

**TESTIMONY OF THE KROGER CO.**

**FEDERAL MILK MARKET ORDER HEARING**

**7 CFR PARTS 1000 AND 1033**

**DOCKET NO. AO-166-A77; DA-08-06**

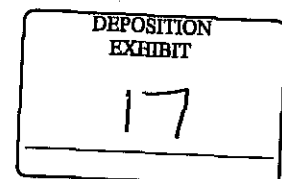
**MILK IN THE MIDEAST MARKETING AREA**

My name is John Hitchell. I am employed by The Kroger Co. Manufacturing Group as the General Manager of Raw Milk Procurement. I am appearing today in opposition to the requested modification in Class I differentials in proposal number one.

The Kroger Co. operates two fluid distributing plants that are regulated under Federal Milk Order #33. Crossroad Farms Dairy located in Indianapolis, Indiana and Tamarack Farms Dairy located in Newark, Ohio.

The Kroger Co. believes that the implementation of the proposed Class I differentials will disrupt traditional pricing relationships dating back to the Class I differentials mandated in the 1985 Farm Bill and re-established during Federal Order reform in 1999 between fluid handlers located within Order #33 and place our dairy plants in an unacceptable competitive situation.

Under the current pricing structure the class I differential at Crossroad and Tamarack is the same as their processing competitors that are located north of these facilities within Federal Order #33.



The proposal if adopted would increase the class I differentials \$.15/cwt. at Crossroad Farms and Tamarack Farms while leaving the competitors' class I differential unchanged. This would erode the competitive balance between Crossroad and Tamarack and their competitors located in the northern area of Order # 33 which will not experience an increase in their class I differentials.

Milk supplies in Order #33 are committed to be used in the deficit markets in the Southeast each year. If milk supplies are inadequate to meet demand then how can milk produced within this order be committed to deficit markets?

Currently milk supplies are adequate to meet the needs of the market and there is no justification to disrupt the competitive balance between handlers by increasing class I differentials.

If in the future supplying milk to handlers located within the area of the proposed increase in class I differentials becomes an issue then The Kroger Co. would suggest that a hearing be convened to promulgate a new Federal Milk Marketing Order.

The area of the proposed class I differential increase suggested at this hearing would be counties contained within a new order. If a problem would occur in supplying milk to plants within this area it would make economic sense to have the monies generated by the milk utilization of these facilities used to their fullest extent to aid in procuring a milk supply. Today the dollars generated by these plants are blended throughout all of the dairy farmers in Order #33, the vast majority of who will never supply milk to these facilities. An order which contains the plants affected by this proposal I believe would generate sufficient income to help ease any supply concerns that may occur in the future and would not require an increase in class I differentials.

Based on my testimony The Kroger Co. believes that no emergency marketing conditions exist and therefore this hearing should follow traditional hearing procedures.

Thank you and I will be happy to answer any questions.