EXHIBIT EIGHTY-TWO

USDA FEDERAL MILK ORDER HEARING MAY 2009
CINCINNATI, OHIO
STATEMENT OF MALLORIE'S DAIRY

By: Charles Flanagan

Rick Mallorie has given a brief history of Mallorie's Dairy. I will provide some of the details of its operations, markets, competition and costs, along with our perspective on IDFA and NMPF proposals 1 and 2 that brought us to Cincinnati.

OUR PRODUCTION AND USE OF MILK

During 2008, our milk production averaged about 3.1 million pounds per month. Class I packaged fluid milk use averaged 63% per month. Class II use averaged 15% per month. And Class IV use, ranging from 9% to 29%, averaged 22% per month. Production volume and Class utilization information for the years 2007 and 2008 are summarized below.

Class I sales have slipped some as we have lost customers to warehouse discount and rebate programs. Most of the Class II sales are to food manufacturers making yoghurt, soups, etc. Class IV is all surplus milk.

Date		Class I Sales	Class II Sales	Class IV Sales	Total Sales	
2007	LBS	25,376,277	6,664,845	5,181,826	37,222,948	
	%	68	18	14	100	CF
2008	LBS	23,440,834	5,661,326	8,200,016	~~32,302,176~~	37,302,176
	%	63	15	22	100	

Selling excess cream is not a problem. We seldom have surplus cream, and if we do Larsen's Creamery will always take it for a fair price. Surplus milk is a different story. Farmer's Cooperative Creamery will take it if they have the capacity to handle it, for the lowest Class price less a $2.00 per hundred-weight make allowance. Darigold would probably take it at the same price with a 260 mile round trip to Chehalis, Washington for an additional transportation cost of about $1.00 per cwt. Our usual market is Valley Crest Foods in Myrtle Point, Oregon, a 400-mile round trip costing about $1.50 per cwt in transportation cost. They pay the lowest Class price less $1.00 - $2.00.

We haul with our own tanker that holds 6,400 gallons. Most of the larger handlers use 7,500-gallon configurations that give them a 15-20 percent cost savings.

Several small processors would like to buy our high-quality, rBST-free milk, but are discouraged from doing so by Federal order pooling rules and co-op supply agreement penalties.

We have not purchased any milk from the outside for several years. When we did there was a $2.00 up charge and the milk was of poor quality compared to our own. Our customers and consumers expect high standards and appreciate our ability to control the whole process from cow to store. We couldn't do that with outside milk.

THE MARKET FOR OUR MILK

All milk delivered directly by Mallories is within a 50-mile radius. Our distributors' range is mostly within 60 miles although some milk goes to central and southern Oregon and along the coast. Our primary customers are:

Roth's Family Markets	Local grocery chain	Customer for over 40 years
Food 4 Less/Shop N' Kart	Local grocery chain	Customer for 15 years
Spring Valley Dairy	Independent distributor	Customer for over 30 years
Sun Star Dairy	Independent distributor	Customer for over 30 years

Due to the long history with these customers there is a lot of loyalty, trust and confidence that they will always be charged a fair price without gimmicks, they will receive great service and excellent quality products. We also serve several small customers that would not be able to purchase milk elsewhere at a reasonable price. Mallories also bottles a small amount of special kosher milk that requires special segregation and handling of one pen of cows and separate handling and processing of that milk.

A growing number of consumers are concerned about where their milk comes from, how it is produced and that it is produced locally. Mallories can comply with these concerns. Most of the larger processors cannot despite their claims about being "your local dairy" or that their milk comes "faster from the pasture." We do have the advantage that our milk travels directly from the milking parlor to the processing plant through a pipeline.

Mallorie's customers are constantly bombarded in the marketplace with price offers and sales schemes to encourage them to change suppliers. The wholesale grocery distributors are especially aggressive, offering generous volume discounts and rebates on total grocery purchases, which would be enhanced by purchases of milk from the "warehouse." The sources of this milk are regulated plants. Proprietary plants such as Safeway are very aggressive in their pricing as well. At one time we had over 20 independent Thriftway stores, but we eventually lost them all to generous pricing and rebate programs that we could not match.

