

United States Department of Agriculture
AMS – Dairy Programs

IN RE:) Docket Nos. AO-388-A17
)
) AO-366-A46
Milk in the Appalachian and Southeast)
Milk Marketing Areas) DA-05-06

Testimony on behalf of Southeast Milk Inc.

My name is Thomas Pittman. I am employed by Southeast Milk Inc as Director of Milk Accounting & Economic Analysis. My office is located at 1950 SE Hwy 484, Belleview, FL 34420.

Southeast Milk, Inc., a dairy cooperative, markets milk for dairy producers located in Florida, Georgia, Alabama, and Tennessee. 154 SMI dairy producers reside in the Southeast Milk Marketing Order and market over 500 million lbs annually in the Southeast Milk Marketing Order.

Southeast Milk, Inc. (SMI) is opposed to inter-order Transportation Credits in the Southeast Federal Order. Subsidizing the transportation of milk produced outside of the marketing area contributes to decreasing local milk production and encourages additional outside milk to replace local supplies,

When transportation credits were implemented during August 1996, the decision was based on historical data when the Class I utilization in the southeast averaged in the mid-80 percent range. Since the merger of the individual orders in the southeast, the Class I utilization has held steady in the low-to-mid-60 percent range. If the remaining 35 – 40% of the milk associated with the Southeast market is truly surplus as classified by the Federal Order, then local milk supplies can be moved from manufacturing into Class I when needed.

As demonstrated in data graphs, (Exhibit 1), supplied by the Milk Market Administrator, Atlanta, Georgia, the southeast's dairy production continues to spiral downward as the national production trend continues to increase annually. Clearly, the transportation credit provisions that have been in effect since August 1996, have not slowed or stopped the decline in production in the southeast, If the current Class I pricing structure does not support or accommodate the movement of milk from surplus markets to deficit markets when needed, as testified by proponents when the credits were originally implemented, other provisions in the Federal Order should be modified to address the challenges directly. SMI would rather assist the Department and the southeast dairy industry in focusing on longer-term solutions for the entire region.

Date 1/11/06 Exhibit # 35
Case US Dept of Agriculture
Deponent
Reporter Danviel Carpenter CRS File # 8916
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The fundamental challenge, as provided by the AMA, is to insure a sufficient quantity of pure and wholesome milk and be in the public interest. SMI believes that the southeast must focus on maintaining a long-term, local supply to meet the stated objectives. Some possible solutions may include establishing the Class I mover based on more regional conditions of supply, demand, energy, and production costs; more differential zones within the existing orders; base excess plans; adjustments in the current differentials; or other provisions that would encourage local production. **An** alternative to transportation credits in a market that has 35 – 40% of production going into uses other than class I may be call provisions, in lieu of bringing in milk from other regions of the United States,

If the credits are approved and implemented as proposed, SMI supports the concept of introducing and using national indexes derived by agencies outside of USDA, such as the Department of Energy district diesel prices. Metrics derived on a national scale are not subject to manipulation by any given industry.

In summary, Southeast Milk Inc supports the following:

Southeast Milk, Inc. does not support Proposal #1. In fact SMI would support a position that all inter-order transportation credits be eliminated.

Southeast Milk, Inc. supports Proposal #2. The use of intra order credits for milk moving within the order is good if it will help keep milk from outside the order from coming into the order.

Southeast Milk, Inc. supports Proposal #3. The use of national indexes derived outside of USDA is less subject to manipulation by any given industry.

