

**STATEMENT**

**FEDERAL ORDER NO. 1 HEARING**

**DOCKET NOS. AO-14-A70; DA-02-01**

**HELD SEPTEMBER 10, 2002**

**IN ALEXANDRIA, VIRGINIA**

**DAVID C. ARMS, SR.  
ECONOMIC CONSULTANT**

**ON BEHALF OF**

**NEW YORK STATE DAIRY FOODS, INC.  
201 SOUTH MAIN STREET, SUITE 302  
NORTH SYRACUSE, NY 13212-2166**

New York State Dairy Foods, Inc. is a full service trade association located at 201 South Main Street, Suite 302, North Syracuse, NY 13212-2166. It has been in operation since 1928. The association by way of dues paying memberships, represents companies and businesses which sell dairy products such as milk, cheese and ice cream in New York State. Currently the total number of members in the association is 128. These members are comprised of many large multinational firms, large and small processors, manufacturers, distributors, small family operations, retailers and a very small amount of dairy producers doing business in and around New York State.

The organization's mission statement is to provide members with cost savings services and pertinent industry information that will allow members to continually serve and improve their operations all in an effort to provide the freshest and safest dairy products possible.

The association Executive Vice President, Bruce W. Krupke has asked me to provide you with some important information regarding the processing and manufacturing industry in New York State. New York State is the third largest milk producing state in the nation. The association's members clearly recognize the importance of maintaining a strong milk producer base in our state. We also appreciate the ability to purchase vast quantities of raw milk within the region. Without dairy farmers to provide raw milk there can not be a strong processing industry in New York. We believe in maintaining the integrity of the federal order system in the region.

It is also very important for the producing community to remember that without local competitive, innovative and efficient milk processors and dairy product manufacturers to sell to sell raw milk to, dairy farmers will be at a major disadvantage.

According to the New York State Department of Agriculture and Markets, in 1967, there were 487 processing and manufacturing plants in New York. In 2002 there are **only 90 remaining**. This is a very disturbing trend to say the least. Proprietary milk handlers need the ability to procure milk from a variety of competitive sources to survive. They can not and should not be forced to adhere to rules and regulations, which are discriminatory, anti-competitive in nature or onerous which might put them at a procurement disadvantage.

One example of a major change which affected processors and manufacturers in the new Northeast Federal Order implemented in Jan. 2000 was the moving of the producer payment dates for milk. The shortening of payment dates by as much as seven days for the first month of the new Order meant a reduction of millions of dollars in cash flow for all operating processors. This decrease in cash flow severely restricted their ability to compete in the marketplace by reducing marketing program budgets, sale incentive programs, entrance into new sales territories and advertising budgets. The end result is that fluid milk and dairy product distributors lost strength against competing beverages in the marketplace because of the decreased cash flow in their businesses.

Please keep in mind these facts and figures when considering proposals presented by association members. The association urges USDA to remember to weigh the needs carefully of the farming community equally with that of their customers, the dairy processors and manufacturers in the Northeast Order in deciding what is best for the entire industry.

The following milk processing and manufacturing companies have individually approved and support of New York State Dairy Foods, Inc. testimony and proposals presented by David Arms:

**New York State Dairy Foods, Inc. Members**

Oak Tree Dairy, E. Northport, NY  
Boice Brothers Dairy, Kingston, NY  
Dean Foods, Inc., Dallas, TX  
Elmhurst Dairy, Jamaica, NY  
Marcus Dairy, Danbury, CT  
Queensboro Farms, Jamaica, NY  
McCadam Cheese Co., Heuvelton, NY  
Mohawk Dairy, Amsterdam, NY  
Washburn's Dairy, Johnstown, NY  
Hermany Farms, Bronx, NY  
Parmalat US, Wallington, NJ  
Byrne Dairy, Syracuse, NY  
Stewart's Dairy, Saratoga Springs, NY  
H.P. Hood, Inc., Chelsea, MA

**Other Northeast Dairy processing companies in favor of these proposals**

Clover Farms Dairy, Reading, PA  
Harrisburg Dairies, Inc., Harrisburg, PA  
Kemps Foods, Inc., Lancaster PA  
Longacre's Modern Dairy, Inc., Barto PA  
Rosenberger's Dairies, Inc., Hatfield, PA  
Rutter's Dairy, York, PA  
Turkey Hill Dairy, Conestoga, PA  
Wawa Dairy, Division of Wawa, Inc., Wawa, PA