

United States Department of Agriculture
Before the Secretary of Agriculture

*Public Hearing on Proposed Rulemaking
Tampa Florida
May 21 -23, 2007*

Docket No. AO-388 -A22; Docket No. AO-356-A43; AO-366-A51; DA-07-03

**Proposal (1) to Amend the Class I Pricing Surface, to Adjust Diversion Limits and
to Change Provisions Relating to Transportation Credits
in the Appalachian, Florida and Southeast Orders**

My name is Bill Crist. I have served as an Extension Professor and Dairy Specialist with the University of Kentucky since 1978, and am still in a Dairy Specialist position one quarter time until my replacement comes on board in January 2008. I received a PHD in the physiology of reproduction chemistry from the Ohio State University in 1970. My professional areas of emphasis are mastitis control, milking management and dairy facilities layout.

I am testifying today primarily in my capacity as a Kentucky dairy farmer, however, rather than as an Extension Dairy Specialist. My son and I are partners on two dairies we lease near Glasgow, Ky. My son is the primary manager.

The first dairy has 230 cows, 200 milking and 200 heifers custom raised for us. We own the cows and feeding equipment, and lease the parlor, feed barn and pasture. All feed is purchased. We started leasing the second farm in March of this year. We have 340 cows on this farm, 300 milking. Again, the parlor, free stall barn and pasture are leased, and all feed is purchased.

We sell milk to Lone Star Milk Producers and are pooled in Federal Milk Market Order 7.

I am also testifying on behalf of the Kentucky Dairy Development Council. KDDC represents all elements of the Kentucky Dairy Industry, and has as its mission "to educate, promote and represent dairy producers, and foster an environment for growth of the Kentucky dairy industry."

Simply put, the Class I price surface as currently established under the Orders is failing to offer sufficient economic incentives to move milk into the southeast from the reserve supply areas, and is failing to encourage local production within the southeast.

The proposal directly confronts these problems with amendments to pooling and transportation provisions, as well as increases in the region's Class I price surface. These are critical first steps toward restoring the stability and proper balance of the pool, and KDDC supports them for these reasons.

Most importantly, KDDC supports the proposal because it has as a central premise the restoration of the region's ability to provide its own basic milk supply. Under the proposal, the Class I price surface is raised in the region as a direct incentive to encourage greater local production. Revision of the pooling provisions also has this incentive as its aim, by the attempt to eliminate "uneconomic" incentives for the irrational importation of milk. These changes place the proper emphasis on the production of local milk as being the most rational basis of stability for the region's base supply.

KDDC also welcomes the proposal's suggestion that this hearing be used to determine the most appropriate level of allowable diversions. See page 5 of the proposal. As noted, the proper amount of diverted, or supplemental, milk needed to balance the market has been the subject of much discussion leading up to the hearing. Based on the formal testimony now received, the Department will be in the right position to best sort out this issue.

KDDC also notes that DCMA's proposal identifies the importance of the Market Administrator's continued authority to adjust diversion limits. Once again, this makes clear that the proper levels for diversion needs to be constantly monitored and adjusted as necessary to eliminate the "uneconomic" incentives for bringing milk into the southeast marketplace.

We also understand the rationale for the proposed reduction in touch base provisions. The Market Order Administrators would still retain their authority to review these requirements, and we believe, nonetheless, that this is still important.

KDDC also supports the transportation credit provision amendments, recognizing the importance of these amendments to the overall proposal, or the necessity to

In closing, I would note that the KDDC Board of Directors, on behalf of approximately 400 Kentucky producers and the allied industries, has voted to support the concepts contained in the DCMA proposal being considered in this hearing. The Board also expressed the hope that the proposal could be enhanced in a way that would be of greater benefit for Kentucky producers.

Thank you for your consideration of my testimony, and I would be happy to answer any questions you might have.