

**Testimony of Larry Baer, Marshallville, Ohio**

**At the Mid-East Federal Milk Marketing Order Hearing**

**March 7, 2005**

**I am Larry Baer. My family owns L & R Dairy Farm, near Marshallville, Ohio, in Wayne County. Our dairy has been in the family for 75 years, with the third generation--our daughter Robyn--joining my wife, Roberts and I operating this 300-cow dairy.**

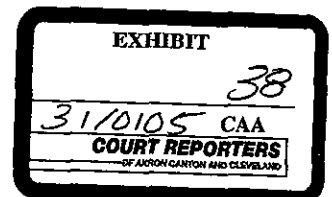
**We ship our milk as independent producers to Smith Dairy in Orrville, Ohio--a good independent market.**

**I testified at the Order 33 hearing in Wadsworth, Ohio a couple years ago and hoped that we had solved pooling problems ... but apparently not. I strongly urge USDA to acknowledge that a milk marketing emergency exists in Order 33 and to take prompt, emergency action on proposals at this hearing.**

**I strongly oppose one proposal being discussed today: transportation credits. As I can best figure out, this proposal seeks transportation credits for milk hauled more than 75 miles and up to 400 miles, from farm to plant. I think this proposal is unacceptable. If approved, it would become one more hose used to siphon money out of the monthly producer revenue pool in Order 33, before our statistical uniform prices are calculated.**

**Let's review recent history in Order 33. Many recent events, just like the proposed transportation credits, have drained funds from revenue pools--reducing**

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farmers' milk prices. I offer this history, to remind USDA about the dangers of proposed transportation credits—which I fear would become another “giant sucking sound” taking money from our milk income.

### **WISCONSIN MILK POOLED ON ORDER 33**

Millions of pounds milk from Wisconsin are pooled on Order 33 each month. Over extended periods of time, milk from Wisconsin has reduced our milk prices by as much as 60 to 80 cents per cwt. in Order 33. Only a small amount of this milk actually is delivered to Order 33 plants—only enough to “qualify” larger volumes each month. I find it ironic that the proposal for transportation credits extends up to 400 miles. Why that's just about the distance from milk-rich northeastern Wisconsin to fluid milk plants in southeastern Michigan or north central Indiana.

Proposing that Order 33 producers subsidize, through a transportation credit, the distance from those faraway Wisconsin farms pooled on Order 33 to plants in the western Michigan or Indiana is, in my opinion, ridiculous.

Order 33 producers are already abused by long-distance pooling of milk—one of the issues being discussed here. It is wrong to expect that we subsidize the transportation of Wisconsin milk that drains our milk checks every month.

### **DEPOOLING**

Three times during 2004, Order 33 producers suffered “depooling.” That's when the Class III (cheese) milk price rises above the Class I (fluid) milk price for a particular month. Those months, major marketers “depool” the cheese milk—removing millions of dollars from the federal order revenue pool.

The Order 33 market administrator estimates that for the worst month—April 2004, all producers lost \$1.60/cwt. because of depooling. Our farm alone lost \$9000 in April 2004 due to depooling. And following two years of low milk prices prior to that, we sure needed that income which “depooling” stole.

Certain marketing organizations derive large amounts of revenue from

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depooling. Isn't the money stolen by "depooling" enough subsidy for certain marketers' inefficiencies?

#### **JUNE 2004 MILK FROM NORTHEAST STATES**

I never cease to be amazed at all the ways that money can disappear from the Order 33 pool ... and my milk check. In June 2004, certain marketing organizations pooled tens of millions of pounds of milk from farms usually associated with the Northeast federal milk order (Order 1) ... on Order 33.

Why? Because these same marketers "depooled" that same Class III milk from the Northeast milk order (Order 1) in April and May 2004. Under the rules of Order 1, that milk volume could not be pooled on Order 1 until July 2004. So, rather than lose money by being unable to pool so many millions of pounds of milk in Order 1 for June 2004, certain marketing organizations trucked enough of that milk west to Order 33 plants to qualify it here. In June 2004, the addition of Order 1 milk, plus the "repooling" of normal Class III milk supplies in Order 33, caused a ten times increase in cheese milk in this order, compared to May 2004 Class III totals. That's disorderly marketing.

The market administrator estimates that all Order 33 producers lost about six cents per cwt., because of that Northeast milk pooled on Order 33 in June 2004.

Virtually all that Northeast milk traveled more than 75 miles to get to Order 33 plants in June 2004. I estimate that if such transportation credits were in place in June 2004, that certain marketing organizations would want to charge ME to subsidize this inefficient movement of milk, that already had lowered my monthly milk price by importing millions of pounds of milk from states as far away as Vermont and New Jersey! Give me a break.

**IN CONCLUSION ...**

I completely oppose any scheme—such as transportation credits—to further extend the powers of raw milk marketers—co-ops or private handlers—to take any more money out of the Order 33 producer revenue pool. Enough is enough.

I support Proposal #<sup>4, 5 or 6</sup>6, which calls for firms to be allowed to pool only 115% more milk than pooled during the previous month. That proposal would help stop “depooling” ... maybe.

I further urge that USDA recognize disorderly marketing conditions in Order 33 and review the hearing record and proposals on an emergency basis. We need these marketing inequities addressed promptly, and not wait two or three years for a solution.

Transportation credits would, in my opinion, encourage more marketing inefficiencies. In an efficient dairy market place, certain marketing organizations would recover additional transportation costs from raw milk buyers. Failure to make raw milk buyers pay the true costs of delivering the product to their plant door merely subsidizes processors' profits. The Baer family does not wish to further encourage these same parasites siphoning more of our milk income by creating transportation credits in Order 33.