If current customers were forced to buy from competitors they would pay higher prices. Transportation costs alone would be substantial. All customers that we deliver to are within 50-miles of our plant. Mallorie's has always been competitive on price and has been the source of milk for hundreds of customers too small to be served economically by the large processors. Through our jobbers we serve a niche of small customers ignored or exploited by others.

We also do specialty orders that are too small to be economical for large processors. Examples are special butterfat products for food manufacturers and special Kosher milk.

OUR COMPETITION

Milk sales competition in the Willamette Valley is intense. Safeway and Kroger have their own bottling plants and distribution networks. Darigold, Andersen Dairy, Alpenrose Dairy Sunshine Dairy and others distribute throughout the area. They control most of the volume to national grocery chains, big box stores and wholesale grocery warehouses. All of these processors market very aggressively. At times we have been forced to lower our prices to meet their price offers. We have lost more than a dozen independent stores due to price and marketing allowances that Mallorie's couldn't match. The lowest milk supplier in this area is Safeway who sells to distributors as well as through its own stores. Since Mallorie's does not have a complete line of dairy products, we can't penetrate some markets.

Our distributors service a wide range of small customers that were poorly served in the past at exorbitant prices. These businesses would be adversely affected if not supplied through Mallorie's.

Mallorie's is too small to solicit larger accounts. We continue to have relationships with two local independent chains, but have had no luck attracting new accounts of this type. Factors such as lack of a full line of products, less familiar brand name, wholesale grocery rebate incentives and warehouse financing to grocery stores restrict our ability to access other independent stores.

OUR INVESTMENT AND COSTS

Our processing plant is old, undersized and poorly laid out. It started out as a hop dryer and has been added onto and expanded many times. Most of our equipment is fairly modern, although much of it is used and was acquired from other processors. We don't have our own blow mold for making plastic jugs which puts us at a cost disadvantage.

One of the difficulties of operating as a producer-handler is that both sides of the business require the scarce resources of time, management and investment. Since these resources are always limited, it is a difficult balancing act to determine which projects get approved and which don't.

The processing cost-per-gallon of a small plant like ours is definitely higher than the large plants of our competitors. There are few, if any other processor plants as small as the largest producer-handler plant in FO 124. Because of the mixing of costs between the dairy and processing operations on our farm, it is difficult to segregate accurate cost data. We currently add a processing charge of 71cents per gallon, which includes the cost of the container. I have tried to find statistics on cost variation based on plant size, but so far the most recent I found was dated in 1987. That data showed that a plant processing 300,000 gallons per month had a processing cost of about 40 cents per gallon compared to a 2.5 million gallon per month plant cost of less than 27 cents. That translates to a small plant processing cost disadvantage of nearly 50%. Although these numbers are old, I think modern numbers would reflect that the similar economies of scale are still enjoyed by larger processors.

OUR VIEWS ON PROPOSALS 1 & 2

The producer-handler exemption issue has recently been reviewed extensively in the Pacific Northwest and Arizona federal orders, and new rules went into effect in 2006. Producer-handlers in these Federal orders have painfully adjusted to these new rules and there is no justifiable reason to address the subject again.

The PNW federal order has already considered the producer-handler exemption in detail. The result of two years of hearings and administrative procedure was a ruling that limited the producer-handler exemption to only those producer-handlers with less than three million pounds of Class I utilization per month. This is the same exemption that NMPF described as "fair" in a June 23, 2005 letter to Secretary Johanns. Now they are back asking for further restrictions on producer-handlers.

It is unfair to allow the huge co-op and processor organizations to systematically destroy producer-handlers and others with continuing regulatory attacks. Their purpose is to consolidate their control of the milk market, to restrict and disrupt competitors and to eliminate an entire class of independent dairy farmers.

The arguments of IDFA and NMPF are misleading. True, some producer-handlers today are much larger than any of the 1930s. This is the very same growth trend experienced by all dairy industry participants. All are fewer in number and larger in size. Dairy farms, milk processors, co-ops and customers have all grown to sizes never imagined in the 1930s. To single out producer-handlers for blame is unreasonable.

