

Testimony of the Michigan Milk Producers Association

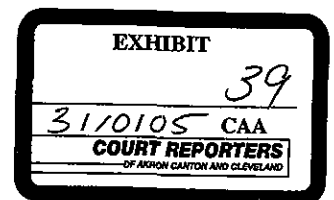
By Carl Rasch

Mideast Marketing Order Hearing

Docket No. AO-166-A72; DA-05-01

Wooster, Ohio

March 7, 2005



## TRANSPORTATION CREDIT STATEMENT

My name is Carl Rasch. I am employed by the Michigan Milk Producers Association as its Director of Bulk Milk Sales. I am here to testify on behalf of MMPA. MMPA is a member owned Capper-Volstead cooperative actively engaged in marketing milk in the Mideast Federal Order. MMPA is opposed to the proposed modification of Proposal #9 which would provide for transportation credits from the federal order pool for the movement of milk from supply plants to pool distributing plants.

We are opposed to the payment of transportation credits for plant transfers for the following reasons. First, pool proceeds should be used to assist in the movement of milk to the market place by the most efficient means possible. The most efficient method is direct delivery from the farm to the plant that ultimately distributes the finished product. Introduction of an intermediate delivery point such as a supply plant adds additional expenses related to testing, pumping and storage of the raw milk. Movement of milk via plant transfers also requires additional transportation equipment and drivers, which add expense to the delivery process.

Information contained in the MA Exhibit #\_\_\_\_ DFA requests #8(a) - #8(e) demonstrate that there are adequate reserve supplies contained within the market area (central Michigan and northern Ohio) which are located within

reasonable direct ship distances of Class I deficit regions of the market area. Based on the aforementioned information, we believe that USDA will conclude that pool proceeds should not be used to subsidize a less efficient method of milk delivery that is not necessary.

Second, allowing plant transfers to qualify for transportation credits will encourage pool riding by distant milk supplies. Because of differences in rules for pooling milk that pertain to supply plants, an incentive exists to establish supply plants outside the marketing area solely to facilitate compliance with the touch base performance requirements for individual producers. MA Exhibit #\_\_\_\_ DFA request #3 demonstrates that small volumes of milk delivered to pool distributing plants can be leveraged into the ability to pool huge quantities of distant milk supplies. Except for September 2004 when milk was voluntarily depooled, only 7% of the distant milk pooled was actually moved to a distributing plant. Supply plant transfers represented only one third of these deliveries to distributing plants. The compensation associated with being eligible for a pool draw on such a large volume of milk would appear to be more than adequate compensation for any transportation cost incurred. Additional payment from the pool in the form of a transportation credit is not warranted.

Finally, if a legitimate need for an assembly point exists in order to accommodate shipment of distant milk to deficit Class I markets, other options are available. Reload points can be used to assemble milk which because of

either time or distance constraints is not capable of supplying pool distributing plants on a farm direct basis. Because reload points don't qualify as a plant, transportation credits would apply to shipment of milk from them to distributing plants for which Class I utilization is assigned.

For all these reasons, MMPA opposes adoption of any proposal that provides for payment of transportation cost incurred in transferring milk from plant to plant.