

A Primer on Federal Order Transportation Credits

Why do Federal Orders in the southeast have Transportation Credits?

In August 1996, following a public hearing and an affirmative vote by dairy farmers, Federal order provisions were implemented establishing Transportation Credit Balancing Funds (TCBF) for what are the current Appalachian and Southeast orders. The TCBF provides monetary credits to milk handlers who import supplemental bulk milk for fluid use. The 1996 hearing record indicates that, in some months, local supplies were insufficient to meet fluid needs and that the burden of the import costs for supplemental milk was falling unevenly on the milk handlers and dairy farmers operating in these markets. Today, supplemental milk continues to be needed to supply the fluid markets in the southeast.

Since 1996, the transportation credit provisions have been modified to address changes in marketing conditions. Changes include, increases in the assessment rate; the addition of a fuel cost adjuster in the calculation of the payout rate; an increase in the number of months payments are made from the fund; a slight change in the definition of supplemental milk; and a stipulation that the pounds of milk for which TCBF payments are made reduces the amount of milk a handler is able to divert from the market.

Who pays the assessment?

Dairy processors and milk handlers regulated on the Appalachian and Southeast orders are charged a monthly TCBF assessment on bulk milk they receive or handle that is classified for fluid use (Class I).

What is the current assessment rate?

Order provisions provide for a maximum TCBF assessment rate of \$.15 per hundredweight and \$.30 per hundredweight for the Appalachian and Southeast orders, respectively. The Market Administrator may adjust the assessment rate based on the volume of payments made in the prior period.

During what months are payments made from the TCBF?

For both the Appalachian and Southeast orders, payments are made from the TCBF for the months of January, February and July through December. Payment may also be requested for the month of June. Upon receiving a request, the Market Administrator will conduct an independent investigation to determine if such payments are necessary to assure the market of an adequate supply of milk for fluid use.

Who may request payment from the TCBF?

Dairy processors and cooperative associations who import supplemental milk that is delivered to a fully regulated distributing plant may request payment from the TCBF.

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What is supplemental milk?

In general, supplemental milk is defined as milk that is not part of the order's regular milk supply. Order provisions define supplemental milk as bulk milk produced on a farm located outside the geographic boundaries of the Appalachian and Southeast marketing areas. In addition, bulk milk eligible to receive payment from the TCBF must come from dairy farmers whose milk was not pooled on that order for more than 45 days during the immediately preceding months of March through May, or from farmers with not more than 50 percent of their total production pooled on that order in those 3 months.

At what rate are payments made from the TCBF?

Payments from the TCBF are made using a mileage rate factor computed based on an average cost per loaded mile, including a monthly adjustment based on the diesel price per gallon for the southeastern US. The total payment is determined by multiplying the mileage rate factor by the number of miles the load traveled from outside an 85 mile radius of the order.

What if there is not enough money in the fund to pay all eligible requests?

If, for any month, the TCBF does not have enough funds to pay out on all eligible requests, payments are disbursed on a pro rata basis.

How does the Market Administrator ensure that payments are only made on eligible requests?

Prior to payments being made from the TCBF, requests are evaluated to determine their preliminary eligibility. After payments have been made, a full audit is conducted to ensure that the requests have met all eligibility requirements. For any disallowed request for which payment was made, an audit billing is issued to the requestor.

Additional information can be found at www.fmmatlanta.com. Click on **Transportation Credit Balancing Fund Info**.