NMPF argues that the potential exists for producer-handlers to "proliferate across a market." History has shown that the number of producer-handlers is steadily declining, not increasing. Despite what Producer-handler opponents claim, it is not easy to start up or operate a producer-handler business. According to USDA statistics, there were 348 producer-handlers in October 1959 and only 79 left by December 2001. The number today is probably between 40 and 50. Only five producer-handlers still survive in Federal order 124. The alleged producer-handler advantage and risk of proliferation have been greatly exaggerated.

NMPF also discusses in detail how producer-handlers supposedly "disrupt" the orderly marketing of milk in a market. In the PNW federal order the number of producer-handlers has decreased from 14 in June 1997 to 6 in November 2008, one of which is actually located in Colorado. The percentage of Class I sales by producer-handlers has consistently been less than four percent for the last several years. This can hardly be categorized as disruptive.

Producer-handlers in Federal Order 124 do not threaten orderly marketing nor do they undermine the pool. The calculated effect in 2007 was less than four cents per hundredweight on total pool utilization. In the NMPF request for hearing letter they calculated the benefit that producer-handlers receive from a Class I sales percentage greater than the pool Class I percentage, but they failed to consider the negative consequences of disposing of surplus milk by a producer-handler at the Class IV price less a substantial penalty. The net advantage is such an insignificant amount that it does not support accusations of market disruption or unfair advantage by producer-handlers. The economic effect of eliminating the producer-handler exemption is the disruption of several family-owned businesses that have been here for many decades with very little compensating benefit to the pool.

NMPF states that producer-handlers were originally given special status for administrative reasons. One of the major reasons for the Agricultural Adjustment Act of 1933 was to remedy processor abuses and to eliminate processors from price gouging producers. Minimum prices were established for payment by processors to producers. Since producer-handlers neither bought nor sold milk, they were exempt from these pricing regulations. Over the last 70 years the producer-handler exemption has been reexamined numerous times. The fact that the exemption has remained in place is likely due to a lack of evidence that producer-handlers are disruptive, and because USDA wisely refused to destroy an innovative business model that has withstood the test of time, meets contemporary customer preferences and that serves as a viable alternative to the co-op system.

Proponents of the proposal to eliminate the producer-handler exemption argue that is good policy to establish uniform provisions across all Federal orders. While that sounds good in theory, it has historically never been the case. While there are many similarities between the various orders, distinct differences have always been present. One such example is the three million pound limit applied to the Arizona and Pacific Northwest markets that do not exist in other markets. There is no good reason why the Pacific Northwest can't continue under the current rules that were approved less than three years ago.

Although USDA decided in 2006 to classify producer-handlers under the Regulatory Flexibility Act based on their size as producers, the fact is that all Pacific Northwest producer-handlers are clearly "small" businesses based on their size as processors. They are a small plant subset of milk processor small businesses. None of these producer-handler processing plants can compete with the large pool plants with their size, economies of scale and marketing connections. The producer-handler exemption enables these smaller processors to compete.

In summary, the producer-handler exemption has been debated and decided in the PNW and Arizona federal orders. There is no reason to reopen the issue. NMPF and IDFA clearly have superiority in numbers and political muscle. In a democracy even though the majority rules, the majority has a strict obligation to protect the basic rights of the minority. We ask USDA to do the same.

THE EFFECT OF IDFA & NMPF PROPOSALS 1 & 2 ON OUR SMALL BUSINESS

Operating as a pool plant would have catastrophic effects on our business. Based on sample pooling charge computations provided by the Market Administrator's office, we are able to compute the hypothetical pooling charge we would have had to pay if we were nonexempt. For the years 2007 and 2008 the pooling charges would have averaged $40,000 per month, with a high of $74,000 and a low of $10,000. Such a large cash flow drain would force us to reevaluate our entire business, if we could survive at all.

Current stresses in the banking industry combined with dismal milk price forecasts and high input costs are already making it more difficult to renew lines of credit. Projecting future income losses of $40,000 per month are having a negative impact on our credit relationship.

When the FO 124 producer-handler exemption was set at a maximum of three million pounds Mallorie's Dairy responded by reducing our herd size by 800 cows and 800 replacement animals in order to stay below the cap. We also closed our heifer-raising facility in Central Oregon and closed a 300-cow dairy that we were leasing. About 25 employees lost their jobs and purchases of feed, other supplies and services were reduced by nearly one-third, or over three million dollars.

