EXHIBIT NO. 31
Metropolitan

Testimony of
Joseph W. Weis

In Support of Proposal No. 3

On behalf of the Proponents

Associated Milk Producers, Inc.
First District Association
Foremost Farms USA Cooperative
Land O' Lakes, Inc.

Central Federal Milk Order No. 32
Public Hearing
Docket No. AO-313-A48; DA-04-06
December 8, 2004
Kansas City, MO

My name is Joseph W. Weis. I am employed by Foremost Farms USA Cooperative (Foremost) as Vice President-Fluid Products Division. My business address is E10889A Penny Lane, P.O. Box 111, Baraboo, WI, 53913. Foremost Farms USA is dairy farmer-owned Capper-Volstead cooperative representing 3700 milk producers located in 7 states. In 2003, Foremost's member-owners located in Wisconsin, Minnesota, Iowa, Illinois, Indiana, Ohio and Michigan marketed 4.9 billion pounds of milk through their cooperative. Foremost owns and operates manufacturing facilities in Wisconsin, Minnesota and Iowa, along with two distributing plants in Wisconsin. In addition to supplying milk to our own facilities, we also supply distributing plants in Federal Orders 5, 30, 32 and 33. Foremost is currently serving two customers who operate Class I distributing plants in Federal Order 32. Foremost and its predecessor cooperatives have served one of these customers for over 30 years and the other for over 35 years.

This testimony is given on behalf of the proponents of Proposal No. 3. The proponents are: Associated Milk Producers, Inc., First District Association, Foremost Farms USA Cooperative, and Land O'Lakes, Inc..

Let me begin by stating that we have modified our original proposal submitted to USDA on August 12, 2004 requesting the addition of provisions for transportation credits and assembly credits for Class I milk delivered to distributing plants in the Central Marketing Order. Our modified proposal will not contain the proposed Section 1032.20 defining a "Milk reload station" and, references to such "reload stations" have been removed from our proposed Section 1032.55 "Transportation credits and assembly credits." Our revised proposal is submitted as Exhibit____.

Foremost has done an analysis of the revenues and expenses on our shipments of Class I milk made to our Order 32 distributing plant customers during the month of August, 2004. On milk sold to Prairie Farms Dairy, Inc. (Prairie Farms) at Carlinville and Peoria, IL we incurred a loss of $.998 per cwt., while on milk sold to Anderson-Erickson Dairy, Des Moines, IA we lost $.3148/cwt. The primary reason for the difference in the above losses is the result of transportation cost differences. These calculations do not include any expenses associated with field service, producer component and quality testing, producer payroll processing and other administrative expenses, or supply plant operating expenses.

Foremost Farms USA's member-owner dairy producers incurred these losses on their milk shipments made to meet distributing plant Class I needs. I believe that similar losses are incurred by other proponents of our proposal when they are delivering milk from the same geography to these same customers. These out-of-pocket costs are not borne uniformly by all producers who participate in the benefits of the market-wide pool. Just as revenue from fluid milk sales are shared by all producers in the market-wide pool, so should an equitable portion of the expenses associated with furnishing the supply of raw Class I milk.

I would first like to discuss our transportation credit proposal. When Foremost's predecessor cooperatives began supplying milk to our long-standing Class I customers in what is current Order 32, the transportation costs to ship the milk was approximately equal to the difference in blend prices between shipping locations in northeast Iowa and the receiving distributing plant locations. For example, in 1968 the difference in zone prices at Carlinville, IL and Waukon, IA was $.55½/cwt., while the hauling cost was $.55/cwt. In August, 2004, the zone difference was $.25/cwt., while our hauling cost was $1.6865/cwt., a shortfall of $1.4365/cwt.. I am using Foremost as an example, due to the confidentiality of the other proponents' data, but their situations would be similar.

You may ask why the proponents of proposal no. 2 have continued to ship milk to Prairie Farms under these circumstances. Prairie Farms allocates patronage to us on the volumes of milk supplied them by us, as member cooperatives. If Prairie Farms were not a cooperative, distributing earnings to us, it would have been impossible for them to continue to source a supply of milk from southeast Minnesota and northeast Iowa for these past 35 plus years.

In August, 2004, our hauling cost to ship a 50,000 lb. load of milk, traveling 382 miles from Waukon, IA to Carlinville, IL was .425 cents per cwt. per mile. A 470 mile haul, to Olney, IL would have cost .399 cents, and a 259 mile haul to Peoria cost .488 cents per cwt. per mile. These rates include a 9% diesel fuel surcharge in effect at that time.

Our proposed Class I transportation credit rate of .3 cents per cwt. per mile for milk transferred from pool supply plants to distributing plants would recover approximately 75% of the average hauling cost to move this milk shipped from supply plants in southeast Minnesota and northeast Iowa to our long-time customers. It is not our intention to propose a transportation credit that would cover all of these transportation costs, as this could lead to inefficient movement of milk. For the same reason, we have also proposed that the one-way mileage eligible for transportation credits be capped at 500 miles.

We are also proposing that an assembly credit of 10 cents per cwt. be implemented on milk furnished by handlers for Class I use at Order 32 pool distributing plants. Assembly costs result from receiving milk at a pool supply plant, sampling and testing, cooling and storing, and then loading onto a truck for shipment to supply the needs of the Class I market. Storage tanks, pumps, pipelines, and facilities must be maintained, cleaned and sanitized, as well. The costs incurred in performing these functions are not currently recognized in the Order.

Foremost's pool supply plant at Waukon, IA had a cost of $.2226 per cwt. for the twelve month period ending July 31, 2004, for handling <u>all</u> of the milk through the Intake Department where these activities occur, not just the milk that moved to the Class I market. These costs do not include field service, laboratory producer milk testing, or any other administrative overhead costs that could also be considered assembly costs. Waukon is like many pool supply plants, in that shipments to distributing plants vary seasonally, in our case from less than 10% in some months to near 70% in others. Most of the milk serving the market from this geographic area moves through a supply plant or a reload station, and we assume it incurs a similar assembly cost. In the interest of promoting efficiency, the proponents do not wish to reimburse handlers for the total costs of assembling milk. Direct ship milk also incurs assembly costs in serving the market, and we are therefore proposing a 10 cents per cwt. assembly credit on all Class I milk delivered to in the Central Marketing Order.

These proposals are not new concepts to the Federal Milk Market Order System. Federal Order 30 has employed transportation credits and milk assembly credits for many years. Transportation credits on supplemental milk are also a part of Orders 5 and 7.

These proposed credits would serve to ensure that all of the producers who share in the proceeds of serving the Class I market also share more equitably in the costs involved in serving the market.