



**TESTIMONY OF SUE MOSLEY**

**FOR USE IN PUBLIC HEARING**

**DOCKET NO. AMS-DA-07-0059; AO-388-A22; AO-356-A43 and**

**AO-366-A51; DA-07-03**

**TAMPA, FLORIDA**

**MAY 2007**

My name is Sue Mosley and I am the Market Administrator for the Florida Order, Federal Order 6 and the Southeast Order, Federal Order 7. I have worked for the Federal Milk Order Program for over 36 years and have been Market Administrator for 13 years. I have been the Market Administrator for the current Florida Order and the current Southeast Order since their formation on January 1, 2000. I am here today to testify in support of Proposal Nos. 5 and 6.

Proposals 5 and 6 would increase the maximum administrative assessment rate for both the Florida and Southeast Orders provided for in Sections 7 CFR 1006.85 and 1007.85 from 5 cents per hundredweight to 8 cents per hundredweight. Currently the administrative assessment for these Orders is provided for in 7 CFR 1000.85. The administrative assessment language in Sections 1006.85 and 1007.85 simply point to Section 1000.85. Proposals 5 and 6 would amend Sections 1006.85 and 1007.85 to provide for all of the administrative assessment language pertinent to the Florida and Southeast Orders, and discontinue the reference to Section 1000.85. Under Proposals 5 and 6, the administrative assessment would continue to apply to the same milk as in the past.

It should be noted that if Proposals 5 and 6 were adopted, the 8 cent per hundredweight rate would be the maximum rate allowable, not necessarily the actual rate charged. The actual rate charged would only be as high as needed, as determined by the Market Administrator, with approval by the Deputy Administrator for Dairy Programs, Agricultural Marketing Services, U.S. Department of Agriculture.

The increase in the maximum assessment rate is necessary to ensure that the Market Administrator has sufficient funds to carry out the responsibilities for administration of the Orders. Administering Order functions including pooling, auditing, and providing market information requires staff and financial resources. In addition, the Market Administrator is required to maintain a specified level of operating reserves. The level of the required operating reserve is determined by a formula set forth in MA Instruction 207 issued by the Deputy Administrator for Dairy Programs. The purpose of the reserve fund is to cover the necessary costs of closing out an Order such as completing pools and audits, paying severance pay to employees, and terminating leases in the event that an Order is terminated.

The Market Administrator is primarily dependent on income from the administrative assessment to fund the operations of the Orders. This assessment, provided for in Section 1006.85 for the Florida Order and Section 1007.85 for the Southeast Order (through reference to Section 1000.85), is collected each month on pooled producer milk. The assessment is also collected on certain types of other source receipts assigned to Class I and certain route disposition in the marketing area by partially regulated distributing plants. The

vast majority of the administrative assessment income is, however, from pooled producer milk. Since 2000, the administrative assessment for both Orders has contributed over 80 percent of the total income of the Market Administrator office.

In 2000, the first year of operation of the consolidated Orders, pooled producer milk on the Florida Order averaged 238.9 million pounds per month and 623.9 million pounds on the Southeast Order for a total monthly average of approximately 862.8 million pounds. In 2001, monthly average producer milk on the Florida Order was 231 million pounds and 647.4 million pounds on the Southeast Order for a total monthly average of approximately 878.4 million pounds. In 2002, monthly average producer milk on the Florida Order was 224.4 million pounds and 660.6 million pounds on the Southeast Order for a total monthly average of approximately 885.0 million pounds. At a 3 cent per hundredweight assessment rate for the Florida Order and a 3.5 cent assessment rate for the Southeast Order, the volumes of producer milk generated sufficient revenue to fund the Order operations and to maintain the mandated reserve funds for these years.

In 2003, while producer milk on the Florida Order increased by about 5 percent, producer milk on the Southeast Order, with a pool almost 2.5 times the size of the Florida Order, decreased 11 percent. This resulted in a significant decrease in the administrative assessment collections and required the Market Administrator to use operating reserves to cover expenses, thereby dropping the reserve level to near the mandated minimum.

On December 19, 2003, the Market Administrator issued a notice to handlers in the Florida Order that effective with January 2004 milk deliveries, the

administrative assessment rate would increase one cent to 4 cents per hundredweight. The Market Administrator also issued a notice to handlers in the Southeast Order with the same effective date increasing the administrative assessment rate one cent to 4.5 cents per hundredweight.

In 2004, producer milk on the Florida Order increased by about 5 percent over 2003 and producer milk on the Southeast Order rebounded slightly, increasing about 1 percent. In 2005, producer milk on the Florida Order increased about 8.8 percent over 2004 and producer milk on the Southeast Order increased 5 percent. In 2006, producer milk on the Florida Order was approximately the same as 2005 and producer milk on the Southeast Order increased 6.8 percent over 2005.

With the increase in producer milk in 2004, 2005, and 2006, in conjunction with the Market Administrator's efforts to control costs, the administrative assessment rates implemented in 2004 have been sufficient to cover expenses and to build an adequate reserve level. Cost control measures from 2000 to 2006 have included a 15 percent reduction in staff through attrition and a reduction in force in 2006, increased use of technology to hold meetings and conduct audits, a reduction in travel expenses, and a decrease of almost 33 percent in communications costs primarily due to a change in long distance carriers. The Market Administrator will continue to take measures to hold down costs, while meeting regulatory responsibilities and maintaining a high quality of service.

While the Market Administrator is not currently charging the maximum administrative assessment rate, Proposal No. 2 seeks to limit by an average of

12.3 percent allowable diversions for the Southeast Order. If adopted, this proposal would likely reduce the producer milk on the Southeast Order, thereby, reducing the value of the administrative assessments used to fund Order operations. A decision effective in December 2006 also limits the ability of handlers to divert milk by reducing the allowable diversions by the volume of transportation credit claims. In addition, the long term downward trend in milk production for the Southeastern United States and marketing decisions of handlers present an increased potential for variability in the Market Administrator's revenue stream. This regional hearing offers an opportunity to increase the maximum administrative assessment rate for the Florida and Southeast Orders to provide the Market Administrator with the flexibility to set the appropriate administrative assessment rate needed to effectively administer Order operations and to maintain the required operating reserves.

Again, I would like to reiterate that these proposals are to increase the maximum administrative assessment rate to 8 cents per hundredweight. This is not necessarily the rate that would be charged. As always, the actual rate charged would only be as high as needed to cover expenses and to maintain the mandated reserve level as determined by the Market Administrator with approval by the Deputy Administrator for Dairy Programs, Agricultural Marketing Services, USDA.

This concludes my testimony.