If the current PH exemption is lost, it is unlikely that Mallorie's Dairy could continue to operate either the production side or the processing plant long term. The two departments operating in tandem, with the exemption from paying pooling charges generate a modest profit in most years. Without the exemption we would not be profitable most of the time. This business was built over a period of five decades with the expectation that the exemption would remain in effect. To abruptly change the rule now leaves no time for the business to reorganize or reengineer a new business model.

If Mallorie's were to go out of business 50 more employees would lose their jobs. Most have been here for at least ten years, some over 20. The impact on the local and Oregon economy would be a loss of over six million dollars a year. Many loyal customers who appreciate locally owned and controlled products would be forced to buy other brands. Mallorie's has had relationships with Roth's Fresh Markets, Spring Valley Dairy, and Sunstar Dairy that go back over 40 years. Through our jobbers we are also the economical source of milk for hundreds of small businesses that previously were gouged by the larger processors with inflated prices and minimum stop charges. These customers would be seriously hurt, possibly leading to more business failures and loss of jobs.

Mallorie's participates with other local dairies in the purchasing of railcar loads of feed commodities through a central buyer and unloading operation. Without our participation, the economics and scale of this operation would be negatively impacted.

CONCLUSION

Proposals 1 & 2 should be rejected. If some rules are necessary to control industrial-sized producer handlers, the existing rules in the PNW market should be used as a model for other milk orders. If proposals 1 & 2 are adopted, existing investment by producer-handlers, made in reliance on 70 years of regulatory policy, should be grandfathered. We have made a reasonable grandfathering proposal in proposal 17. We do not believe that a pool-exempt volume for grandfathered plants should be employed regardless of possible future growth of the plant. That would, potentially, give a large plant with exempt volume a competitive advantage over plants of similar large size. That is not our intent.

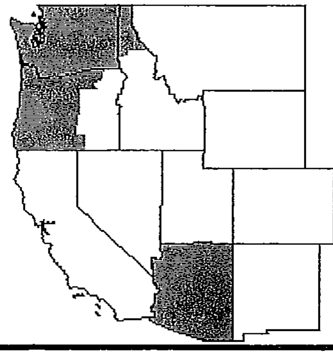
A plant such as ours would have a grandfathered volume of 2 million pounds per month under proposal 17. If we ever grow to 6 million pounds per month, we would be paying the full pool obligation on two-thirds of our milk. Since 6 million pounds per month is the approximate size of a few of the smallest fully-regulated distributing plants, it is a good point at which to eliminate all exempt milk for a grandfathered plant.

Thank you for this opportunity to tell you about Mallorie's Dairy, and of our views on these issues.

The Market Administrator's Report

Pacific Northwest & Arizona Marketing Areas

USDA



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February 2009

MARKET SUMMARIES FOR JANUARY 2009

Comparisons to a year ago can be found in the tables on pages 6 and 7.

Pacific Northwest

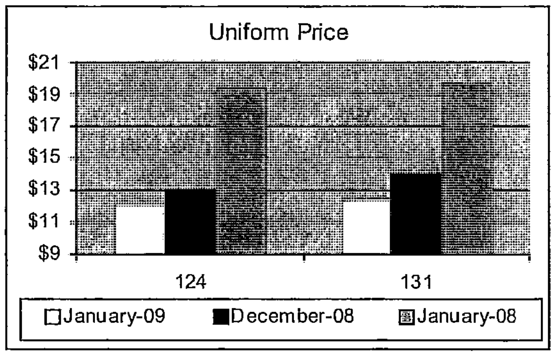
Producers delivered a total of 692.0 million pounds of milk to the market during January. Daily deliveries averaged 22.3 million pounds, up 46.4 percent from December. An estimated 673 producers delivered milk to the market during the month. Comparisons to December 2008 are biased due to eligible milk not pooled. Daily deliveries per producer averaged 33,169 pounds, up 11.4 percent from December.

