

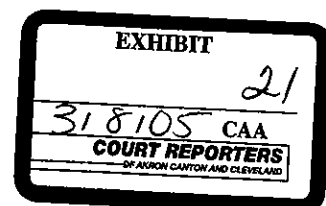
Statement of John Hathaway, Jr.

My name is John R. Hathaway, Jr. My address is 5143 Jaysville-Saint Johns Road, Greenville, OH 45331-9704. I am from the western part of Ohio near the state line, halfway between Columbus and Indianapolis.

I graduated from The Ohio State University in 1976 with a B.S. in Agriculture. My wife of almost thirty years, Deborah, is a fourth grade elementary teacher. We have two adult children and three grandchildren. My wife and I bought our farm in 1988 and restarted the dairy located on it. I milk 40 cows, farm approximately 300 acres, and work part time as a construction worker. It is my hope and dream to someday pass this farm on to my family.

I market my milk through Dairy Farmers of America (DFA), Inc. In the past I have served as a delegate to the annual meeting for the DFA cooperative, and I am currently a member producer. *milk goes to Meyer Dairy in Cincinnati*
I am not here today as an expert on federal orders. Please refer any technical questions to our attorney. Thank you for the opportunity to share my story.

First, I want to state that I believe market orders were established so that all producers would get an equitable share of the returns from the sale of all the classes of milk. When the system works the way it was envisioned, no one has a relative advantage. This creates more stability in the market, a more healthy industry as a whole, and keeps my banker smiling.



Secondly, in the market, with cheese being the basis for price discovery of milk, the value of cheese sometimes climbs rapidly and therefore cheese milk's value becomes more valuable than bottling milk. This creates a negative producer price differential (ppd), but depooling exacerbates the problem of negative ppd. I realize that depooling by itself does not cause negative ppd. Because of the way milk is paid, I prefer a small or negative ppd, since it means milk prices are going up. I really like it when the prices I receive are climbing. It is absolutely unfair that when milk prices are steady or falling, I share my Class I money with every producer in the order. But when prices are rising rapidly and the higher priced cheese milk is pulled out of the pool, I'm denied a share of this money. I could utilize this income to pay my suppliers as well as anyone.

*According to the F.O. mkt administrator
depooling cost me 166 cwt in April 908,55
74.1 cwt in May 411,54
29.1 cwt in Dec 169,35 or a total of 1488,44*

I contracted milk at \$12.08, Class III in November of 2003. At that time, \$12.08 was just above the five and ten year average. I was attempting to assure myself of at least an average price, after two years of really low prices. Because of depooling, I was paid \$8.4458 on my contracted milk in April, \$10.4337 on my contracted milk in May, and \$11.4066 on my contracted milk in December. This put my dairy operation in a distinct disadvantage. In these months, my price was well below the five and ten year average. In fact, the April price was below what I remember receiving for milk when I started dairying in 1976.

This was a lesson that scared a number of producers from contracting milk again, while totally convincing many others that contracting milk had been a mistake in the past and was something they wouldn't do in the future. If I had contracted corn at \$2.50 a bushel and the corn pay price went to \$3.00, I would still get my contracted price of \$2.50. Depooling created a situation that

resulted in less than my contracted milk price of \$12.08. I concur with my friend, Tom Wolfe – a milk producer from northwest Ohio, who compares the current depooling rules with “going to Las Vegas and spinning the roulette wheel. After the wheel stops spinning, then place your bet.” The rules on depooling need revision, so that the distribution of money from the sale of milk is equitable in the times of volatile milk prices. I firmly believe that you either stay in the pool or remain out. You need to make a choice and deal with the results, just like I do as the owner and operator on the farm.

In conclusion, the decisions made from the testimony given today are going to affect people, possibly some close to me. I help and work with a good friend locally, who is an independent, non-cooperative producer. My cooperative, as I understand it, is the main supplier to the fluid milk market. As a member of that cooperative, I am bearing the brunt of some of these costs. My sense of equality leads me to believe that it is only fair to ask him and all other producers in the marketing order to share not only the returns from the sale of all the classes of milk, but also the costs to supply the fluid milk market. I know this process could possibly take a very long time, while the current regulations continue to affect my farm operations daily, as well as my ability to meet my financial obligations. I would appreciate if the Secretary would act upon my stated concerns with the utmost urgency. *and I farm 12, 14 & 9*

Thank you for your consideration of my concerns and I will attempt to answer any questions.

John R. Hathaway, Jr.