

**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, 2003

Testimony of Mike Herting

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

My name is Mike Herting. I am the Director of Operations and Accounting for the Southeast Area of Dairy Farmers of America (DFA). I have worked for DFA for over 30 years in a variety of positions within accounting, dispatching, and information technology analytics. My work experiences during this time have allowed me to work within multiple phases of the marketing of raw milk including the analytics, planning, and execution of efficient milk movements.

DFA is a global farmer-owned milk marketing cooperative with more than 11,500 family farm owners throughout the U.S., including the southeastern states. Through a strong grassroots governance process, DFA is owned and governed by dairy farmers. Our farmers are invested in 84 dairy manufacturing facilities nationwide, including seven Class I distributing plants within Federal Orders 5, 6, and 7.

The structure of DFA is separated into seven distinct operating areas. The proposals being brought forth today fall within the DFA's Southeast Area. The majority of DFA Southeast Area farms are in Federal Orders 5, 6, and 7 are considered small businesses using the Regulatory Flexibility Act guidelines, which are relevant for this hearing. Approximately, 95 percent of DFA Southeast Area family farms are counted as a small business.

Most dairy farmers in this region would be considered relatively small in comparison to other marketing areas in the U.S. The dairy farm families in the Southeast operate on slim margins and have had to contend with rising on-farm input costs. These challenges have contributed to dairy farm number declines in most regions of the Southeast. Exhibit _____ "Farm Input Costs Indices 2019 – 2022" displays the stark rate of increases for select input costs over the past few years.

Declining milk production combined with the closing of processing plants forces milk to move further to market at greater expense. The farmers that continue to supply these markets, through their milk marketing cooperatives, bear the majority of these costs. This causes additional economic pressures to family farms within the region. Along with these headwinds, the growing population of the Southeast is compounding the problem.

DFA supports both Proposal 1 and 2 the "updating" of the existing Transportation Credit Balancing Fund components which partially fund milk deliveries originating from outside the southeastern Orders and Proposals 3 – 5 the implementation of a similar program, the Distributing Plant Delivery Credit which applies to milk deliveries originating (with limited exception) from inside the Orders. My primary focus here today will focus on Proposals 3 – 5. I will be specifically focusing on why raw milk produced in the state of Georgia, and transported throughout the Southeast Federal Orders, should be eligible for the proposed new distributing plant delivery credits across Federal Orders 5, 6, and 7.

In the Southeastern U.S., the majority of raw milk is sold to Class I processing plants, which package fluid milk, for the consuming public throughout the area. While the growing population of Southeast promotes healthy consumer demand, this same region currently operates as the most significant milk deficit region of the country. Due to the imbalance between local supply and demand, the marketing dynamics require importing milk from outside the marketing areas to supplement the local supply.

Referring to Exhibit ____ "U.S. Milk Production 2022 vs. 2021", you will see that the only state with significant growth in dairy production in the Southeast is Georgia. Yet the growth of milk production in Georgia does not cover the decline in milk production in Florida alone. While the region is facing a milk deficit, Florida and Georgia are experiencing record population growth, increasing demand for fluid milk products.

DFA Southeast Area's milk supply in Georgia's southern counties are called upon every day to deliver to the pool distributing plants, and by extension, fluid milk drinking consumers located in Florida. In 2022, 31 percent of the DFA milk in these southern Georgia counties shipped to Florida processors. This milk movement is displayed in Exhibit ____ "Georgia Milk Production by County Delivered to Florida Market in 2022". This demonstrates that this milk is actively servicing the needs of the Federal Order 6 market even if the boundary is at the state line. Due to this, it is important to treat these deliveries on equal footing with deliveries in current Federal Order 6 boundaries.

