

Ex 16
10-23-01
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My name is Gary Lee. I am employed by Prairie Farms Dairy, Inc. as the Vice President of Marketing and Procurement.

Prairie Farms is a dairy farmer cooperative headquartered in Carlinville, Illinois. We would like to express our support for proposals 1, 2, and 3.

Prairie Farms operates 3 pool distribution plants that are qualified on the Mideast Order 1033. Those plants are located in Ft. Wayne, Indiana, Anderson, Indiana and Galesburg, Michigan.

The plant in Ft. Wayne, Indiana processes a full line of fluid milk products as well as cottage cheese, sour cream, dips, packaged ice cream mix and bulk products for a Class 2 processor.

The plant in Anderson, Indiana processes a full line of fluid milk products, a liquid dietary supplement for people receiving chemotherapy which is a Class 1 product and bulk ice cream mix for an ice cream novelty plant that we operate in Lafayette, Indiana.

The plant in Galesburg, Michigan processes a limited line of fluid milk products.

In September 2001 we had 176 producer members located in Indiana, Michigan and Ohio whose milk was pooled on Order 33 and delivered to these 3 plants. Those producers provided approximately 19 million pounds of milk in September 2001.

We have no producers located in the 3 previously mentioned states whose milk is pooled on other federal orders. We have no producers located in other states whose milk is pooled on Order 33.

We purchase additional supplies of supplemental milk at each of the previously mentioned plants from other cooperative associations. These purchases take place each month of the year at each plant.

The amount of milk processed at the Ft. Wayne and Galesburg plants has increased modestly in recent years. The amount of milk processed at the Anderson plant has decreased during that time.

In the past 3 years our producer numbers at these plants have fallen slightly while our volume of producer milk has increased slightly.

We realize that those persons given the task of authoring Order Reform had a difficult task and we do not want anything that we say here to be regarded as criticism of that effort. However, as earlier testimony has shown, certain provisions in Order 33 may have made it too easy to pool milk on this order without that milk serving the market.

We do not want to see orders written so restrictive that pooling any milk supplies beyond normal basic Class 1 needs is impossible. However, we also do not want to see orders written so open that pooling milk becomes their function rather than serving the Class 1 handler.

As Order 33 is currently written, it allows for pooling quantities of milk far beyond the day to day needs of the market plus a reasonable reserve supply. Data provided at this hearing by the Order 33 Market Administrator show that Class I usage by Order 33 plants has been relatively stable since this order was formed. At the same time, the amount of Class III and Class IV milk pooled on the order has increased a great deal.

We feel our members have been caused financial harm by these additional supplies of milk being added to the order without necessarily serving the market. These additional quantities of milk that may just be "riding", the pool lower the return to our members and our supplemental suppliers who serve the market everyday.

I have a chart attached to this testimony. It shows the difference in statistical uniform prices for Order 33 versus Order 30 since January 1, 2000. I made this comparison because producer milk located in the area covered by Order 30 has traditionally served as a reserve supply area for Order 33 handlers.

Comparison of the Order 33 and Order 30 Statistical Uniform Prices since January 2000

	<u>Order 33</u>	<u>Order 30</u>	<u>Difference</u>
2000 January	\$11.62	\$10.48	\$1.14
February	11.52	10.10	1.42
March	11.68	10.18	1.50
April	11.77	10.15	1.62
May	12.21	10.27	1.94
June	12.38	10.43	1.95
July	12.68	11.36	1.32
August	12.49	10.97	1.52
September	12.53	11.46	1.07
October	12.04	10.88	1.16
November	11.91	10.00	1.91
December	<u>12.16</u>	<u>10.60</u>	<u>1.56</u>
Average	12.08	10.57	1.51
2001 January	12.54	11.02	1.42
February	12.28	11.15	1.13
March	13.24	12.20	1.04
April	13.94	12.89	1.05
May	15.12	14.50	.62
June	15.97	15.52	.45
July	16.24	15.91	.33
August	16.54	16.06	.48
September	<u>16.87</u>	<u>16.28</u>	<u>.59</u>
Average	14.75	13.95	.80

The price difference has narrowed considerably over this time to a point that it will not cover the cost of transportation from an Order 30 supply plant to an Order 33 pool distribution plant without a substantial over order premium or give up charge.

When we examine the lists of supply plants and cooperatives acting as handlers with milk pooled on Order 33, it appears that there are several here now who were not here before January 1, 2000. We have no problem with them being part of Order 33 if they are here to serve the market. However, if they are here to ride the pool on their own or as part of a pooling unit, they are causing financial harm to our members and other organizations that supply handlers throughout the year.

We support proposals 1, 2, and 3 as a reasonable attempt to revise Order 33 so that enough milk is available on the order to cover normal day to day needs of the market with adequate reserves. At the same time, these proposals would reduce the ability to pool excess quantities of milk on the order that may merely be riding the pool rather than serving the market.