

My name is Bruce Bloom. My address is 253 W. Colon Rd, Coldwater, MI 49036. My brother and I operate a 3rd generation dairy farm in south central Michigan. We milk 480 cows. We ship our milk through Dairy Farmers of America to plants in Indianapolis, Fort Wayne and Goshen Indiana depending on where it is most needed. We are member owners of DFA and have been for over 10 years.

Except for college and 7 years in the Army I have been involved in agriculture and dairy my entire life. I strongly support the idea of cooperative marketing. My family has sold milk through cooperatives for 30 plus years. We have supported the cooperative system as sellers and buyers for many years and served on cooperative boards and committees. I serve on the board of North Central Cooperative, a supply cooperative operating in Northern Indiana and southern Michigan.

I am not here as an expert on the federal milk marketing system and am not equipped to answer technical questions, but am here to tell you of the impact of the current system on those of us who have to live with it. In April of 2004 we had a negative Producer Price Differential of \$3.98, in May of 2004 of \$1.84 and again in December of 2004, \$0.65. From the information provided by the Market Administrator, depooling was responsible for \$1.66 of April's negative PPD, \$0.74 of May's negative PPD, and \$0.29 of December's. We produce over a million lbs. of milk per month, so April cost over \$16,000, May over \$7, 400 and December over \$2,900.

Most dairies depend on the highs and the lows to average out over time and allow them to make a profit. In many cases the profit in a dairy will average from a \$0.50 to \$1.50 per cwt over a year. A month of depooling charges like this is like losing the profit from a month of average prices. We have tried to limit our risk in marketing milk through forward contracts and hedging what we consider to be profitable class III prices. This is a process that the USDA itself is encouraging and in the case of the Dairy Option Pilot Program, even funded. We know that when we do this we are foregoing price appreciation and accept that. When we received our settlement check for April 04 my brother and I had a spirited discussion about the wisdom of forward contracting when the price went up sharply and we got hit by a negative PPD. I took the position that PPD's should average out, but he pointed out that with depooling and repooling some milk sellers dodged the bullet, leaving us holding the bag, then would rejoin again when the PPD was positive. May 2004 did not improve the tone of the discussion either. In other words this money was gone

and we would not see it return in the annual average. This does not seem to be a particularly fair way to operate a milk pricing system. I understand that PPD's will not always be positive due to the system of pricing milk and can accept that. The fact that depooling aggravates and increases negative PPD's does not seem right to me. It seems a little strange to me that we would operate a system in which we move milk around on paper and game the federal system for a profit. I understand how markets have to bring in milk in shortage times and that this milk has to be paid for in some fashion, but the current system seems designed to encourage distortions which obscure the market signals that we need to tell us, the producers, to produce milk in the right place at the right time.

It seems that the Class III milk market on which our prices are based is becoming more volatile all the time. We have gone from lows in the low \$9.00 range to highs of over \$20.00 in the last 2 years. With these peaks and valleys PPD's are varying much more. Increasing PPD's through depooling will just make it that much harder for the remaining dairy farmers to survive, to grow and to pass their farms and heritages on to the next generation. The sooner a fair and transparent system is established, the sooner we dairy farmers can get back to taking care of our cows and our farms, and that is all that I ask for, a logical and transparent system understandable by all and not subject to games. I would ask that this request be acted upon without delay. Every month is an opportunity for a loss in this situation. I believe it would benefit all dairymen in this order if proposals 1, 2, 7 and 9 were implemented.

I am speaking for myself in this matter and no one has told me what to say. I sincerely believe that these proposals are in the best interest of the dairy industry. I thank you for taking the time to listen to my thoughts on this matter.