

UNITED STATES DEPARTMENT OF AGRICULTURE  
BEFORE THE SECRETARY OF AGRICULTURE

In re:	) Docket Nos.
Milk in the Northeast, Appalachian,	) AO-14-A78, <i>et al.</i> ;
Florida, Southeast, Upper Midwest,	)
Central, Mideast, Pacific Northwest,	) DA-09-02; AMS-DA-09-0007
Southwest, and Arizona Marketing	)
Areas	)

STATEMENT OF LEON BERTHIAUME  
ST. ALBANS COOPERATIVE CREAMERY, INC.

## Background

My name is Leon Berthiaume. I am the General Manager and Chief Executive Officer of St. Albans Cooperative Creamery, Inc. which is located in St. Albans, Vermont. I joined St. Albans in 1984 as Controller and have been General Manager/CEO since 1991. St. Albans and the other major cooperatives in the Northeast are members of the Association of Dairy Cooperatives in the Northeast (ADCNE) and the Greater Northeast Milk Marketing Agency (GNEMMA). I currently serve as the Chairman of both of those organizations. St. Albans and these other Northeast cooperatives are all also members of the National Milk Producers Federation (NMPF).

I am here today to testify on behalf of the St. Albans which supports Proposals 1, 2, and 26 which have been submitted by NMPF. These proposals, taken together, would (1) eliminate the producer-handler exemption except for existing qualified producer-handlers who have fewer than 3 million pounds of Class I sales per month; and (2) increase the exempt plant volume limit from the current 150,000 pounds per month to 450,000 pounds.

## St. Albans Cooperative

The St. Albans Cooperative Creamery, Inc. is a member-governed dairy cooperative serving dairy farmers located in Vermont, New York and New Hampshire and has been in operation since 1919. St. Albans Cooperative is based in St. Albans, Vermont, in the northwest corner of the state about 10 miles from the Canadian border.

We currently have 473 farms in our cooperative, 404 in Vermont, 68 in New York and one in new Hampshire. Our member's farm range in production from less than 200,000 lbs. annually to more than 40 million lbs. However, our cooperative consists largely of smaller sized farms – our average farm has approximately 125 cows, and annual production of about 2.5 million lbs. 91 of our member farms are certified for organic milk production. In calendar year 2008, our members produced 1.282 billion pounds of milk, of which 83 million pounds, or 6.46%, was organic milk.

## Market and Operations

The major outlet for our members' milk is the New England market, although, with the consolidation of plant operations in recent years, every outlet for milk is valuable. Sixty percent of our member milk volume is marketed directly from our farms to fluid and manufacturing plants in the Northeast primarily in the New England States. In fiscal year 2008 we moved approximately 580 million lbs. of milk to fluid milk markets which represented approximately 44 percent of our member milk volume. We operate a manufacturing facility in St. Albans, Vermont that separates approximately 40% of our milk volume to generate cream and skim solids for various customers, including Ben and Jerry's home made ice cream business, for which St. Albans is the primary supplier. We also have the capacity to produce nonfat dry milk powder at our manufacturing plant.

Since 2003 we have been a member/owner in Dairy Marketing Services, LLC. DMS is responsible for marketing the milk of St. Albans and a number of other large and small cooperatives, as well as some independent dairy farmers, in the Northeast. The majority of our organic members hold a dual marketing agreement with CROPP (Coulee Region Organic Producer Pool).

### **Northeast Marketing Area Federal Order 1**

The Board of Directors and management of St. Albans strongly support the Federal Order System. Because St. Albans is not located near the major population centers in the Northeast, the federal order marketwide pool is crucial to the economic survival of our members.

With the consolidation of Federal Orders in 2000, Federal Order 1 became one of the largest Federal Orders and is the Order with one of the largest Class I markets. The Northeast Order includes the eastern seaboard corridor that includes the cities of Boston, New York, Philadelphia, Baltimore and Washington. Approximately 51.6 million people live within the geographic boundaries of the marketing area, which makes the Order 1 region the most populous Federal Order in the United States.

In 2008, the Class I utilization in Order 1 was more than 10 billion pounds, which is approximately 22% of total Class I use in the federal order system. This Class I utilization was pooled among 13,584 producers, most of them small producers. Nearly 80% of those farms, more than 10,000 producers, deliver less than 150,000 lbs per month, which suggests a herd size of less

than 100 cows. For our dairy farmers in the Northeast, and for these smaller farms in particular, the federal order marketwide pool is the only assurance of the opportunity to obtain a fair share of the region's Class I proceeds; and without a viable marketwide pool the ability of these smaller farms to share in the Class I marketplace would be placed seriously at risk.

Order 1 also has more producer-handlers and exempt plants than any other order. The Order 1 Market Administrator's 2008 Annual Statistical Bulletin listed 15 producer-handlers and 46 exempt plants, most of which are also producer-handlers. The Class I sales from these producer handlers and exempt plants are not part of the Order 1 marketwide pool.

The issues in this hearing are extremely important for the future of the Order 1 marketwide pool and Order 1 producers. This rulemaking will determine the extent to which producer-handlers and exempt plants will participate in the pool, and the extent to which pool members will share in Class 1 revenues.

#### Organic milk in the Northeast

The organic milk market in the Northeast provides an example of the impact which large, unregulated producer-handlers can have on federal order pools. There are, primarily, three organizations that procure organic milk in our member service area: H.P. Hood, Horizon Dairies and CROPP Cooperative. H. P. Hood and Horizon are fully regulated handlers, and CROPP is an organization that markets to fully regulated handlers. In the case of all three of these organizations, the organic milk is fully priced and pooled under Order 1.

There are 623 organic farms in the DMS system – the 91 organic farms in St. Albans, and 532 other organic farms. The average production volume of these organic farms is small -- just over 50,000 pounds per month. These organic farms depend, almost exclusively, on demand for organic milk in the Northeast region to maintain even this relatively small volume of production, and to support the overall price paid for their product.

In recent years, large organic dairy operations have had a substantial impact on these small organic farm operations. For example, Aurora Organic Dairy, in Platteville, Colorado, an exempt producer-handler, distributed

Class I milk in Order 1 in every month of 2008. These Class I sales were not pooled. According to information posted on its website, Aurora has farms in Texas and Colorado with 12,500 cows. Because of its substantially larger size and the advantages it has from its producer handler status, it is now competing with the Order 1 organic producers and fully regulated Order 1 plants packaging organic milk. We need to establish a level playing field in the interest of all farmers, particularly the smaller farmers.

This experience that Northeast organic farmers have had with Aurora Dairy could easily be repeated in the context of conventional milk in Federal Order 1. There are currently farms in Order 1 with more than 2000 cows. Any large farm has the right to enter into processing if it desires. But we think that they should compete on equal terms with smaller farmers. It is only fair that they also be subject to the same pooling and pricing regulations as all other producers and handlers.

### Conclusion

St. Albans Cooperative is a small cooperative which is committed to working with customers and plants of all sizes.

We are also committed to represent and protect the interests of our member farms. I strongly believe that, as an industry, we must anticipate change and ensure we have the systems in place to deal with difficult challenges before these challenges become significant problems for the members of our industry. For St. Albans' members, the emergence of large producer handlers has already become a problem for our organic producers, and is likely to become a problem for our conventional producers if the current system is not changed.

For these reasons, we support NMPF proposals 1, 2 and 26. Adoption of these proposals will assist our members, and particularly our smaller members, to survive and to go forward in the future.

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