

Testimony of John Traweek

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

My name is John Traweek, a dairy farmer from Stephenville, Texas. My address is 103 Ben Hogan Dr. Stephenville is in Central Texas located approximately 90 miles southwest of Dallas/Fort Worth.

I am a 3rd generation dairy farmer with my brother Ricky. My father, James Traweek, began milking cows at our dairy in 1964 with hopes and plans that his sons would continue this proud tradition. It is with optimistic hope that my son or my brother's sons will choose to carry forth the family name in the dairy business.

We currently milk 750 Holstein cows and farm 950 acres in Erath County.

I am member of the Dairy Farmers of America, Inc. (DFA), Southwest Area Council Board of Directors. I also serve on the Dairymax Board of Directors as well as the Texas Agriculture Cooperative Council (TACC). To serve my local community I also serve on the Erath County Farm Bureau Board as well as Tri-County Agriculture Association (TCAA). Erath County is the #1 county in Texas for milk production with a majority of the milk produced there being used to serve fluid markets in the Austin, Dallas and Fort Worth area.

I am a member-owner of DFA. I am here to testify in support of 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 including Texas where I live. DFA members are supportive of Federal Orders and feel that farmers would be in a more difficult economic position if they were weakened or eliminated.

I am not an expert in the field of federal milk marketing regulations but I have looked over the proposals and have a general understanding of what is being discussed here. These proposals have been reviewed by the Corporate Board of DFA and by the Southwest Area Council Board of Directors who oversee the marketing activities in

the area where my farm is located. This issue has also been discussed in DFA member publications and at general membership meetings in my area. I have had discussions on this topic with my neighboring dairy farmers and we feel this issue has a direct impact on our mailbox milk prices and that makes us concerned.

I understand that a producer handler does not pool the revenues from the sale of his milk with the Federal Order. I understand that most producer handler milk volume is Class I milk, the highest priced class. When the returns from that volume of milk are not a part of the Federal Order pool the resulting blend price will be lower. Dairy farmer pay prices in my area are determined by the federal order. To the extent that the monies from the highest valued sales of milk are not included in the Federal Order pool, the prices my neighbors and I receive for milk will be lower.

Milk prices are currently very low due to many factors and when combined with historically high feed costs it has produced significant losses at my dairy in the past months, with the future prices not looking very promising. In fact, the milk price at my farm last month was \$10.96 per hundredweight - one of the lowest since I have ever been dairying. My farm faces the very real possibility that this producer-handler issue will lower that price even more if not corrected.

In our Council, the issue of regulating producer handlers has already had a price impact. A large producer handler operating in El Paso, Texas, has caused our fluid milk customers to press our cooperative for raw milk price decreases. Our customers tell us that in order to remain competitive, they must lower their prices to meet the competition from this producer-handler. We know that this pricing problem is caused by the producer-handler not being regulated under the federal order. In short, we can't see all the numbers that are calculated - but we have already seen the results in reductions in our sales premiums and in our mailbox milk price.

This problem began in the El Paso market and has expanded into the rest of the New

Mexico market and now has become a concern in certain Texas markets. In our case this is not imaginary, not a theory to be debated, and certainly not a minimal issue - but an actual daily occurrence. We think this issue needs to be reviewed and are appreciative of this Hearing. Our view is that large producer-handlers can and do affect the marketplace and exploit a price difference in ways that are not intended. We urge the Secretary to change the Order rules as suggested in Proposal 1, 2 and 26.

If the USDA cannot modify the federal order system to address the producer-handlers in our market, the possibility looms that the producers who participate in the federal order system could have to abandon the system in order to survive.

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.