



Associated Milk Producers Inc.

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February 18, 2004

Mr. Richard McKee
Deputy Administrator, Dairy Programs
Stop - 0225, Room 2968-S
USDA, AMS, Dairy
1400 Independence Ave., S.W.
Washington, DC 20250-0225

Dear Mr. McKee:

Associated Milk Producers Inc. (AMPI), Bongards' Creameries, Elisworth Cooperative Creamery and First District Association are requesting an emergency hearing be held for Federal order 1030 (Upper Midwest Marketing Area) to address the following issue.

We are concerned that milk located long distances from order 1030 is being pooled on this order. The apparent reason is to take advantage of less restrictive pooling provisions currently in place in order 1030.

There are handlers in order 1030 that are using the order's current provisions to qualify "distant" milk. These provisions allow handlers to use direct shipments of milk to distributing plants in the marketing area to qualify milk anywhere outside the marketing area, as long as the milk diverted to nonpool plants does not exceed 90 percent of total milk pooled. Only one day's production of distant milk needs to be shipped to a 1030 pool plant (not necessarily a distributing plant) and then may be continuously diverted to distant locations. The milk has no further order 1030 shipping requirements and continues to draw the order 1030 producer price differential (PPD) until it breaks association with the market.

From June 2001 through December 2003 there have been varying volumes of milk from Idaho and Utah pooled on order 1030, depending on whether it was more advantageous to pool Class III, Class IV or both. In December 2003 there was a pool draw on both classes and the pooled Idaho milk reached a three-year high of 264 million pounds. The order 1030 market administrator estimates this milk alone lowered the 1030 PPD by 17 cents per hundredweight.

We believe the arrangements between the handlers doing the pooling and the entities diverting milk in Idaho are profitable at the expense of the majority of producers in, or in close proximity to the order 1030 marketing area. These pay-to-pool pricing accommodations have negatively affected the order 1030 PPD's and caused economic harm to the majority of the dairy farmers associated with order 1030.

There needs to be some connection between where the milk is located and which market it would most logically serve. Idaho milk pooled on order 1030 does not fit that test and midwest dairy farmers should not have to give up order returns to accommodate this additional milk supply.

The volume of distant milk pooled on order 1030 is growing and with the possible termination of order 1135 (Western Marketing Area) we believe the problem could be substantially magnified.

We propose the following additions and / or changes to order 1030:

Add a new paragraph § 1030.7(c)(1)(v) to read as follows:

(v) Qualifying shipments by plants located outside the States of Illinois, Iowa, Minnesota, North Dakota, South Dakota, Wisconsin and the Upper Peninsula of Michigan may be made only to plants described in paragraphs (c)(1)(i) of this section.

Revise § 1030.7(c)(2) to read as follows:

§ 1030.7(c) Pool Plant.

(2) The operator of a supply plant located within the States of Illinois, Iowa, Minnesota, North Dakota, South Dakota, Wisconsin and the Upper Peninsula of Michigan may include as qualifying shipments under this paragraph milk delivered directly from producers' farms pursuant to §§ 1000.9(c) or 1030.13(c) to plants described in paragraphs (a), (b) and (e) of this section. Handlers may not use shipments pursuant §§ 1000.9(c) or 1030.13(c) to qualify plants located outside the marketing area.

Change the introductory paragraph of § 1030.13(d) to read as follows:

§ 1030.13 Producer Milk

(d) Diverted by the operator of a pool plant or a cooperative association described in § 1000.9(c) to a nonpool plant located in the States of Illinois, Iowa, Minnesota, North Dakota, South Dakota, Wisconsin and the Upper Peninsula of Michigan or a distributing plant fully regulated under another Federal order, subject to the following conditions:

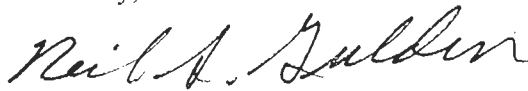
Revise paragraph § 1030.55(a)(2) to read as follows:

§ 1030.55 Transportation Credits and Assembly Credits

(2) Multiply the hundredweight of milk eligible for the credit by .28 cents times the number of miles, not to exceed 400 miles, between the transferor plant and the transferee plant;

Your prompt consideration of our request would be greatly appreciated.

Sincerely,



Neil S. Gulden
Director, Fluid Marketing

cc: H. Paul Kyburz – F.O. 1030
Roger Engelmann – Bongards Creameries
Ken McMahon – Ellsworth Cooperative Creamery
Clint Fall – First District Association