



DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 1006

[AMS-DA-17-0068; AO-18-0008]

Milk in the Florida Marketing Area; Order Amending the Order

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This final rule amends the Florida Federal milk marketing order (FMMO) to adopt a temporary assessment on Class I milk. Assessment revenue will be disbursed to handlers and producers who incurred extraordinary marketing losses and expenses due to Hurricane Irma in September 2017. More than the required number of producers for the Florida marketing area have approved the issuance of the final order as amended.

DATES: This rule is effective July 1, 2018.

FOR FURTHER INFORMATION CONTACT: Erin C. Taylor, Order Formulation and Enforcement Division, USDA/AMS/Dairy Program, STOP 0231-Room 2963, 1400 Independence Ave, SW., Washington, DC 20250-0231, (202) 720-7183, e-mail address: erin.taylor@ams.usda.gov.

SUPPLEMENTARY INFORMATION: This rule, in accordance with 7 CFR 900.14(c), is the Secretary's final rule in this proceeding and issues a marketing order as defined in 7 CFR 900.2(j).

Accordingly, this final rule adopts proposed amendments detailed in the proposed rule (83 FR 13691).

This administrative action is governed by the provisions of Sections 556 and 557 of Title 5 of the United States Code and is therefore excluded from the requirements of Executive Order 12866.

This final rule is not considered an Executive Order 13771 regulatory action because it does not meet the definition of a “regulation” or “rule” under Executive Order 12866.

The proposed amendments adopted in this final rule have been reviewed under Executive Order 12988, Civil Justice Reform. This rule is not intended to have retroactive effect and will not preempt any state or local law, regulations, or policies, unless they present an irreconcilable conflict with this rule.

AMS is committed to complying with the E-Government Act to promote the use of the Internet and other information technologies, to provide increased opportunities for citizen access to Government information and services, and for other purposes.

The Agricultural Marketing Agreement Act of 1937 (AMAA), as amended (7 U.S.C. 601 – 674 and 7253), provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the AMAA, any handler subject to a marketing order may request modification or exemption from such order by filing with the U.S. Department of Agriculture (USDA) a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law. A handler is afforded the opportunity for a hearing on the petition. After a hearing, USDA would rule on the petition. The AMAA provides that the district court of the United States in any district in which the handler is an inhabitant, or has its principal place of business, has jurisdiction in equity to review USDA’s ruling on the petition, provided a bill in equity is filed not later than 20 days after the date of the entry of the ruling.

Regulatory Flexibility Act and Paperwork Reduction Act

In accordance with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601-612), AMS has considered the economic impact of this action on small entities and has determined that this rule will not have a significant economic impact on a substantial number of small entities.

For the purpose of the RFA, a dairy farm is considered a small business if it has an annual gross revenue of less than \$750,000. Dairy product manufacturers are considered small businesses based on the number of people they employ. Small fluid milk and ice cream manufacturers are defined as having 1,000 or fewer employees. Small butter and dry or condensed dairy product manufacturers are defined as having 750 or fewer employees. Small cheese manufacturers are defined as having 1,250 or fewer employees. Manufacturing plants that are part of larger companies operating multiple plants with total numbers of employees that exceed the threshold for small businesses will be considered large businesses, even if the local plant has fewer employees than the threshold number.

AMS estimates that 248 dairy farms produced milk pooled on the Florida FMMO in 2017. One hundred forty-one farms delivered milk to Florida pool plants fewer than 100 days during 2017, and of those, 66 had less than 48,000 pounds of pooled milk on the order during the entire year. AMS estimates 107 farms (248 minus 141) were part of the “normal” Florida milk supply last year. Nineteen of those farms had less than \$750,000 in gross milk sales, based upon estimated 2017 production and a weighted average uniform price of \$20.98 per cwt.

Considering all 248 farms that had producer milk on the Florida FMMO, AMS estimates that 101 farms had less than \$750,000 in gross milk sales, regardless of where all of their production was pooled, and would be considered small businesses.

AMS data indicates that six dairy farmer cooperatives, in their capacity as handlers, pooled producer milk on the Florida FMMO in 2017. AMS estimates that two of those cooperative handlers have fewer than 500 employees and would be considered small businesses. Thirty-eight processing plants received producer milk in 2017, of which AMS estimates that 13 would be considered small businesses. Two of the 13 small businesses are fully regulated distributing plants on the Florida FMMO. The remaining 11 small businesses are nonpool or exempt plants.

The proposed amendments adopted in this final rule will provide temporary reimbursement to handlers (cooperative associations and proprietary handlers) who incurred extraordinary losses in connection with Hurricane Irma in September 2017. The amendments were requested by Southeast Milk, Inc.; Dairy Farmers of America, Inc.; Premier Milk, Inc.; Maryland and Virginia Milk Producers Cooperative Association, Inc.; and Lone Star Milk Producers, Inc. The dairy farmer members of these five cooperatives supply the majority of the milk pooled under the Florida FMMO. For a 7-month period beginning with July 2018, the amendments will implement a temporary assessment on Class I milk pooled on the Florida FMMO at a rate not to exceed \$0.09 per hundredweight (cwt). The amount generated through the temporary assessment will be disbursed during the 7-month period starting in July 2018 to qualifying handlers who incurred extraordinary losses and expenses as a result of the hurricane.

