



United States Department of Agriculture
Agricultural Marketing Service
Dairy Programs
Market Administrator
Federal Order No. 6 – Florida Marketing Area
Federal Order No. 7 – Southeast Marketing Area



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TO: Interested Parties
FROM: *Patrick S. Clark*
Patrick S. Clark, Market Administrator

SUBJECT: Request to Lower Diversion Percentages to Zero (0) – Denied

On July 23, 2014, the Southeast Order Market Administrator received a request to use the authority granted in section 1007.13(d) of the ORDER REGULATING THE HANDLING OF MILK IN THE SOUTHEAST MARKETING AREA to reduce diversion limit percentages in August, September, October and November 2014 from twenty-five (25) percent to zero (0) percent. An investigation was initiated, including an invitation for written data, views, and arguments from interested parties published on July 28, 2014. It was determined that August would be excluded from consideration due to insufficient advanced notice. Data requests received from interested parties with respect to the investigation were posted on the Market Administrator's website.

Comments in response to the invitation were received from 9 individual dairy producers and 10 dairy industry organizations (companies, cooperatives, and producer associations). All comments are posted on the Market Administrator's website at www.fmmatlanta.com under the 'What's New' link. The current diversion limits, approved by producers through a referendum and permanently adopted in May 2014, were altered in conjunction with a change in delivery day requirements, effective Class I price differentials, and provisions of the transportation credit balancing fund. In addition, similar amendments were made to Federal Order 5, the Appalachian Order, with handlers on both markets expressing their preference for uniform diversions percentages, delivery day requirements, and transportation credit balancing fund provisions. Therefore, altering just one of these provisions in Order 7 alone is disruptive given the lack of ample advanced notice to handlers, the potential for uneconomic movements of milk, disparate impacts upon milk suppliers, tendency toward disorderly marketing, and potential unintended consequences.

As such, the request is denied and no change in diversion limit percentages will be made at this time.

The Market Administrator is grateful for those who provided input to this investigation and the Southeast Dairy Industry is benefitted by those who have brought this matter to the forefront for more in depth discussion and analysis.