

Statement of Ricky Williams

Docket No. AO-14-A76; DA-07-01

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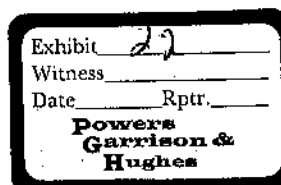
Pittsburgh, Pennsylvania

My name is Ricky Williams. My address is 4019 Red Oak Road Baxley Georgia, 31513. Baxley is in Southeast Georgia about 220 miles from Atlanta.

I operate a family dairy with my father. We milk 600 cows and grow all our feed. My family also operates a milk hauling business that delivers milk from farms in Georgia and Florida, and delivers to plants in Florida and South Carolina and Georgia. Our business also transports supplemental milk into the Southeast from the Midwest during several months out of the year.

I am a member-owner of Dairy Farmers of America, Inc. (DFA) and our farm markets all our milk thru the cooperative. I serve as a delegate for DFA. Our farm is located in DFA's Southeast Area Council, which spans portions of Orders 5, 6, 7, 32 and 126. Our Council Board of Directors has reviewed Proposals made by National Milk Producers Federation and supports its intent. I have had discussion with both DFA staff members and my local Director about the Proposal. DFA is a member of National Milk Producers Federation.

I am not a technical expert in the inner workings of Federal Orders and I am not prepared to answer many technical questions about them or this proposal. I do have a general understanding of the proposal being discussed



here today and can tell you it will have a positive effect on my farm, my neighbors in Georgia and the producers in the Southeast.

Dairy farmers in the Southeastern United States need some significant modifications to the pricing mechanisms in Federal Orders. In the southeastern markets demand for fluid dairy products is growing steadily as population increases; but the milk supply and number of farms is decreasing. The Southeast lost the equivalent of a load of milk a day in the month of November from DFA members deciding to go out of business. The natural consequence of make allowances being increased in the price formulas will lower Class I and Class II prices in the southeast. That simply does not make sense in our market.

As a result of the Make Allowance Hearings we understand that prices for Class I and Class II milk will also decrease. Since our markets are very heavily fluid oriented this means our prices will decrease – in the face of a declining supply and increasing demand.

While there are manufacturing plants in the Southeast, only a small portion of the milk produced in the Southeast is processed in them. They are mainly used for balancing and many of them run to capacity only a few days a year. So the opportunity to recover the reduction in income due to the increased make allowances through plant returns are limited. The make allowance changes affect all farmers prices.

Price formulas that are only reflective of the cost factors that affect cheese and butter/powder manufacturers must be modified if they are going to be meaningful to the higher fluid use market conditions in the Southeast.

As I understand the proposals being presented here today, they will recognize that the costs to maintain and service fluid markets have increased since they were put into the Federal Order price formulas in 2000. In fact my farm faces many, if not all, of the types of cost increases that were outlined in the make allowance hearings. I buy electricity and natural gas, hire labor and pay for transportation. A specific example of how costs have changed on my farm is the fuel cost necessary to operate the machinery to harvest the corn I grow. In July 2004 my records show that I paid \$11,289 for fuel; in July 2006 that cost was \$22,833 – more than double.

In our market as farms go out of business the cost to assemble loads of milk for customers goes up. There are fewer farms and the distance traveled to assemble a load of milk increases. As plants get larger, a down day or just a less than seven-day receiving schedule makes them more costly to balance. Our alternatives are a longer haul because in the Southeast there are only a few balancing plants; or we must build plants with more capacity (which doesn't make much sense if you only run them a few days in the month); or pay someone else to maintain that capacity; or pay plants in the reserve supply areas a fee to process milk there.

Just as energy costs increases need to be considered in a cheese plant or a drying plant they need to be recognized for a dairy farmer. If Proposal 1 is not adopted, dairy farmers in the Southeast will not have a chance to recover these increased costs.

Thanks for listening to my concerns and I will try to answer any questions that I can.