Class I producer milk during January totaled 195.4 million pounds, 28.2 percent of total producer receipts. Daily usage averaged 6.3 million pounds, down 4.1 percent from December.

Arizona

Producers delivered a total of 367.4 million pounds of milk to the market during January. Daily deliveries averaged 11.9 million pounds, up 2.5 percent from December. An estimated 100 producers delivered milk to the market during the month. Daily deliveries per producer averaged 118,506 pounds, up 2.5 percent from December.

Class I producer milk during January totaled 115.9 million pounds, 31.6 percent of total producer receipts. Daily usage averaged 3.7 million pounds, down 3.91 percent from December. ♦



Federal Order Producer Prices and Component Levels: January 2009					
Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/	12.12	12.49	Butterfat	3.768	3.599
Butterfat 2/	1.1084	1.1615	Protein	3.160	N/A
Protein 2/	2.3638	N/A	Other Solids	5.675	N/A
Other Solids 2/	(0.0304)	N/A	Nonfat Solids	8.835	N/A
PPD 1/*	1.34	N/A			
Skim 1/	N/A	8.73			

N/A = not applicable. * Subject to applicable location adjustments. 1/ $ per cwt. 2/ $ per pound.

ANNUAL SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA 2/			
Minimum Class Prices (3.5% B.F.)	2008	2007	2006	2005	2008	2007	2006	2005
Class I Milk ($/cwt.)	$19.90	$20.04	$13.78	$16.30	$20.35	$20.49	$14.23	$16.75
Class II Milk ($/cwt.)	16.24	18.36	11.76	13.48	16.24	18.36	11.76	13.48
Class III Milk ($/cwt.)	17.44	18.04	11.89	14.05	17.44	18.04	11.89	14.05
Class IV Milk ($/cwt.)	14.65	18.36	11.06	12.88	14.65	18.36	11.06	12.88
Producer Prices								
Producer Price Differential ($/cwt.)	$(0.57)	$ 0.63	$ 0.19	$ 0.15	+	+	+	+
Butterfat ($/pound)	1.5668	1.4693	1.3252	1.7105	+	+	+	+
Protein ($/pound)	3.8898	3.5121	2.0912	2.4602	+	+	+	+
Other Solids ($/pound)	0.0555	0.4201	0.1746	0.1228	+	+	+	+
Uniform Skim Price ($/cwt.)	+	+	+	+	12.39	14.39	8.22	8.94
Uniform Butterfat Price ($/pound)	+	+	+	+	1.5739	1.4762	1.3326	1.7253
Statistical Uniform Price ($/cwt.)	$16.87	$18.67	$12.07	$14.20	$17.46	$19.05	$12.60	$14.66
Producer Data								
Number of Producers	610	704	779	817	99	93	92	87
Avg. Daily Production (lbs.)	30,824	27,382	26,625	23,618	114,693	111,912	100,758	92,466
Number of Handlers								
Pool Handlers	26	27	28	27	7	7	6	5
Producer-Handlers	6	6	7	9	1	1	2	3
Other Plants w/ Class I Use	23	25	24	22	24	22	25	29
Producer Milk Ratios								
Class I	33.07%	32.07%	29.52%	30.21%	33.67%	36.65%	37.50%	33.46%
Class II	7.20%	7.32%	6.43%	6.61%	6.46%	9.10%	8.62%	10.64%
Class III	23.62%	29.95%	27.45%	25.18%	28.65%	27.81%	34.61%	38.49%
Class IV	36.10%	30.67%	36.60%	38.00%	31.21%	26.43%	19.27%	17.41%

+ Not Applicable.

ANNUAL SUPPLEMENTAL STATISTICS

Producer-Handler Data	2008	2007	2006	2005	2008	2007	2006	2005
Production	327,699,813	321,470,981	305,745,068	407,230,677	R	R	R	R
Class I Use	267,555,686	255,596,158	248,192,458	324,307,445	R	R	R	R
% Class I Use	81.65%	79.51%	81.18%	79.64%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	2,030,173,587	1,994,049,274	2,000,742,674	1,885,388,485	1,131,481,428	1,149,759,420	1,131,880,059	931,316,187
By Producer-Handlers	79,866,974	84,441,329	126,067,955	230,213,129	1/	1/	1/	1/
By Other Plants	80,887,005	55,539,139	50,007,298	34,069,132	59,696,673	57,885,430	134,311,783	336,429,994
Total	2,190,927,566	2,134,029,742	2,176,817,927	2,149,670,746	1,191,178,101	1,207,644,850	1,266,191,842	1,267,746,181

