

My name is James Buelow. I am employed by Worcester Creameries Corp. My office address is Box 249, 2 Railroad Ave., Worcester, NY 12197. Worcester Creameries Corp.

NY, Mountainside Farms, Roxbury, NY and Steuben Foods, Elma NY. These companies are wholly owned by the Schwartz family. Elmhurst Dairy and Mountainside Farms are primarily fresh fluid milk plants and Steuben Foods manufactures many food products including extended shelf life milk products. Worcester Creameries Corp. purchases milk from our own independent farmers as well as from cooperatives. I am testifying today on behalf of the previously stated companies and New York State Dairy Foods and its supporters in this hearing.

My career in the dairy industry spans more than 35 years. I was the owner operator of a dairy farm in the Northeast from 1966 to 1987. I was employed by the National Farmers Organization from 1983 to 1999. While at NFO I held many positions including Director of Marketing in the former Federal Orders of 1, 2, 4, 36, 33 and surrounding areas.

My current responsibilities include the purchasing of all fluid milk supplies for the previously mentioned milk plants. I also oversee the accounting for all fluid milk supplies and am responsible for the filing of all State and Federal Milk reports for our companies.

Proposal 7
Market Service Payments

Worcester Creameries and its sister companies are opposed to the proposal by ADCNE regarding Market Service payments.

One requirement to qualify to receive market service payments is that a handler can not deliver more than 65% of its pooled milk supply to a pool distributing plant. This requirement automatically disqualifies our company even though we have the ability to balance at least some of our supply. Please let me explain. Our plant in Elma, NY produces class I and class 2 extended shelf life products. These products do not have to be manufactured on a given day. Because of their nature they can be produced, to a degree, when the supply is available. However, because our primary business is fresh fluid milk and due to the fact we never need to divert 35% or more of our supply of milk

we are automatically disqualified. We are also disqualified because our balancing plant

As I stated earlier, I am responsible for the purchasing of our entire supply of milk. Over the three years that I have had this responsibility on a number of occasions I have called the cooperatives who would qualify for these proposed payments and asked for their help in receiving some excess milk that I had on a given day. On many occasions they have said they had no room at any price. My own plants or other plants that would not qualify for these proposed payments have then met my balancing needs. It seems wrong that a cooperative could receive payment for balancing they can't or won't do. It also seems

wrong that the proposal contains no specific requirements for receiving these moneys. For instance, all milk that a cooperative pools will qualify for payment under this proposal no matter how long it has been pooled on this market. Milk could be pooled on a southern order until a given day collecting higher differentials, trucking subsidies, and high premiums. The next day it could be pooled on Order 1 collecting Marketing Service payments. This milk then creates a need for additional balancing. There seems to be no correlation between the actual performance of balancing and collecting payments.

Another issue regarding balancing that doesn't seem fair is that it has always been the practice of the cooperatives to charge a service fee for balancing. This service fee was meant to cover costs of the balancing plant. I see no language in the proposal that would change the service fees for balancing. Therefore, the qualifying cooperatives would be paid twice for the same service.

The other side of balancing is supplying milk when the market is short. In short supply situations I have purchased milk from the cooperatives that would qualify for payments. They have the ability to charge what they need to balance the market. The prices on some occasions are three to four times the customary handling charge. I respectfully submit that receiving additional money out of the pool (farmers' paychecks) is wrong.

The final reason that we are opposed to this proposal is that it takes money from all farmers and gives it to the cooperatives without any restrictions on how the money can be used. Particularly in times like now when prices are low, farmers tell me every day they need all the money that they can get. It seems ridiculous that Congress passed legislation appropriating moneys to be paid to dairy farmers when prices are low and the cooperatives propose to lower all farmers' pay prices further. How does this effect our companies? We need farmers and their milk. If the cooperatives are allowed to use the funds collected from the pool (all farmers milk checks) to enhance prices paid to cooperative farmers, we will have to pay higher premiums to compete. Therefore being