My name is Gerald Heatwole, our address is 3943 Lawyer Road, Mc Gaheysville, Va. We have a poultry and 300-cow dairy farm at Mc Gaheysville and a 175-cow dairy farm at Keezletown, Va. My family operated dairy farms are 5 and 10 miles east of Harrisonburg, VA, which is in the middle of the Shenandoah Valley of Virginia.

I am a dairy farmer member owner of DFA and have always (past 33 years) marketed all our milk through a Cooperative. I serve as a board member of the DFA Southeast Area Council, which has reviewed this proposal for transportation credits and a fuel adjustor and we support its intent. DFA's Southeast Area Council has more than 3200 farms. The overwhelming majority of these farms are small businesses, the average monthly delivery from these farms is 140,000 pounds per month, well within the definition of a small business dairy farm. While I do not have a precise number, from the information available to me as a Council member, I believe that more than 90% of DFA members in the Southeast Council are small business dairy farms. In addition to DFA members, I have discussed these concepts with other dairy farmers in my area and they support them also.

I am not a technical expert on the Federal Orders (and after yesterday, I realize that I have even less expertise on the subject than I had previously thought); but as a dairy farmer for the past decades, I have watched closely how milk is marketed in the Southeast. I have seen milk production decrease markedly in many areas of the Southeast. This has resulted in large volumes of milk being hauled longer distances to supply bottling plants in milk deficit areas.

I realize that the Shenandoah Valley is one of the few areas with a surplus of milk, only 20% (or less) of our milk production is processed at a local bottling plant. With approximately 325 dairy farms in our two-county area (Rockingham & Augusta) and approximately 50 million pounds of milk produced monthly, the majority of the milk produced is hauled long distances to plants in the South.

For the past twelve years, most of the time the tractor trailer that leaves our driveway, at Cub Run Dairy, heads directly to a fluid plant in Charleston, South Carolina about 485 miles to the south. Who ends up paying for most of the haul cost on this load? Sad to say, it seems to be the dairy farmers in the Southeast!

As you are all aware, in the Southeast, the numbers of dairy farms and the volume of milk production is decreasing, while the population and the demand for milk is increasing, which means that most months several hundred million pounds of milk is hauled into the Southeast.

Dairy farmers in the Southeast are faced with higher costs to produce milk, caused by the high temperatures and high humidity in the summer compared to other regions of the country. In recent years we often receive fewer dollars per hundredweight for milk than some other regions of the country,

Dairy farmers already have to pay for the higher cost of energy on our farms. A few examples - electricity, natural gas and diesel fuel, the higher cost of fertilizer and the higher transportation costs of having commodities delivered to our farms. (As President of our local rural electric

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cooperative, I am directly aware of the increased expense of providing electricity to our community.)

The increased transport cost adversely affects mailbox milk prices and, combined with today's higher on-farm energy costs, really squeezes margins and contributes to the exodus of dairies in the Southeast.

The producers I represent think proposals 1.2, and 3 are a reasonable answer to the problems we are facing today. Thank you for hearing my comments and I will be glad to try to answer any questions you may have.