

# 21,22,23

Prop #1  
English

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United States Department of Agriculture

Agricultural Marketing Service

7 CFR Part (1030)

[Docket No. AO-361-A35 ; DA-01-03]

Milk in the Upper Midwest Marketing Area

In Support of Proposal No. 1

I am Neil Gulden, Director of Fluid Marketing for Associated Milk Producers, Inc (AMPI). My office address is 315 North Broadway, New Ulm, Minnesota, 56073.

AMPI represents approximately 5,000 dairy farmers in 7 midwest states. Our milk is pooled on Federal Order 1030 (Upper Midwest Marketing Area) and 1032 (Central Marketing Area) where we service several major bottling customers. We also own and operate 13 manufacturing plants in Minnesota, Wisconsin, South Dakota and Iowa.

My testimony is in support of Proposal No. 1, which also has the support of the entities listed on the attached exhibit no. U, who agreed to and whose names were included in our letter to the U.S.D.A. requesting a hearing on this issue.

Section 1030.12 (b) (3) states that a Producer shall not include "A dairy farmer whose milk is received by diversion at a pool plant from a handler regulated under another Federal order if the

other Federal order designates the dairy farmer as a producer under that order and that milk is allocated by request to a utilization other than Class I"; and 1030.12 (b) (4) states that a producer should not include "A dairy farmer whose milk is reported as diverted to a plant fully regulated under another Federal order with respect to that portion of the milk so diverted that is assigned to Class I under the provisions of such other order".

In short, the order language is saying that a producer sharing in the proceeds of one Federal order should not be allowed to share in the proceeds of another Federal order on the same milk in the same month.

Proposal No. 1 is simply asking that a producer sharing in the proceeds of a state marketwide pool, not be allowed to share in a Federal order on the same pounds of milk in the same month.

This is exactly what has been happening with milk from California since October of 2000, to an increasing degree, right up through May 2001.

California has chosen to opt for a State marketwide order for their dairy farmers. That's their right and their choice. But, just as is the case between Federal orders, their milk should not be allowed to be part of two marketwide pools at the same time. This is a regulatory loophole that must be closed to prevent the continued draw down of the Federal order 1030 Producer Price Differential (PPD).

Since October of 2000, California milk has been pooled in increasing numbers on Federal order 1030. The attached exhibit no. 22 shows my calculation of the effect on the Federal order 1030 PPD of California milk pooled on the order in the months of February and October 2000, and February and May of 2001. These four examples show the methodology used to arrive at an estimated effect on the Federal order 1030 PPD. The California pounds of milk pooled or estimated pooled and dollar value of location adjustment were subtracted from the producer milk and net PPD value published in the official Federal order 1030 "Computation of Producer Price Differential". This resulted in what the PPD would have been if no California milk had been pooled.

Exhibit no. 23 shows the net effect of this same calculation from October 2000 through May 2001. This adds up to over eleven million dollars and a weighted average of almost 10 ¢ per hundredweight over an eight month period. This was, through these eight months and continues today to be money siphoned away from midwest dairy farmers. It would not have been allowed between Federal orders and should not be allowed to continue between a Federal order and a State order.

In light of the obvious inequity and the injurious and devastating effect on midwest dairy farmers, we believe that the Secretary should handle this issue on an emergency basis, going directly to a final decision, without the time consuming intermediate steps of a recommended decision.

That concludes my statement.

Entities in Support of Proposal No. 1  
AMPI Request for Federal Order 1030 Hearing

1. Associated Milk Producers, Inc.
2. Bongards' Creameries
3. Cady Cheese
4. Cass-Clay Creamery
5. Ellsworth Cooperative Creamery
6. Family Dairies USA
7. First District Association
8. Foremost Farms USA
9. Hastings Cooperative Creamery
10. Kraft Foods
11. Lynn Dairy
12. Manitowoc Milk Producers Cooperative
13. Mid-West Dairymen's Company
14. Milwaukee Cooperative Milk Producers
15. Muller Pinehurst Dairy
16. Mullins Cheese
17. Plainview Milk Products
18. Swiss Valley Farms
19. Valley Queen
20. Weyauwega Milk Products
21. White Clover Dairy, Inc.

① List producers ship to #32  
② Few in #30

Calculation of Effect on Federal Milk Order 1030 PPD  
from California Milk Pooled

<u>February 2000</u>	<u>Producer Milk</u>	<u>Net Pool Value</u>	<u>PPD</u>
Total	2,268,652,983	\$ 12,705,375	.56
California Location adj.: <10¢>	<8,115,258>	<8,155>	
	<u>2,260,537,725</u>	<u>\$ 12,697,260</u>	<u>.56</u>
CA effect/cwt			0
			<u>x2.261 bil. Lbs.</u>
			<u>\$0 mil.</u>

<u>October 2000</u>	<u>Producer Milk</u>	<u>Net Pool Value</u>	<u>PPD</u>
Total	1,637,673,002	\$ 14,083,988	.86
California Location adj.: <8¢>	<33,816,814>	<27,053>	
	<u>1,603,856,188</u>	<u>\$ 14,056,935</u>	<u>.88</u>
CA effect/cwt			.02
			<u>x1.604 bil. Lbs.</u>
			<u>\$.3 mil.</u>

<u>February 2001</u>	<u>Producer Milk</u>	<u>Net Pool Value</u>	<u>PPD</u>
Total	1,578,785,477	\$ 13,893,312	.88
California Location adj.: <3.65¢>	<191,084,502>	<69,746>	
	<u>1,387,700,975</u>	<u>\$ 13,823,566</u>	<u>1.00</u>
CA effect/cwt			.12
			<u>x1.388 bil lbs.</u>
			<u>\$1.7 mil.</u>

<u>May 2001</u>	<u>Producer Milk</u>	<u>Net Pool Value</u>	<u>PPD</u>
Total	1,599,966,911	\$ 10,719,778	.67
California Location adj.: <3.65¢>	<241,000,000>	<87,965>	
	<u>1,358,966,911</u>	<u>\$ 10,631,813</u>	<u>.78</u>
CA effect/cwt			.11
			<u>x1.359 bil. Lbs.</u>
			<u>\$1.5 mil.</u>

*(Net Pool Val / Prod. milk)*

*\$1.80 Loc. Adj.  
+  
Loc. Adj. in the  
included counties*

Estimated California effect on Federal Order 1030 PPD

	CA milk pooled on F.O. 1030 mil. lbs.	PPD Announced	PPD Without CA Milk	PPD Difference	Effect on F.O. 1030 mil. \$
Oct. '00	34	\$ 0.86	\$ 0.88	\$ 0.02	\$ 0.3
Nov. '00	68	\$ 1.43	\$ 1.49	\$ 0.06	\$ 0.9
Dec. '00	89	\$ 1.23	\$ 1.30	\$ 0.07	\$ 1.1
Jan. '01	153	\$ 1.03	\$ 1.13	\$ 0.10	\$ 1.6
Feb. '01	191	\$ 0.88	\$ 1.00	\$ 0.12	\$ 1.7
Mar. '01	268	\$ 0.78	\$ 0.92	\$ 0.14	\$ 2.0
Apr. '01	280	\$ 0.83	\$ 0.99	\$ 0.16	\$ 2.3
May '01	241	\$ 0.67	\$ 0.78	\$ 0.11	\$ 1.5
				(1) \$.096	\$ 11.4

(1) weighted per hundredweight average of producer milk had California milk not been pooled of Federal order 1030.