BEFORE THE UNITED STATES DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE

IN RE:	:	**7 CFR Parts 1005, 1006, and 1007**
	:	
Milk in the Appalachian,	:	**Docket No. 23-J-0019**
Southeast, and Florida	:	
Marketing Areas	:	**AMS-DA-23-0003**

Franklin, Tennessee

February 28, 2023

Testimony of Emma Downing Reynolds

On behalf of the Dairy Cooperative Marketing Association

Proposed Amendments to the Orders Regulating the Handling of Milk in the Appalachian, Southeast and Florida Marketing Areas

Testimony before the United States Department of Agriculture

Agriculture Marketing Service

In the Matter of Proposed Amendments to the Appalachian, Southeast, and Florida Federal Milk Marketing Orders

Franklin, TN, February 28, 2023

Hello, my name is Emma Downing Reynolds and I work for Dairy Farmers of America, Inc. (DFA), one of the nine Capper Volstead farmer-owned milk-marketing cooperatives that make up the Dairy Cooperative Marketing Association, Inc (DCMA). I first started as an intern with the Cooperative in 2016, working in fluid milk marketing. After receiving a Master of Science in Agricultural and Applied Economics with a Public Policy Analysis emphasis from the University of Missouri, I transitioned into a new fulltime position working on a multitude of projects focused on policy, milk analytics, and strategic initiatives. Today, my role in dairy policy and industry relations provides an opportunity to work directly with our farmer owners, staff across the Cooperative, and a variety of others in the industry.

I am here today to testify regarding the analysis surrounding point-to-point reefer transportation rates between a variety of Class I milk plants located primarily outside of the Southeastern Orders to Class I plants located within Federal Orders 5, 6, and 7's marketing areas. The information I will be sharing today was utilized by Elvin Hollon in his previous testimony. The results of this analysis, in particular, found that packaged Class I milk products processed in plants outside the Southeastern marketing areas, will not have a cost advantage relative to Orders 5, 6, and 7's Class I pool plants due to increased assessments put forth by DCMA in Proposals 1 through 5. In conjunction with the previous testimony, I am here to provide greater background regarding data sources and processes on the transportation component of the testimony.

For this analysis, the information utilized was provided by DAT Solutions (DAT), a U.S.-based provider of transportation information and freight exchange services. Founded in 1987, and originally known as 'Dial-A-Truck', DAT began in a truck stop. There, displayed on a cork board, haulers would post their services, routes, and pricing. As the information exhibited on this physical board grew, interested transport companies and individuals began to call into the truck stop solely to ask what was posted on the board that day.

Today, DAT has around 120,000 carrier customers representing 2 million trucks, 10,000 broker customers and 13,000 shipping customers representing the largest truckload freight marketplace in North America. With more than 536 million loads and trucks posted annually, it is the trucking industry's largest on-demand network. DAT services are separated into two product segments—DAT One Freight and DAT IQ Analytics. DAT One Freight serves as a marketplace where haulers can quote loaded rates at which they are willing to provide services for specific routes and provides the ability to match buyers and sellers within the platform. DAT IQ Analytics compiles the data realized by the internal marketplace and other users, aggregates the information, and shares to subscribers seeking price realization and current trends. Currently, DFA Dairy Brands, a division within DFA consisting of regionally branded dairy products, including packaged milk, that coordinates transportation for around 68,000 trucks annually, is an active subscriber and frequently utilizes information provided by DAT.

Given DAT's wide-spread scope and well-known reputation within the hauling industry, their services provided a key input to the transportation costs within the analysis. A subsection of

around 60 possible routes was evaluated between locations of Class I processing facilities within the Southeast Orders and surrounding areas. The research question was: Does the DCMA proposal of increasing the out-of-area assessments and establishment of an in-area assessment unintentionally disadvantage these Class I processing plants within the Southeast Orders, all else equal? Exhibit ____ "Breakdown of DAT Transportation Calculation" lists the selected routes and calculated outcomes.

For each of the selected routes, a transportation cost of a loaded truck and reefer, a heavily insulated refrigerated trailer, was calculated utilizing the average line haul rate, the base cost of reefer transportation, for early 2023 and the fuel surcharge provided by DAT to the approximate number of miles between the selected two Class I processing facilities. Through this, a loaded haul cost for that specific route was calculated. Applying the DAT-provided data within each specific route allowed the ability to factor in differing marketplace dynamics by location such as possibility for backhauls, regional differences in labor costs, and localized hauling competitiveness. Given the longer hauls of these scenarios, the DAT data provided a better account of the actual transportation costs than any internal information accessible given the transportation of packaged milk remains more local in nature.

In Exhibit ____ "Breakdown of DAT Transportation Calculation", the city, state, and Federal Order of the destination city and origin city are listed. Following the locations, the approximate number of miles between the two are included. The DAT average contract rate is represented on a per mile basis for each specific route. This data is representative of average actual quotes for this hypothetical route for January 2023.