The amendments will reimburse handlers for marketing expenses and losses in four categories: transportation costs to deliver loads to other than their normal receiving plants; lost location value due to selling milk in lower location value zones; milk dumped at farms or on tankers, and skim milk dumped at plants; and distressed milk sales. Reimbursement will be funded through an assessment on Class I milk at a maximum rate of \$0.09 per cwt. Record

evidence indicates that this would increase the consumer price of milk by less than \$0.01 per gallon during the 7-month assessment period.

The temporary assessment will not place handlers in the Florida marketing area at a competitive disadvantage because of the assessment's uniform application to Class I milk. Additionally, any handler who experienced a qualifying marketing expense or loss will be eligible to receive reimbursement, regardless of size. Dairy farmer blend prices will not be impacted by the amendments because the assessment will not be funded through the marketwide pool. Dairy farmer cooperatives who pooled milk on the Florida order, and therefore who qualified as the pooling handler, will also be eligible for reimbursement. In those instances, producers are receiving relief as the money is returned to their dairy farmer-owned cooperative. Accordingly, the adoption of the proposed amendments will not significantly impact producers or handlers of any size, due to the limited implementation period and the minimal impact to the Class I milk price.

A review of reporting requirements was completed in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35). The information necessary to qualify for reimbursement, as outlined in this rule, has already been submitted through the monthly handler receipts and utilization form (FORM 1), or is part of the normal business records inspected during routine FMMO audits.

The primary information sources that will be required for applications for reimbursement are documents currently generated in customary business transactions. These documents include, but are not limited to: invoices; receiving records; bulk milk manifests; hauling bills; and contracts. As these documents are routinely inspected by the market administrator during

handler audits, the amendments adopted in this rule would not result in any new information collection.

Prior Documents in this Proceeding:

Notification of Hearing: Issued December 6, 2017; published December 11, 2017 (82 FR 58135);

Supplemental Notice of Hearing: Issued December 7, 2017; published December 11, 2017 (82 FR 58135);

Final Decision: Issued March 23, 2018; published March 30, 2018 (83 FR 13691).

Findings and Determinations

The findings and determinations hereinafter set forth supplement those that were made when the order was first issued and when it was amended. The previous findings and determinations are hereby ratified and confirmed, except where they may conflict with those set forth herein.

(1) Findings upon the basis of the hearing record.

The amendments to the order are based on the record of a public hearing held in Tampa, Florida, December 12 through 14, 2017, pursuant to a notification of hearing issued December 6, 2017, and published December 11, 2017 (82 FR 58135). The hearing was held pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), and the applicable rules of practice and procedure (7 CFR part 900). The tentative marketing agreement and the order are authorized under 7 U.S.C. 608c.

Upon the basis of the evidence introduced at the public hearing and its record, it is found that:

(a) The order as hereby amended, and all of the terms and conditions thereof, will tend to effectuate the declared policy of the AMAA;

(b) The parity prices of milk, as determined pursuant to section 2 of the AMAA, are not reasonable in view of the price of feeds, available supplies of feeds, and other economic conditions that affect market supply and demand for milk in the Florida marketing area. The minimum prices specified in the tentative marketing agreement and order, as hereby amended, are prices that will reflect the aforesaid factors, ensure a sufficient quantity of pure and wholesome milk, and be in the public interest; and

(c) The tentative marketing agreement and order, as hereby amended, will regulate the handling of milk in the same manner as, and applies only to, persons in the respective classes of industrial and commercial activity specified in, marketing agreements upon which a hearing has been held.

(2) Additional Findings.

The amendment to this order is known to handlers. The final decision containing the proposed amendment to this order was issued on March 23, 2018, and published in the **Federal Register** on March 30, 2018 (83 FR 13691).

The public hearing regarding amendments to this order was held on an emergency basis. The changes that result from these amendments will not require extensive preparation or substantial alteration in the handlers' method of operation. Therefore, it is determined that good cause exists for making this amendment effective July 1, 2018. (Section 553(d), Administrative Procedure Act, 5 U.S.C. 551-559.)

(3) Determinations.

It is hereby determined that:

- (a) The refusal or failure of handlers (excluding cooperative associations specified in section 8c(9) of the AMAA) of more than 50 percent of the milk marketed within the specified marketing areas to sign a proposed marketing agreement, tends to prevent the effectuation of the declared policy of the AMAA;
- (b) The issuance of this order amending the Florida order is the only practical means pursuant to the declared policy of the AMAA of advancing the interests of producers as defined in the order as hereby amended; and
- (c) The issuance of this order amending the Florida order is favored by at least two-thirds of the producers who were engaged in the production of milk for sale in the respective marketing areas.

