

United States Department of Agriculture
AMS – Dairy Programs

IN RE:) Docket Nos. AO-14 – A76, et al
) DA-07-01
Milk in the Northeast and Other Milk)
Marketing Areas)

Testimony on behalf of Southeast Milk Inc.

My name is Thomas Pittman. I am employed by Southeast Milk Inc as Director of Milk Accounting & Economic Analysis. My office is located at 1950 SE Hwy 484, Belleview, FL 34420.

Southeast Milk, Inc., a dairy cooperative with 321 dairy producers located in Florida, Georgia, Alabama, South Carolina, Louisiana and Tennessee markets over 2.85 billion lbs annually in the Florida and Southeast Milk Marketing Orders.

Southeast Milk, Inc. (SMI) supports the proposals 1 – 5 as submitted by National Milk Producers Federation (NMPF). USDA has updated make allowances for Class III and IV prices, we support the request from NMPF that Class I and II prices be updated on a timely basis as well.

When the new make allowances for Class III and IV prices are implemented and used in the price formulas, producers who supply the fluid market will incur a reduction of income. Why? Because of the relationship between Class I and II prices and Class III and IV prices and the lowering of the Class III and IV prices through the make allowed adjustment.

Producers who supply the fluid market, especially in milk deficit areas, are incurring higher costs just to supply the market. These increased costs come from balancing the market, transporting the milk to the plant, and energy costs to produce the Grade A milk. These costs have all increased greatly over the last 24 months.

The cost to balance markets have increased due to higher transportation costs and lower returns on milk going into balancing plants. Fuel costs have greatly increased over the last 1 ½ years. When surplus milk needs to be moved out of the region to the closest balancing plant, the cost to move that milk has increased at times up to 40% because of the cost of fuel. Balancing plants with their increased manufacturing costs to process the milk have offered lower prices for surplus milk. This lowers the returns to producers who balance the fluid milk markets.

Exhibit	<i>24</i>
Witness	
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Most milk processing plants are located in large urban areas. Because of the growth of the urban areas into the rural areas, especially in the Florida and Georgia, procurement areas for these plants have grown as well. Trucks that assemble the milk are running more miles than ever. The higher costs to cover these miles have come from the producers. These costs need to come from the market.

Almost all of our fluid processing customers have higher standards for receiving raw milk than what is currently legal from the Pasteurized Milk Ordinance (PMO). We do not receive any additional compensation from the processor for the higher milk quality levels that are greater than the PMO, even though there is extra cost associated in providing that milk. The producers who supply the fluid market bear these additional costs with no opportunity for reimbursement, even though the milk is Grade A.

We request that the Department move quickly on an emergency basis with the testimony from this hearing. Since the beginning of year, SMI saw almost 8% of their farms quit producing milk. The producers need relief now from bearing all the extra costs in supplying the fluid market.

This concludes my statement.