When the information provided by DAT was pulled, the January 2023 time period was a selected point in time as it provided updated information surrounding line haul rates. There was a desire to pressure test transportation costs of these routes with differing diesel prices. Upon additional analysis, the fuel surcharge was adjusted to be a variable dependent upon diesel prices by utilizing the DAT fuel surcharge calculated ranges. As diesel prices change, so do fuel surcharges. The results posted in Exhibit ____ "Breakdown of DAT Transportation Calculation" equate to a fuel surcharge of $0.55 per mile. This applies a U.S. Energy Information Administration's February 2023 average diesel price of $4.428. This diesel price was also employed in the USDA Announcement of Advanced Class Price and Pricing Factors by the Southeast Federal Orders.

Referring again to Exhibit ___ "Breakdown of DAT Transportation Calculation", the DAT average contact line haul rate and fuel surcharge were summed to calculate the DAT total contract line haul rate on a per mile and aggregate basis. This total haul cost was then applied to the typical weight of packaged milk that a standard reefer trailer would haul. Given the length of miles between our selected scenarios, it was assumed that the entire load would be gallons. Typically, a reefer trailer can fit around 216 gallons on 22 pallets equating to 40,860 pounds of packaged milk. Therefore, 408.6 hundredweights were divided by the aggregate contract haul rate to calculate a quotient representing transportation costs on a per hundredweight basis for each scenario.

In closing, the transportation cost assessment of these specific pairs helped support the findings shared within the previous testimony. Potential unintended consequences the DCMA proposals had on the relative competitiveness of Class I milk plants in and out of the Southeast marketing areas in reference to transportation costs were evaluated, all else equal. Again, this particular analysis did not find there to be any unfair competitive advantages given these factors. Thank you for allowing me to testify today.

Exhibit _____

Breakdown of DAT Transportation Calculation

1	2	3	4	5	6	7	8	9	10	11	12	13
Destination City	State	Order	Origin City	State	Order	Miles	DAT Average Contract Line Haul Rate ($/mile)	DAT Contract Fuel Surcharge ($/mile)	DAT Total Contract Line Haul Rate ($/Mile)	DAT Total Contract Line Haul Charge	Reefer Transport Milk Volume Weight (cwts)	Reefer Transport Cost ($/cwt)
Athens	TN	5	Indianapolis	IN	33	412	$3.43	$0.55	$3.98	$1,638.49	408.6	$4.01
Athens	TN	5	Somerset	KY	5	114	$6.20	$0.55	$6.75	$769.50	408.6	$1.88
Athens	TN	5	London	KY	5	120	$6.81	$0.55	$7.36	$883.20	408.6	$2.16
High Point	NC	5	WINCHESTER	VA	1	287	$4.07	$0.55	$4.62	$1,325.94	408.6	$3.25
High Point	NC	5	Charleston	WV	33	236	$4.55	$0.55	$5.10	$1,203.60	408.6	$2.95
HOLLAND	IN	5	INDIANAPOLIS	IN	33	141	$6.06	$0.55	$6.61	$931.61	408.6	$2.28
Lynchburg	VA	5	Johnstown	PA	1	311	$4.20	$0.55	$4.75	$1,477.25	408.6	$3.62
Lynchburg	VA	5	Reading	PA	1	341	$3.86	$0.55	$4.41	$1,503.81	408.6	$3.68
Newport News	VA	5	Baltimore	MD	1	220	$4.48	$0.55	$5.03	$1,106.60	408.6	$2.71
Somerset	KY	5	WINCHESTER	VA	1	499	$3.08	$0.55	$3.63	$1,811.37	408.6	$4.43
Somerset	KY	5	Charleston	WV	33	229	$5.03	$0.55	$5.58	$1,278.92	408.6	$3.13
Somerset	KY	5	Uniontown	PA	33	408	$2.90	$0.55	$3.45	$1,407.60	408.6	$3.44
Verona	VA	5	Baltimore	MD	1	189	$4.89	$0.55	$5.44	$1,028.16	408.6	$2.52
Winchester	KY	5	Indianapolis	IN	33	205	$4.73	$0.55	$5.28	$1,082.40	408.6	$2.65
Winchester	KY	5	Richmond	IN	33	157	$6.14	$0.55	$6.69	$1,050.10	408.6	$2.57
WINCHESTER	KY	5	CANTON	OH	33	348	$3.79	$0.55	$4.34	$1,511.82	408.6	$3.70
WINSTON SALEM	NC	5	CANTON	OH	33	410	$3.22	$0.55	$3.77	$1,544.51	408.6	$3.78
Gainesville	FL	6	Orlando	FL	6	113	$6.41	$0.55	$6.96	$786.48	408.6	$1.92
Jacksonville	FL	6	Orlando	FL	6	142	$5.13	$0.55	$5.68	$806.56	408.6	$1.97
Miami	FL	6	Gainesville	FL	6	337	$3.51	$0.55	$4.06	$1,368.81	408.6	$3.35
Miami	FL	6	Jacksonville	FL	6	349	$2.95	$0.55	$3.50	$1,221.50	408.6	$2.99
Miami	FL	6	Orlando	FL	6	246	$3.49	$0.55	$4.04	$992.90	408.6	$2.43
Miami	FL	6	Tallahassee	FL	6	483	$4.20	$0.55	$4.75	$2,294.25	408.6	$5.61
Miami	FL	6	Winter Haven	FL	6	230	$4.65	$0.55	$5.20	$1,196.00	408.6	$2.93
ORLANDO	FL	6	LITTLE ROCK	AR	7	921	$3.55	$0.55	$4.10	$3,775.46	408.6	$9.24
ORLANDO	FL	6	ASHEVILLE	NC	5	585	$3.07	$0.55	$3.62	$2,116.55	408.6	$5.18
Tallahassee	FL	6	Orlando	FL	6	257	$3.04	$0.55	$3.59	$922.63	408.6	$2.26
Atlanta	GA	7	Athens	TN	5	160	$5.33	$0.55	$5.88	$940.80	408.6	$2.30
Atlanta	GA	7	Spartanburg	SC	5	173	$4.65	$0.55	$5.20	$898.92	408.6	$2.20
Atlanta	GA	7	Asheville	NC	5	198	$3.59	$0.55	$4.14	$819.72	408.6	$2.01
Atlanta	GA	7	Somerset	KY	5	303	$4.62	$0.55	$5.17	$1,566.51	408.6	$3.83
ATLANTA	GA	7	LITTLE ROCK	AR	7	518	$3.27	$0.55	$3.82	$1,977.62	408.6	$4.84
Fayetteville	AR	7	Sulphur Springs	TX	126	299	$2.76	$0.55	$3.31	$989.69	408.6	$2.42

