

**STATEMENT of
SUE BEITLICH, PRESIDENT
WISCONSIN FARMERS UNION**

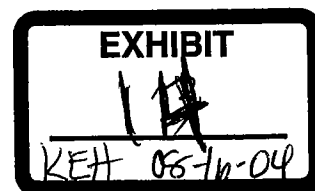
**On behalf of the
WISCONSIN FARMERS UNION
NORTH DAKOTA FARMERS UNION
MINNESOTA FARMERS UNION**

**Presented to the
USDA Federal Milk Marketing Order Public Hearing**

**Proposed Amendments to Tentative Marketing Agreement and Order
for
Milk in the Upper Midwest Marketing Area**

August 16, 2004

Bloomington, MN



Your Honor, thank you for the opportunity to present this testimony today. My name is Sue Beitlich, I am president of the Wisconsin Farmers Union and a family farm dairy producer in Stoddard, WI. I am here today on behalf of the producer-members of Wisconsin Farmers Union, as well as the members of Minnesota and North Dakota Farmers Union.

I am not here today to provide a detailed economic analysis of the multiple proposed amendments to the order, but will share with you the voice of dairy producers in my respective states that have been under severe economic hardship over the past few years due to a number of controllable and uncontrollable factors. Unfortunately, producers in my state and others have had to face economic hardship, due to a loophole in our marketing order.

The request for this hearing and proposed amendments to the order came from a coalition of dairy companies and cooperatives, that represent over 40 percent of the milk pooled on the order and nearly 60 percent of the milk delivered to distributing plants within the order. It is a consensus agreement among these companies and cooperatives that milk originating from outside the marketing area is having an adverse economic effect on the producers who regularly supply milk into the order.

A provision within Federal Milk Marketing Order #30 allows handlers of "distant" milk to pick and choose when to participate in a pool, thus drawing revenue funds from the marketing area. Unfortunately, this provision has placed undue hardship on the many dairy farmers who provide a continuous supply of milk into the Order. The levels of "distant" milk drawing revenue from Order 30 have overwhelmingly increased at a time when dairy producers have just begun to recover from twenty-five year market lows.

Over twenty counties in Idaho delivered milk into the Upper Midwest Milk Marketing Order in December of 2003, with one particular county in that state ranking number one overall in delivery into the order. More than 180 producers from Idaho delivered more than 260 million pounds of producer milk, representing 12% of the Order's market during the same period. Due to the administrative loophole in order, handlers determine whether or not they will receive an economic benefit from being a participant in the pool, regardless of the effect it will have on the other producers who consistently provide a supply of milk into the order.

Our members simply want to receive an equitable price for their milk. I encourage you and the Department of Agriculture to closely review the statistical data provided to you this week and close the loophole that permits distant milk from being a part of our marketing order.

I would like to address the economic effects depooling has had on producers in my organization. When a cooperative engages in depooling a large portion of milk, the proceeds are often not reflected in dividend payments back to the producers. While I recognize this as a cooperative governance issue, not a Federal Order administrative issue, it is of concern that our producers are not sharing in the profits of this marketing

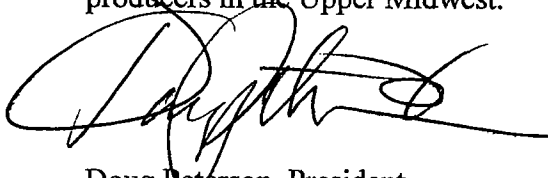
practice. While it is not common for Class III prices to rise so rapidly that they exceed Class I, resulting in negative producer price differentials and consequently depooling, it has been clearly demonstrated this year that more often than not, it is the producer who is left holding the short end of the stick. A long-term solution must be found to address this sometimes short-term problem.

I must stress the importance of finding reasonable solutions to the many issues you will be hearing over the course of this week. Dairy producers are the heart of the Upper Midwest and the number one goal of this hearing should be to ensuring the producers have profitability and stay on the land.

Finally, I would like to urge USDA, in reviewing testimony from this hearing, to strictly follow the law. Specifically, I am referring to the amended Agriculture Marketing Agreement Act of 1937, Section 608 (c)(7), which lays out the policies for USDA to follow in administering federal milk orders. This specific section directs USDA to, "Prohibit unfair methods of competition and unfair trade practices in the handling thereof".

We all know that pooling requirements and Class I performance rules have been used by some cooperatives and cooperative marketing associations to take advantage of other raw milk marketers. In recent days we read about a nationwide federal antitrust investigation by the U.S. Department of Justice, against the nation's largest dairy cooperative that may also involved "superpools"---common marketing agencies. It is USDA's job, among many other difficult considerations, to consider the competitive aspects of any rule changes it makes based upon testimony at this hearing. Honest competition is not only a good idea, it's the law.

I thank you for this opportunity and look forward to working with the Department in implementing any of the necessary amendments, to ensure the viability of dairy producers in the Upper Midwest.



Doug Peterson, President
Minnesota Farmers Union



Robert Carlson, President
North Dakota Farmers Union



Sue Beitlich, President
Wisconsin Farmers Union