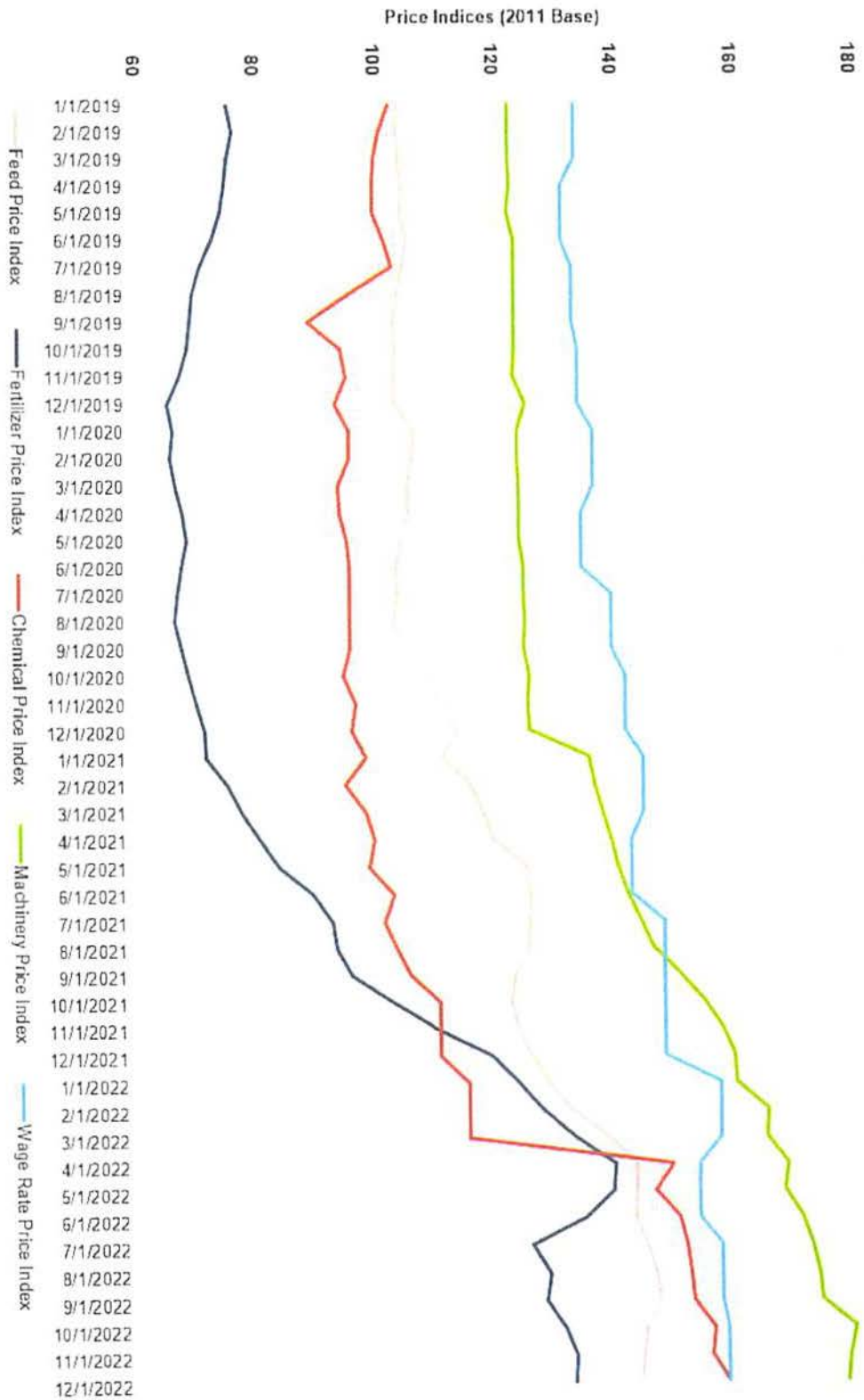
In addition to supplying the state of Florida, you'll see that Georgia's milk production helps to supply the deficits across much of the Southeast within Exhibit ____ "Georgia Milk Production by County All Deliveries 2022". Portions of Georgia milk production not only serve local needs in Federal Order 7, but also are utilized daily for supplying several Federal Order 5 Class I processors. Georgia milk production is needed and used daily in meeting the demand needs of Federal Order 5 distributing plants.