List of Subjects in 7 CFR Part 1006

Milk marketing orders.

Order Amending the Order Regulating the Handling of Milk in the Florida Marketing Area

It is therefore ordered, that on and after the effective date hereof, the handling of milk in the Florida marketing area shall be in conformity to and in compliance with the terms and conditions of the order as amended, as follows:

For the reasons set forth in the preamble, 7 CFR part 1006 is amended as follows:

PART 1006 – MILK IN THE FLORIDA MILK MARKETING AREA

1. The authority citation for part 1006 continues to read as follows:

Authority: 7 U.S.C. 601-674, and 7253.

[Subpart Redesignated as Subpart A]

2. Redesignate “Subpart-Order Regulating Handling” as “Subpart A-Order Regulating Handling”.

3. Section 1006.60 is amended by revising paragraphs (a) and (g) and adding paragraphs (h) and (i) to read as follows:

§ 1006.60 Handler’s value of milk.

* * * * *

(a) Multiply the pounds of skim milk and butterfat in producer milk that were classified in each class pursuant to § 1000.44(c) of this chapter by the applicable skim milk and butterfat prices, and add the resulting amounts; except that for the months of July 2018 through January 2019, the Class I skim milk price for this purpose shall be the Class I skim milk price as determined in § 1000.50(b) of this chapter plus \$0.09 per hundredweight, and the Class I butterfat price for this purpose shall be the Class I butterfat price as determined in § 1000.50(c) of this chapter plus \$0.0009 per pound. The adjustments to the Class I skim milk and butterfat prices provided herein may be reduced by the market administrator for any month if the market administrator determines that the payments yet unpaid computed pursuant to paragraphs (g)(1) through (g)(6) of this section will be less than the amount computed pursuant to paragraph (h) of this section. The adjustments to the Class I skim milk and butterfat prices provided herein during the months of July 2018 through January 2019 shall be announced along with the prices announced in § 1000.53(b) of this chapter.

* * * * *

(g) For transactions occurring during the period of September 6, 2017, through September 15, 2017, for handlers who have submitted proof satisfactory to the market

administrator no later than August 1, 2018, to determine eligibility for reimbursement of hurricane-imposed costs, subtract an amount equal to:

(1) The additional cost of transportation on loads of milk rerouted from pool distributing plants to plants outside the state of Florida as a result of Hurricane Irma, and the additional cost of transportation on loads of milk moved and then dumped. The reimbursement of transportation costs pursuant to this section shall be the actual demonstrated cost of such transportation of bulk milk or the miles of transportation on such loads of bulk milk multiplied by \$3.75 per loaded mile, whichever is less;

(2) The lost location value on loads of milk rerouted to plants outside the state of Florida as a result of Hurricane Irma. The lost location value shall be the difference per hundredweight between the value specified in § 1000.52 of this chapter, adjusted by § 1006.51(b), at the location of the plant where the milk would have normally been received and the value specified in § 1000.52, as adjusted by § 1005.51(b) and § 1007.51(b) of this chapter, at the location of the plant to which the milk was rerouted;

(3) The value per hundredweight at the lowest classified price for the month of September 2017 for milk dumped at the farm and classified as other use milk pursuant to § 1000.40(e) of this chapter as a result of Hurricane Irma;

(4) The value per hundredweight at the lowest classified price for the month of September 2017 for milk dumped from milk tankers after being moved off-farm and classified as other use milk pursuant to § 1000.40(e) of this chapter as a result of Hurricane Irma;

(5) The value per hundredweight at the lowest classified price for the month of September 2017 for skim portion of milk dumped and classified as other use milk pursuant to § 1000.40(e) of this chapter as a result of Hurricane Irma; and

(6) The difference between the announced class price applicable to the milk as classified by the market administrator for the month of September 2017 and the actual price received for milk delivered to nonpool plants outside the state of Florida as a result of Hurricane Irma.

(h) The total amount of payment to all handlers under paragraph (g) of this section shall be limited for each month to an amount determined by multiplying the total Class I producer milk for all handlers pursuant to § 1000.44(c) of this chapter times \$0.09 per hundredweight.

(i) If the cost of payments computed pursuant to paragraphs (g)(1) through (g)(6) of this section exceeds the amount computed pursuant to paragraph (h) of this section, the market administrator shall prorate such payments to each handler based on each handler's proportion of transportation and other use milk costs submitted pursuant to paragraphs (g)(1) through (g)(6). Costs submitted pursuant to paragraphs (g)(1) through (g)(6) which are not paid as a result of such a proration shall be paid in subsequent months until all costs incurred and documented through (g)(1) through (g)(6) have been paid.

Dated: May 8, 2018

Bruce Summers,

Acting Administrator,

Agricultural Marketing Service.

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