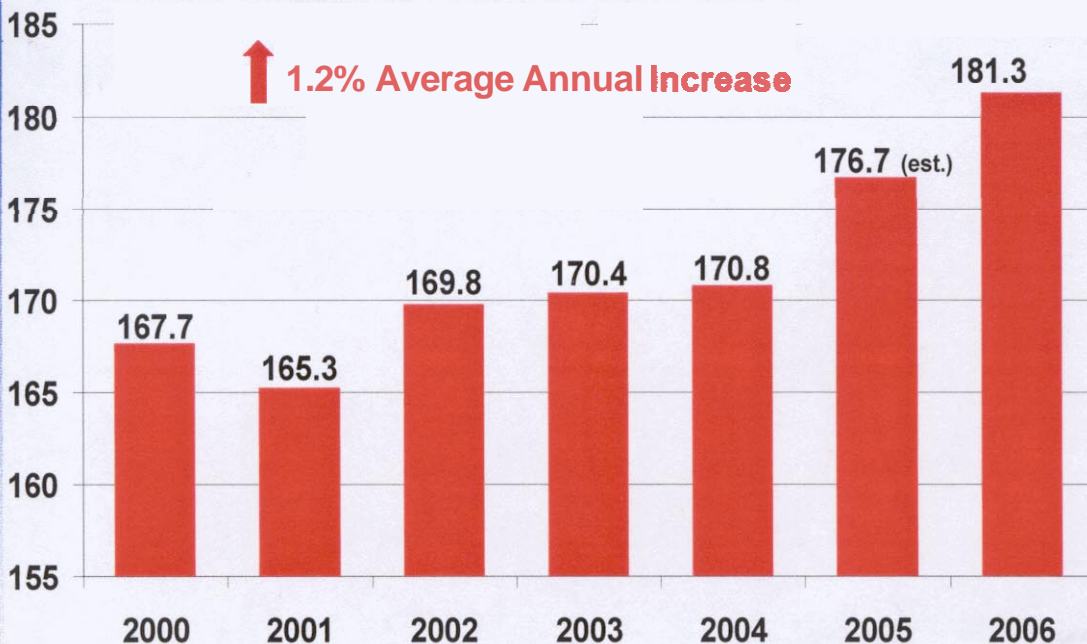
If inter order credits are adopted by the Department, SMI supports Proposals #4 & #5 as submitted by Dean Foods,

This concludes my statement.



U.S. Milk Production: 2000 - 2006 (billion lbs.)

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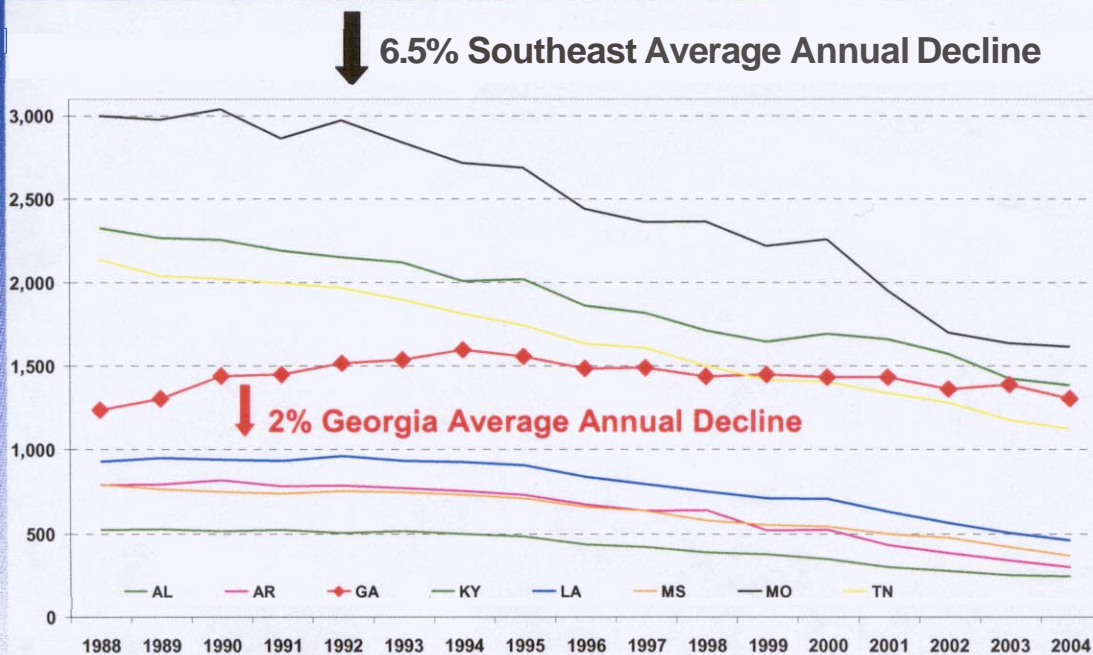


Federal Orders 6 & 7



Southeast Milk Production: 1988 - 2004 (million lbs.)

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Federal Orders 6 & 7