During 2022, 24 percent of DFA Georgia milk was delivered to Federal Order 5 Class I processors, thus minimizing the need for additional long-distance loads coming into the Southeast milkshed at additional costs. The demand for the milk across the region, and the mileage it is transported, drives the need for this milk to be eligible for the new Intra-order distributing plant delivery credits being proposed. These credits will provide much-needed relief to the local dairy farmers producing milk for use throughout the area.

In closing, I urge the USDA to recognize the burden currently being placed on the local dairy farm families in the Southeast and to implement the DCMA proposals 1 through 5. Adoption will support many small business owners that produce the farm fresh milk vital to these marketing areas. Thank you for your time and letting me testify today. This issue is of the highest importance to the family farm owners of DFA.

Exhibit _____

Farm Input Costs Indices 2019 - 2022

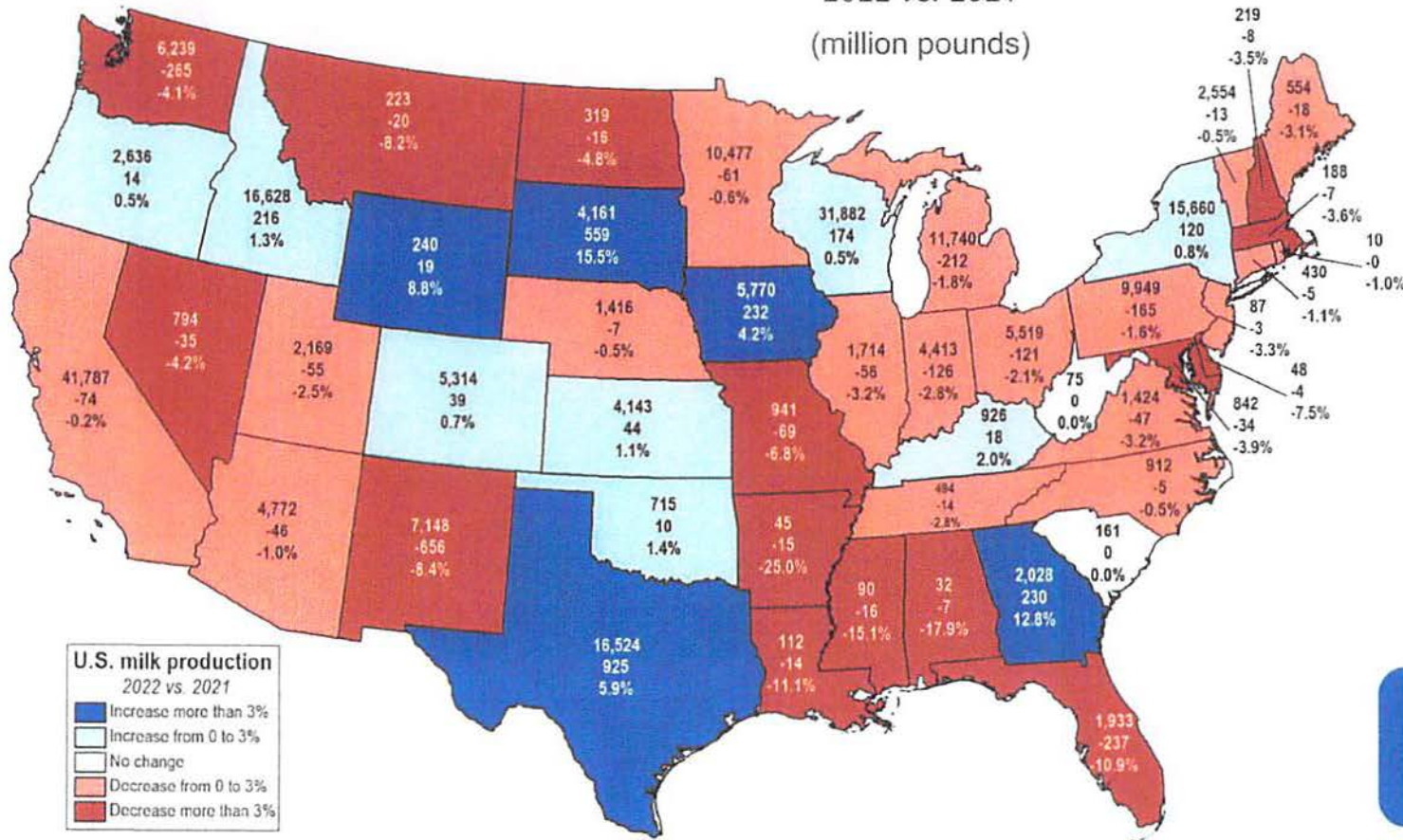


Source: USDA, Ag Prices

Exhibit _____

U.S. milk production

2022 vs. 2021
(million pounds)



