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# Ohio Farmers Union

March 6, 2005

We appreciate the opportunity to contribute testimony to this important hearing dealing with Federal Order 33 pooling rules. The Ohio Farmers Union firmly believes that permissive pooling rules have led to excessive levels of milk from distant regions being pooled in order 33 during certain periods, a practice that has removed tens of millions of dollars from the traditional, geographic Order 33 area.

We believe that these opportunistic transfers of milk have occurred not due to local milk shortages, but solely due to the desire of milk handlers to capitalize on excessively volatile and inappropriate class pricing variations, coupled with lax pool qualification criteria. These permissive pool qualification terms often allowed distant milk handlers to capture millions dollars from the Federal Order 33 pool without actually shipping the milk into the order on a daily basis.

We understand that milk must periodically flow between various regions and marketing orders, but believe that such transfers should be driven by legitimate market dynamics and fundamentals, not upon uncharacteristic market inversions related to lags in class pricing.

The Ohio Farmers Union believes that locally produced milk should serve local markets whenever possible. This principle is undermined by current pooling and qualification rules, which attract distant milk to order 33 during inversions in class pricing. Under these circumstances, local dairy producers are effectively deprived of the opportunity to capture the full market value of milk sold on the order 33 pool.

We strongly support changes in F.O. 33 rules to raise the requirements for qualifying milk not customarily associated with Federal Order 33 onto the order 33 pool in any given month. In order to encourage more consistent pool participation among local milk handlers, we also support provisions to impose structured criteria for re-entering the order 33 pool following a decision by any handler to depool local producer milk customarily associated with the order.

We appreciate that several of the proposals submitted for consideration serve to support those intended purposes. All things being equal, we would tend to support the most rigorous of standards for access to the pool and penalties to dissuade local milk handlers from capriciously exiting and re-entering the pool, within practical limits.

Due to our preference for maintaining the integrity of local markets, we are hesitant to support transportation credits within the Federal Order system.

Understanding that today's hearings are limited in scope, we would only say that pool integrity issues such as those under consideration today are symptomatic of a price discovery system and a class pricing system in need of much additional scrutiny.

Thank You

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*Ohio Farmers Union*

