Testimony of Ben Barner, Field Service Representative
Smith Dairy Products Company
Orrville, Ohio
December 14, 2006

Smith Dairy is a privately owned independent dairy with two production plants. One is in Richmond, Indiana, and the other is in Orrville, Ohio. Both of these plants are in the Federal Order 33 Mid East Market.

The Ohio plant packages fluid milk and manufactures ice cream, cottage cheese, and other cultured products. It is about fifty miles south of Cleveland. We employ about 300 associates in Ohio. Our primary customers are retail food stores, food service accounts and warehouses, schools, and other manufacturers which need dairy products as ingredients. We ship products mostly throughout the state of Ohio.

Our Indiana plant packages both HTST and UHT fluid products. About 100 associates work here. Its customer base includes large retail grocery chains, food service warehouses, and manufacturers needing dairy ingredients. Products are primarily shipped throughout Kentucky, Indiana, and Ohio. An exception to this is the UHT products. They are shipped to a much wider area.

Our combined monthly milk volume is about thirty million pounds. Both plants have an independent non-co-op milk supply produced by approximately 250 farms located mostly within fifty miles of each facility. This is supplemented by milk provided by the Dairy Farmers of America (DFA).

I am Ben Barner, Smith Dairy's Field Service Representative for the Ohio plant. I am responsible for working directly with the producers shipping milk to our plant. I monitor the procedures utilized to ensure that a quality and safe supply of milk is shipped to our plant. I sign up new producers when we need more milk. I have been working in this position for seven years.

As a dairy company receiving milk from independent (non-co-op member) dairy farmers, Smith Dairy is in an important position from which to comment on the procurement of Class I milk. My remarks focus on two issues related to the proposals under consideration in this hearing.

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First, contrary to any implications of the proponents that a greater Class I differential is necessary to attract for Class I use. Smith Dairy is not experiencing a current problem in attracting enough milk for Class I use for our plants. In fact, we maintain a list of approximately twelve dairy farms waiting to become regular shippers to Smith Dairy, should a current supply farm decide to ship milk elsewhere.

Second, because we receive milk from independent dairy producers, we perform and cover our own costs of balancing. Several methods are utilized to balance our supply and demand. They include:

1. When feasible, we ship milk between our two plants to balance the supply and needs of each.
2. We have an arrangement with a cheese plant whereby we ship them up to a maximum number of loads of milk per week to dispose of any surplus we have. If we need extra they will sell us a few loads.
3. If we have more surplus or needs than the two options above can satisfy, the Dairy Farmers of America (DFA) will supply extra or take some of our surplus.
4. Another option we have used to dispose of a surplus is working with several other cheese manufactures. At the right price they usually will buy milk from us.

For each of these there are costs and premiums that we pay. When we need to buy milk, we already pay, on top of the Class I minimum and the Over-order premium, an additional premium to get the milk we need. Conversely, when we have too much milk, we often receive less than class value, sometimes significantly less, for the bulk milk we sell. Both the higher price we pay when milk is scarce and the lower price we receive when milk is plentiful are among the balancing costs we bear in doing business in the dairy industry.

It would be unfair to ask us to pay a higher Class I price to pay someone else for balancing when we in fact are performing and paying for that ourselves.