

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Agricultural Marketing Service  
Dairy Programs

FEDERAL MILK ORDERS 124 & 131

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January 30, 2015

**TO:** Pool Handlers – Arizona Federal Milk Order 131

**SUBJECT:** Revision in Shipping Percentages for Plants Operated by a Cooperative Association

**SUMMARY:** This action reduces the percentage of a cooperative association's producer milk that must be delivered to pool distributing plants in order to qualify its manufacturing plant for pool status. The order states that a specified percentage of producer milk must be delivered to pool distributing plants during either the current month or, on average, the immediately preceding 12-month period ending with the current month to qualify a cooperative's plant.

The purpose of this standard is to assure an adequate supply of milk for fluid consumption while enabling the continued pooling of producer milk that currently is pooled without the need for uneconomic movements of milk, which would result in disorderly marketing. To accomplish this goal, the order must reflect the current nature of the market. United Dairymen of Arizona (UDA), a cooperative association supplying milk to the Arizona market, has requested a reduction of the pool standard in section 1131.7(d) of the order. Based on an analysis of marketing data, the percentage of producer milk that a cooperative association must ship to pool distributing plants in order to qualify its manufacturing plant for pool status under the Arizona Federal milk order will be reduced until such time as marketing conditions warrant further review.

**The minimum shipping percentages applicable pursuant to this revision are:**

**January – December      15%**

**EFFECTIVE DATE:      February 1, 2015**

**STATEMENT OF CONSIDERATION:** This proposed action was requested by United Dairymen of Arizona (UDA), a cooperative association which operates a pool manufacturing plant under the order. UDA has requested that the current revised shipping standards of 20 percent in January through March, 15 percent in April through June, and 20 percent in July through December be changed to 15 percent in January through December effective with the February 2015 delivery period. The current shipping standards are the result an adjustment effective with the January 2003 delivery period. The shipping percentages were also reduced during calendar years 2000, 2001, and 2002.

On January 20, 2015, this office notified order 131 handlers of a Proposed Revision in Shipping Percentages for Plants Operated by a Cooperative Association and invited the submission of comments, data, or views on this request by no later than January 28, 2015. Two comments were

received. In addition, an analysis of the current and projected order 131 marketing conditions was performed by this office.

UDA submitted comments in favor of reducing the current shipping percentages. UDA states that the consideration that supported the previous revisions in the shipping standards continues to support the current request. UDA states that its manufacturing plant performs the same function as plants that qualify as pool supply plants under other orders. UDA further states that it has supplied the milk requirements of pool handlers when there was no performance standard during the five year period of 1995 – 1999 and under revised standards in each year since 2000 with no adverse impact on the market.

Comments in opposition to reducing the shipping percentages were received from GH Processing (GH). GH stated that the proposed reduction in shipping standards would give cooperative associations an advantage over other producers and that all producers must deal with fluctuations of milk production and that the order cannot be adjusted to their advantage. Section 1131.13(d)(2) of the Arizona Federal milk order permits pool plants to divert producer milk to nonpool plants in any month in an amount that may not exceed 50 percent of the total producer milk caused by the handler to be received at pool plants and diverted. Section 1131.13(d)(5) of the Arizona order states that the market administrator may review the need for any adjustment to this diversion percentage either on his own initiative or at the request of interested parties.

Current market conditions continue to indicate that absent a reduction in shipping standards, the pool status of UDA's manufacturing plant may not be maintained without costly and inefficient movements of milk that would have to be made to maintain the pool status of producers who have historically supplied the market and to prevent disorderly marketing in the Arizona order 131 marketing area. Therefore, reducing the shipping standard in section 1131.7(d) is reasonable and necessary to ensure that such producer's milk will not have to be moved in an uneconomic and inefficient manner. In addition, reducing the shipping standard will also serve to ensure orderly marketing conditions that may otherwise be eroded if the shipping standard is not lowered.

Based on the comments received and analysis of available information and data, it is determined that until such time as marketing conditions warrant further review, the percentage of producer milk that a cooperative association must deliver to pool distributing plants during the current month or, on average, the immediately preceding 12-month period ending with the current month, are revised to the following schedule:

**January – December      15 percent**

As provided in section 1131.7(f) of the Arizona Federal milk order, the market administrator may review the need for any further adjustment on his own initiative or at the request of interested parties.

If you have any questions regarding this matter, please contact this office.



William A. Wise  
Market Administrator