

BEFORE THE UNITED STATES DEPARTMENT
OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

In re:	)
	) Docket Nos.:
Milk In the Northeast and	) AO-14-A72, et al
	) DA-03-08
Other Marketing Areas	)

**POST HEARING COMMENTS SUBMITTED ON BEHALF OF THE ASSOCIATION
OF DAIRY COOPERATIVES IN THE NORTHEAST ("ADCNE")**

I. INTRODUCTION AND OVERVIEW OF ISSUES AND PROPOSALS

Thess comments are submitted on behalf of ADCNE, the Association of Dairy Cooperatives in the Northeast, with respect to the proposals heard October 21, 2003, in Alexandria, Virginia.

The ADCNE cooperatives represent in aggregate more than 65% of the Order 1 pool. Following is a brief description of their operations in Order 1.

Agri-Mark, Inc., headquartered in Methuen, Massachusetts, has approximately 1350 members located in the six New England states and New York. It markets about 2.5 billion pounds of milk annually. Agri-Mark owns and operates three manufacturing plants including a dedicated cheese plant in Middlebury, Vermont, a cheese and other dairy product plant in Cabot, Vermont, and a butter and powder plant in West Springfield, Massachusetts.

Dairylea Cooperative Inc., headquartered in Syracuse, New York, represents 2,400 dairy farmers, most of whom are pool producers under the Northeast Order. Dairy Marketing Services is the pooling handler for Dairylea and the Northeast Area Council of Dairy Farmers of America,

its members.

Dairy Farmers of America, Inc. (DFA) is a national cooperative whose northeast area council operates in Order 1. The DFA Northeast Area Council represents 2,200 dairy farmers, with most being Order 1 pool producers. DFA owns two Order 1 pooled powder plants under the name of Deitrich's Milk Products, LLC.

Land O'Lakes, Inc., is a cooperative with a national membership base. In the Northeast, Land O'Lakes has over 2,200 members who are pooled on Order 1. LOL owns and operates an Order 1 pooled butter/powder plant located in Carlisle, Pennsylvania.

Maryland and Virginia Milk Producers Cooperative Association, Inc., headquartered in Reston, Virginia, consists of approximately 1600 producers in 11 states in the east and southeast. It owns and operates an Order 1 pool plant at Laurel, Maryland, which has butter/powder manufacturing capacity.

O-AT-KA Milk Products Cooperative, Inc., is a federated cooperative owned by Upstate, Dairylea, and Niagara Milk Producers Cooperative, Inc., of Niagara Falls, NY. O-AT-KA owns and operates the manufacturing plant at Batavia, New York.

St. Albans Cooperative Creamery, Inc., is a Capper-Volstead cooperative with 600 members headquartered in St. Albans, Vermont. It owns and operates an Order 1 supply plant which includes facilities receiving, separating, condensing and drying milk.

Upstate Farms Cooperative, Inc., is headquartered in Buffalo, New York, and has 342 member dairy producers the majority of whom are pooled on Order 2. Upstate owns and operates a pool distributing plant at Rochester and is a member owner of the O-At-KA butter/powder plant in Batavia, New York.

II. ADCNE SUPPORTS ADOPTION OF PROPOSALS 1 AND 2 ON AN EMERGENCY BASIS

ADCNE supports adoption of proposals 1 and 2 to change the classification of milk and cream used to produce evaporated milk and sweetened condensed milk from Class III to Class IV. These proposals would correct the current mis-classification of these products in the multiple-component pricing, end-product pricing system used in the federal orders. The mis-classification of these products in the cheese use category has presently led to a \$4.00 per hundredweight price discrepancy which is extremely burdensome to federal order processors of these products, including ADCNE member O-At-Ka. It is imperative that the changes be made on the most expedited basis possible to restore order to the national market for these products.

III. PROPOSAL 3 SHOULD NOT BE ADOPTED

Proposal 3 to change the classification of bulk inventory should not be adopted at this time for several reasons in our view. First, while it would affect all orders in the country, there was no testimony from handlers in any order other than the Order 1 proponents in support of the proposal. That factor alone leads us to conclude it is not a critical issue and should not be adopted without more input.¹ Furthermore, the only circumstance in which the proposal would have any impact — when Class IV prices exceed Class III prices — is not likely to recur in the foreseeable future because of the “tilt” in USDA/CCC butter-powder support price purchase

¹ NMPF has suggested that sufficient input might be obtained with the publication of a proposed rule (recommended decision) including necessary conforming changes to allocation language and the Department could certainly consider that option as one way to address the void in the record on this proposal. What is absolutely critical in this process is that consideration of this issue not delay the processing of proposals 1 and 2.

prices. Again, this leads to the conclusion that the proposal should not be adopted at this time and on this record.

Finally, ADCNE is concerned that there could be unexplored consequences of the proposed inventory pricing language change. We believe that there could be allocation-sequence ripple effects that could lead to losses of producer income. This was not explored at the hearing which just emphasizes the need for a fuller record discussion of any changes of this nature.

ADNCE requests that Proposal 3 not be adopted.

RESPECTFULLY SUBMITTED,

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