

Testimony of Ken Stromski in support of Proposals 1 –5

K4M
10-23-01
ms

Central Valley Milk and the Federal Order 36 Equalization Agency operated in the former FO 33 & FO 36 areas for approximately 30 years. Both agencies functioned to balance their respective markets by acquiring supplemental supplies in fall months and disposing of surplus supplies in spring months and holidays. A premium was charged to customers to cover the cost of balancing, including give up charges and hauling. Proceeds in excess of balancing costs were distributed back to the dairy farmer's organizations which were passed on to their members. Supplemental purchases from mid-August to mid-November ranged from 15,000,000 to 20,000,000 lbs. per month. Manufacturing plants such as Goshen & Farmer Cheese serve to balance the majority of spring and holiday surplus.

The amount of milk participating in these two agencies varied from year to year. CVM handled approximately 175,000,000 lbs. per month and the 36 agency 90,000,000 lbs. per month in the last quarter of 1999. The agencies represented about 50% of producer milk in the geographic area. The two agencies served the following customers:

FO 33

Sterling Milk Company, Wauseo, OH
Country Fresh, Toledo, OH
Reiter Dairy, Springfield, OH
Tamarack Farms, Newark, OH
Smith Dairy, Orrville, OH
Smith Dairy, Richmond, IN
Broughton Foods, Marietta, OH
Meyer Dairy, Cincinnati, OH
Trauth Dairy, Newport, KY
United Dairy Farmers, Cincinnati, OH
United Dairy, Charleston, WV

FO36

Dean Dairy, Sharpsville, PA
Meadow Brook Dairy, Erie, PA
Oberlin Farms Dairy, Cleveland, OH
Reiter Dairy, Akron, OH
Schneider's Dairy, Pittsburgh, PA
Superior Dairy, Canton, OH
United Dairy, Martins Ferry, OH
Fikes & Sons Dairy, Uniontown, PA

Three separate agencies (36 Agency, Central Valley Milk & Hoosier) were consolidated to form the Mideast Milk Marketing Agency (MEMA) in September 2000. The geographical area remained the same as the three predecessor agencies. All of the plants served by the previous agencies are now customers of MEMA. Supplemental purchases from mid-August to mid-November are approximately 30,000,000 lbs. These customers place their order weekly with agency personnel. Division Managers regularly visit plants to discuss pricing and the customers' changing needs.

In conclusion, I believe the market is the same today as it has been for years. The customers and their requirements have not changed significantly. The amount of milk available to serve the customers is also similar. Therefore, I do not believe the additional reserve supply of milk that has resulted since Federal Order reform is necessary for the market's needs.