Exhibit _____

Breakdown of DAT Transportation Calculation

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Destination City	State	Order	Origin City	State	Order	Miles	DAT Average Contract Line Haul Rate ($/mile)	DAT Contract Fuel Surcharge ($/mile)	DAT Total Contract Line Haul Rate ($/Mile)	DAT Total Contract Line Haul Charge	Reefer Transport Milk Volume Weight (cwts)	Reefer Transport Cost ($/cwt)
FORT SMITH	AR	7	Chandler	OK	32	178	$4.64	$0.55	$5.19	$923.82	408.6	$2.26
HAMMOND	LA	7	Houston	TX	126	314	$3.76	$0.55	$4.31	$1,352.47	408.6	$3.31
HAMMOND	LA	7	LITTLE ROCK	AR	7	390	$3.79	$0.55	$4.34	$1,691.60	408.6	$4.14
HAMMOND	LA	7	DALLAS	TX	126	472	$3.70	$0.55	$4.25	$2,006.23	408.6	$4.91
HAMMOND	LA	7	CANTON	OH	33	1062	$2.61	$0.55	$3.16	$3,354.61	408.6	$8.21
Joplin	MO	7	Springfield	MO	7	71	$10.62	$0.55	$11.17	$793.07	408.6	$1.94
Joplin	MO	7	Chandler	OK	32	178	$5.07	$0.55	$5.62	$1,000.36	408.6	$2.45
Lafayette	LA	7	Conroe	TX	126	223	$3.60	$0.55	$4.15	$925.45	408.6	$2.26
Little Rock	AR	7	Tyler	TX	126	271	$2.98	$0.55	$3.53	$956.63	408.6	$2.34
Little Rock	AR	7	CANTON	OH	33	864	$2.61	$0.55	$3.16	$2,729.45	408.6	$6.68
Memphis	TN	7	Jefferson City	MO	32	400	$3.56	$0.55	$4.11	$1,642.57	408.6	$4.02
Memphis	TN	7	Olney	IL	32	331	$3.22	$0.55	$3.77	$1,247.87	408.6	$3.05
Nashville	TN	7	Indianapolis	IN	33	287	$3.63	$0.55	$4.18	$1,199.66	408.6	$2.94
Nashville	TN	7	Somerset	KY	5	171	$5.38	$0.55	$5.93	$1,013.33	408.6	$2.48
Nashville	TN	7	London	KY	5	203	$4.49	$0.55	$5.04	$1,023.12	408.6	$2.50
Nashville	TN	7	LITTLE ROCK	AR	7	349	$3.98	$0.55	$4.53	$1,581.28	408.6	$3.87
Nashville	TN	7	CANTON	OH	33	517	$2.74	$0.55	$3.29	$1,700.93	408.6	$4.16
New Orleans	LA	7	Hammond	LA	7	58	$13.06	$0.55	$13.61	$789.38	408.6	$1.93
Shreveport	LA	7	Tyler	TX	126	97	$6.78	$0.55	$7.33	$711.01	408.6	$1.74
Shreveport	LA	7	Little Rock	AR	7	214	$4.61	$0.55	$5.16	$1,104.24	408.6	$2.70
Springfield	MO	7	O'Fallon	IL	32	232	$4.45	$0.55	$5.00	$1,160.00	408.6	$2.84

Source: DAT