Key

- Current milk production
- Qty. change from prior year
- % change from prior year

Report date: Feb. 22, 2023

Source: USDA National Agricultural Statistics Service

Exhibit _____

Georgia Milk Production by County Delivered to Florida Market in 2022

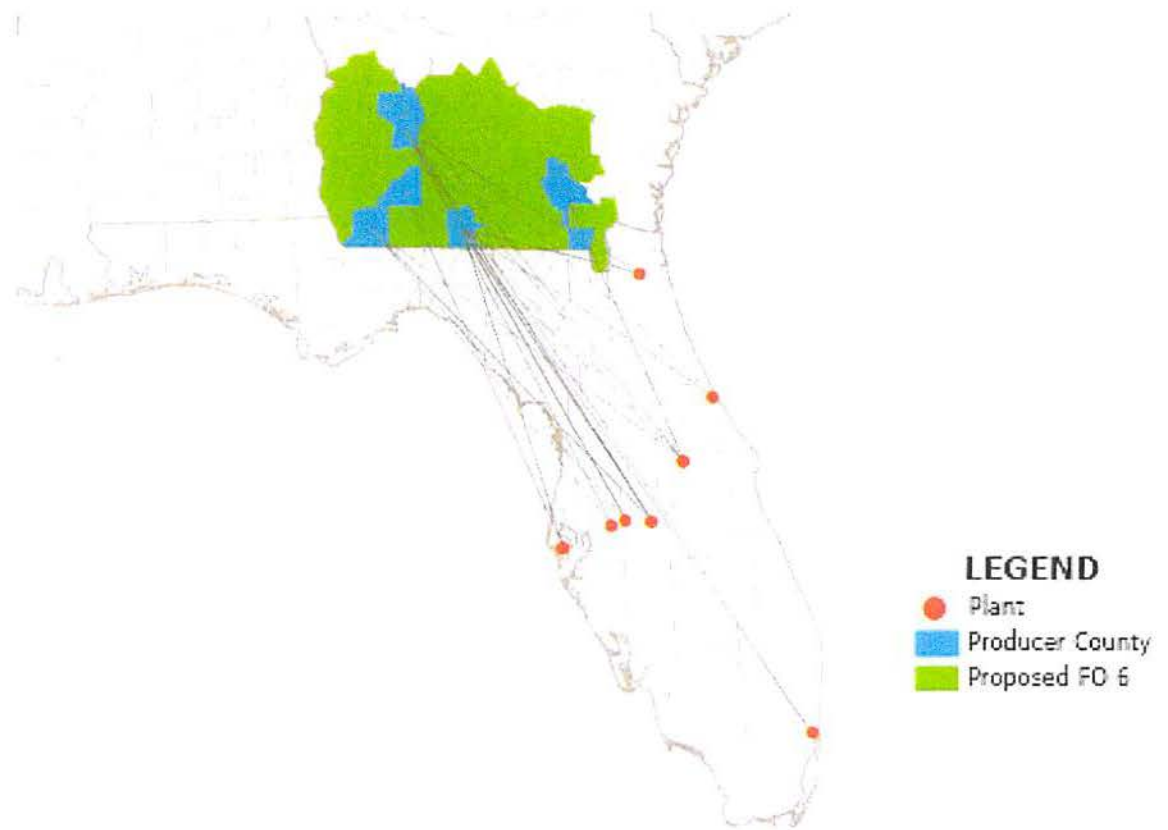


Exhibit _____

Georgia Milk Production by County All Deliveries 2022