* Preliminary. R = Restricted. Not included. 1/ Restricted. Included with other plants. 2/ Due to the implementation of the Milk Regulatory Equity Act of 2005, the name of Federal Order 131 changed from the "Arizona-Las Vegas Order" to the "Arizona Order" and Clark County, Nevada, was removed from the marketing area effective May 1, 2006.

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA			
Minimum Class Prices (3.5% B.F.)	Jan 2009	Dec 2008	Jan 2008	Dec 2007	Jan 2009	Dec 2008	Jan 2008	Dec 2007
Class I Milk ($/cwt.)	$17.64	$17.33	$22.87	$21.94	$18.09	$17.78	$23.32	$22.39
Class II Milk ($/cwt.)	10.41	11.21	19.75	20.82	10.41	11.21	19.75	20.82
Class III Milk ($/cwt.)	10.78	15.28	19.32	20.60	10.78	15.28	19.32	20.60
Class IV Milk ($/cwt.)	9.59	10.35	16.29	19.18	9.59	10.35	16.29	19.18
Producer Prices								
Producer Price Differential ($/cwt.)	$ 1.34	$(2.28)	$ 0.07	$(0.30)	+	+	+	+
Butterfat ($/pound)	1.1084	1.2998	1.3319	1.4348	+	+	+	+
Protein ($/pound)	2.3638	3.6390	4.4994	4.7061	+	+	+	+
Other Solids ($/pound)	(0.0304)	(0.0269)	0.2097	0.2637	+	+	+	+
Uniform Skim Price ($/cwt.)	+	+	+	+	8.73	9.41	15.52	16.37
Uniform Butterfat Price ($/pound)	+	+	+	+	1.1618	1.3961	1.3566	1.4365
Statistical Uniform Price ($/cwt.)	$12.12	$13.00	$19.39	$20.30	$12.49	$13.97	$19.72	$20.82
Producer Data								
Number of Producers	673 *	512	674	683	100 *	100	96	92
Avg. Daily Production (lbs.)	33,169 *	29,785	28,021	27,334	118,506 *	115,651	114,367	112,592
Number of Handlers								
Pool Handlers	28	25	27	27	7	7	7	7
Producer-Handlers	6 *	6	6	5	1 *	1	1	1
Other Plants w/ Class I Use	22 *	22	24	26	26 *	26	22	23
Producer Milk Ratios								
Class I	28.23%	43.09%	34.37%	32.91%	31.55%	33.65%	36.22%	35.91%
Class II	4.66%	7.39%	6.83%	5.98%	7.17%	7.12%	6.53%	7.38%
Class III	39.00%	8.85%	30.97%	31.27%	23.98%	27.01%	23.50%	25.20%
Class IV	28.11%	40.67%	27.83%	29.84%	37.30%	32.22%	33.75%	31.51%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Dec 2008	Nov 2008	Dec 2007	Nov 2007	Dec 2008	Nov 2008	Dec 2007	Nov 2007
Production	28,249,380	26,825,468	27,238,521	25,792,798	R	R	R	R
Class I Use	24,560,574	22,118,470	21,197,014	21,807,708	R	R	R	R
% Class I Use	86.94%	82.45%	77.82%	84.55%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	180,593,725	170,038,934	173,681,018	172,375,290	98,046,056	95,814,514	95,384,943	98,730,746
By Producer-Handlers	7,493,852	6,743,293	5,900,093	5,894,443	1/	1/	1/	1/
By Other Plants	8,588,867 *	6,452,929	4,677,481	4,866,482	5,204,382 *	4,573,238	3,395,547	3,750,254
Total	196,676,444	183,235,156	184,258,592	183,136,215	103,250,438	100,387,752	98,780,490	102,481,000

* Preliminary. R = Restricted. Not included. 1/ Restricted. Included with other plants.