

Testimony of Bill Newell

**On behalf of
Dairy Farmers of America**

**May 4, 2008
Cincinnati, Ohio**

In re:

**Milk in the Northeast, Appalachian, Florida, Southeast Upper
Midwest, Central, Mideast, Pacific Northwest, Southwest,
and Arizona Marketing Areas**

Docket Nos.

**AO-14-A78, AO-388-A23, AO-356-A44, AO-366-A52, AO-361-A44,
A44, AO313-A53, AO166-A73, AO-368-A40, AO-231-A72 and
AO-271-A44, DA-09-02, AMS-DA-09-0007**

I am Bill Newell a dairy farmer from Maysville, Kentucky. My address is 6295 Key Pike, Maysville, KY 41056. Maysville, Kentucky is in northeast Kentucky approximately 75 miles southeast of Cincinnati.

My son and I milk a small herd of registered Holsteins on our 560-acre family farm. There has been milk shipped from this farm every day since 1928 when my grandfather started milking cows. I have been doing the majority of the milking since 1970. I am member of the Dairy Farmer's of America, Inc. (DFA) Mideast Area Council board of directors. I also serve on the Kentucky Dairy Development Council (KDDC) and am a past director of the Kentucky Holstein Cattle Club. I have provided leadership to young people with 4-H and FFA dairy projects. There was, at last count, 105 dairy farms in my district. Many of them are small, similar to mine, with the cows being milked and cared for by their owners and very little hired labor. Nearly 100% of the milk produced in my district is processed at the Kroger bottling plant in Winchester, Kentucky.

I am a member-owner of DFA and am here today to offer support for proposals 1 and 2 as offered by the National Milk Producers Federation and the International Dairy Foods Association and proposal 26 as offered by the National Milk Producers Federation.

DFA is a cooperative owned by approximately 18,000 members who operate farms in 48 states. DFA members are supportive of Federal Orders which we feel benefit all dairy farmers. Many of my fellow dairymen are very concerned about issues that affect milk prices, including the issues under discussion here.

My knowledge of federal milk marketing regulations is somewhat limited, but I have reviewed the proposals in this hearing and feel I have a working

knowledge of the issue under discussion. As a member of the Mideast Area Council Board of Directors I am familiar with the marketing conditions in the area where my farm is located. The issues in this hearing have also been discussed in DFA publications to the general membership and I have had discussion on this topic with my neighboring dairy farmers.

I understand that producer handlers are not part of the Federal Order pool. I realize that most producer handler milk volume is Class I milk, which returns the highest price; so when the returns from that volume of milk are not a part of the Federal Order pool, the resulting blend price is lower for all pooled farmers. Federal Order prices significantly guide the actual pay prices received by all dairy farmers in my area. The prices my neighbors and I receive for milk will be lower when producer handler Class I sales are excluded from the pool.

I physically reside in Federal Order 33 and the milk from my area is marketed in both Order 33 and Order 5. According to the data presented here today there is only one producer handler currently in operation in Order 33 and two in Order 5. There are 16 exempt plants in Order 33 and 2 in Order 5, one of which is North Carolina State University. My biggest concern is that USDA corrects the issues being raised by the NMPF and IDFA before they become multi-million pound problems. Federal Order hearings are supposed to be where the Secretary listens to concerns from producers about the Order system and decides if there is a problem that needs to be resolved or if the Orders need changes to keep up with changes in the dairy industry. I think this is one of those issues.

The dairy farmer business is going through one of the most difficult times in my existence as a dairy farmer and the most difficult in the existence of my son as a dairyman. Last month the mailbox milk price on my farm was \$9.20

per hundredweight, one of the lowest it has ever been and based on industry forecasts may be just as low for the next two to three months – if not longer. Like any of you listening, I am very concerned about any issue that may cause my business revenues to decline. This issue is based on a regulatory difference and not a supply-demand driven cost factor. This is the type of issue I think needs to be reviewed – and changed by the Secretary.

The Order system does not exist to assure a profitable milk price but rather to provide a level playing field for prices paid by processors and prices received by farmers. Once this balance gets upset the consequences may be hard to correct. I think the Order system is necessary to assure small producers like myself and those I represent access to the market. Were processing plants to close due to changes in the competitive marketplace, processors to buy my milk may become fewer and farther away resulting in increased hauling costs. In that case, the producers in my area would be negatively affected. It is not the function of the Order system to guarantee our existence; but we should be able to request that Order provisions which are causing or have the potential to cause marketing problems for a majority of dairy farmers be reviewed and modified if needed.

If this issue is not corrected I am concerned that the Order system as we know it will be threatened. This would not be a desirable result for dairy farmers in my community.

I feel our proposals are fair. Allowing an existing producer handler to retain their status, up to the 3,000,000 pound limit or an existing exempt plant to be exempt up to a limit of 450,000 pounds is reasonable. But if these businesses get to a certain size, they should be treated like other processors in the market.

Thank you for the opportunity to express the opinions of my fellow DFA dairy farmers. I will be glad to try to answer any questions you may have about my testimony.

