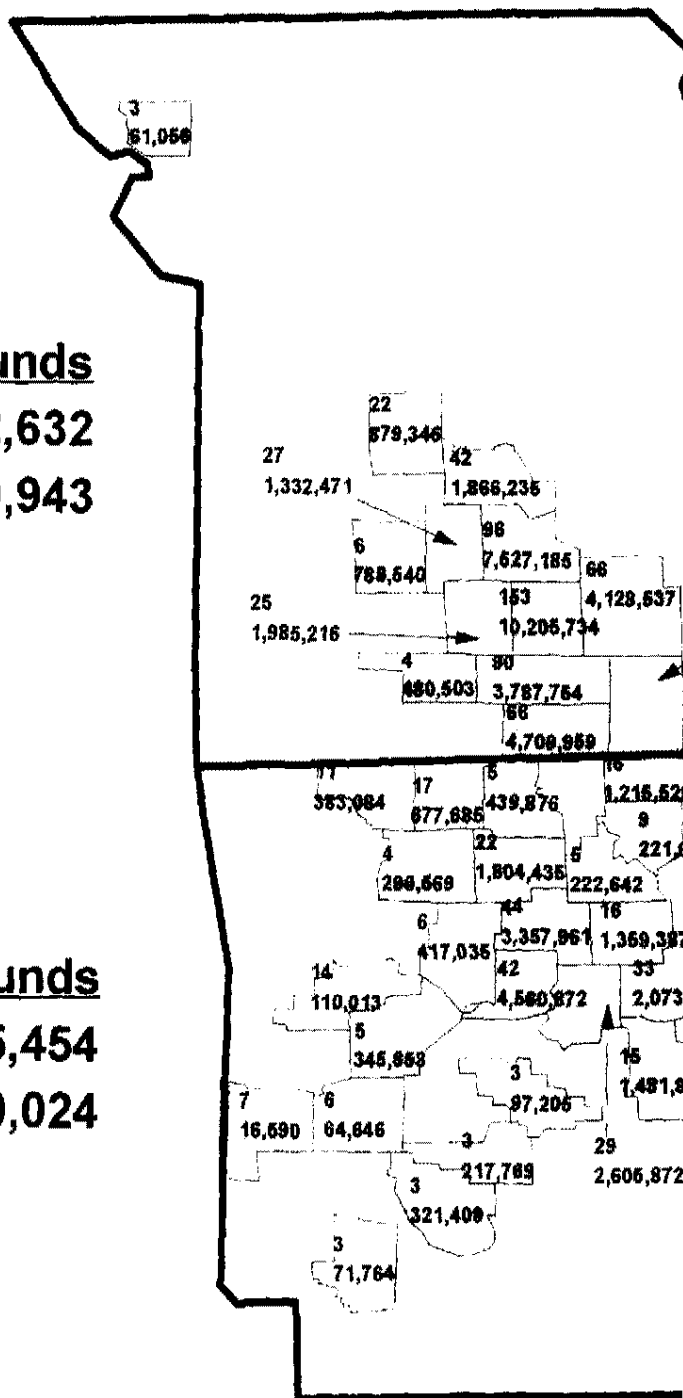
Arkansas

	<u>County Name</u>	<u>No. Farms</u>	<u>Total Pounds</u>
9	Boone	17	677,685
15	Carroll	11	383,084
19	Clark	3	321,409
23	Cleburne	16	1,359,387
29	Conway	42	4,560,872
45	Faulkner	29	2,605,872
49	Fulton	16	1,215,529
57	Hempstead	3	71,764
59	Hot spring	3	217,769
65	Izard	9	221,659
83	Logan	14	110,013
85	Lonoke	15	1,481,992
89	Marion	5	439,876
97	Montgomery	6	64,646
101	Newton	4	290,569
113	Polk	7	16,590
115	Pope	6	417,035
117	Prairie	5	417,173
125	Saline	3	97,205
129	Searcy	22	1,804,436
137	Stone	5	222,642
141	Van buren	44	3,357,961
145	White	33	2,073,750
149	Yell	6	345,653
999	Restricted	17	1,166,454
Total for Arkansas		340	23,940,024

Missouri & Arkansas Producer Milk on Order #7 December 1996

<u>Missouri</u>	<u>Farms</u>	<u>Pounds</u>
Restricted	11	1,142,632
Total	701	45,080,943

<u>Arkansas</u>	<u>Farms</u>	<u>Pounds</u>
Restricted	17	1,165,454
Total	340	23,940,024



Mid-Am Suggested Changes to US

