

Exhibit No. \_\_\_\_\_

**Southeast Milk Inc.**

**Emergency Hearing Testimony Caused by Hurricane Irma**

**Florida Federal Milk Marketing Order 1006**

**(7 CFR Part 1006)**

**December 12, 2017**

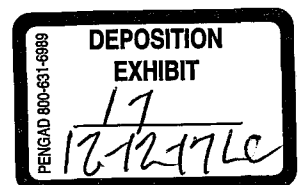
**Embassy Suites, Tampa, FL**

**(AMS-DA-17-0068; AO-18-0008)**

**Introduction**

My name is Shana Wooten. I serve as the Director of Milk Marketing of Southeast Milk, Inc., (SMI) located at 1950 SE Hwy 484, Belleview, Florida 34420. I have worked for Southeast Milk, Inc. since January 1999. My past experience with SMI started with data entry in the Producer Payroll Department. I now oversee the Producer Payroll, Producer Lab, Member Field Services, and Milk Movement (dispatching) departments. During my time at Southeast Milk, Inc. I have worked directly with several Market Administrator's offices with regards to SMI's pooling requirements on a regular basis.

SMI is a dairy marketing cooperative with approximately 150 dairy farmer members located in six different states throughout the Southeast. Approximately 70% of SMI's milk production is in Florida, 28% in Georgia, and the remaining 2% in Mississippi, Alabama, Louisiana, and South Carolina. SMI has producer milk pooled in Federal Orders 5, 6, and 7 on a regular basis. During the month of September 2017, SMI delivered nearly 148 million lbs. of producer milk to Federal



Order 6 pool plants. SMI member milk accounted for approximately 73% of all producer milk pooled on Federal Order 6 during September 2017.

SMI has a Hurricane Preparedness Plan that provides instructions on what should be done pre, during, and post hurricane. Our hurricane plan dictates we meet 36 hours before a hurricane affects our market area, and again 24 hours prior and 12 hours prior. The plan ensures we have proper communication lines for our drivers and terminals, transportation plans for our drivers, a building and equipment plan for our corporate office for our lab and IT resources, ensuring proper levels of fuel at terminals, and tree removal plans, as well as a plan for moving milk.

SMI supports Proposals 1 & 2. These proposals will reimburse handlers for only a portion of the total costs associated with multiple plants shutting down during Hurricane Irma in September. Hurricane Irma travelled straight up the entire peninsula of Florida as seen in **Exhibit**, causing every plant to shutdown at some point, many doing so for multiple days, leaving a market normally importing milk during the fall completely saturated. I am confident that every SMI Florida dairy farmer and many SMI Georgia dairy farmers were directly or indirectly impacted by Hurricane Irma. This testimony is offered in support of both proposals.

### **Hurricanes**

In the second week of September 2017, Hurricane Irma hit the entire state of Florida. The Florida Department of Agriculture and Consumer Services (FDACS) estimates agriculture losses from Hurricane Irma exceeded \$2.5 billion. For comparison, FDACS estimated the damages from Hurricanes Charley and Frances in 2004 in excess of \$2.1 billion.

**Exhibit** shows weather reports during Irma. Nearly the entire peninsula of Florida saw at least 5 inches of rainfall, with some areas seeing as much as 11.75 inches of rainfall, according to the National Oceanic and Atmospheric Administration. In isolated areas in which some of our member farms were located, we heard rainfall volumes from the storm exceeded 25 inches of rainfall. We know for a fact through photos sent by our members, many of their farms looked like giant "lakes" whereby nearly all of their farm operations were covered in water. It should also be noted that most of the area of south Florida experienced more than normal rainfall this past summer which meant the ground was already saturated prior to Irma. All this rainfall resulted in mass flooding, causing road closures on top of damages to infrastructure. The same report shows wind speeds ranging from 50 to 90 miles per hour. In the extreme southern section of Florida where Irma hit landfall and not that far from our largest milk supply, wind gust speeds were in excess of 100 miles per hour. In several locations throughout the state, many tornadoes were found to wreak havoc as well. Again, through photos shared by our members, I personally saw many roofs blown off of cow shading areas and/or milk housing barns, torn milking parlors, and cow cooling equipment, especially fans, totally decimated. Many of our members experienced shortages on fuel to run their generators, along with generators simply not working at all. Keeping the cows cooled was a major obstacle for many of our members for several days after the storm. Furthermore, SMI has milk testing facilities where we test for milk quality and components for our members. Immediately after Irma we saw both milk components and quality result readings that were extremely abnormal, again reflecting the stress that was put on the milk supply chain. FDACS confirmed that Hurricane Irma was the largest, most powerful hurricane ever recorded on the Atlantic Ocean, making

landfall in South Florida as a category 3 hurricane in their report on damages to Florida's agricultural industries (Exhibit \_\_\_\_\_).

Exhibit \_\_\_\_\_ shows counties with SMI milk production. This table shows the widespread impact of Hurricane Irma on Florida's dairy industry such as:

- Exhibit \_\_\_\_\_ shows every county in Florida was declared eligible for assistance by FEMA, with 48 eligible for individual assistance. Over 700,000 individual assistance applications have been approved, per release DR-4337.
- USDA declared 19 Counties Primary Natural Disaster Areas, with another 25 available for assistance, according to Release No. 0126.17.
- Of the 64 SMI Florida dairy farms, 57 or 89% are located in counties declared disaster areas. These 57 farms produce 91% of all SMI Florida milk production.

To put Hurricane Irma in perspective, please allow me to provide the following statistics:

In effort to avoid the worst of Hurricane Irma, an estimated 6.3 million people (of Florida's 20 million residents) fled their homes in search of safer housing, according to the Florida Division of Emergency Management. Many got as far as they could, slowly travelling along the state's congested highways. Because of time, many were forced to take refuge in shelters, homes of friends or relatives, or, if they were lucky enough, hotels. More than 54,000 residents were in 320 shelters across Florida, according to the governor's office. Governor Rick Scott declared the entire state into a State of Emergency, with local officials in south Florida issuing evacuation orders. These mandatory evacuation orders covered parts of Miami-Dade County, part of Broward County, and Palm Beach County, alone of which are home to nearly 6 million people

combined. The evacuation of Miami-Dade County was the largest in its history, with an estimated 660,000 people asked to leave, Mayor Carlos Gimenez said in a CNN news article.

<http://www.cnn.com/2017/09/08/us/hurricane-irma-evacuation-florida/index.html>

After the storm passed, crews worked tirelessly to get life back to normal. At one point, Chris Krebs, Assistant Secretary for Infrastructure Protection at the Department of Homeland Security, reported that nearly 15 million people were without power as a result of Hurricane Irma. Estimates from the state agency FloridaDisaster.org pointed to nearly 3.8 million accounts not having power as of September 13 (two days after the storm had passed through much of the state) — around 36% of the state's total (see Exhibit \_\_\_\_ ). In Georgia, more than 500,000 electricity accounts were still out of service during the same time frame, Georgia Public Broadcasting reported. However, even a week after the storm, nearly 90,000 homes were still without power. For example, Exhibit \_\_\_\_ shows what counties were most affected by power outages as of a week later (Wednesday, September 20), according to the Florida Division of Emergency Management. Without power, plants were unable to process milk, stores were unable to store milk, and customers were unwilling (or unable) to purchase milk, leaving dairy farmers with no market for their milk for several days.

<http://www.orlandosentinel.com/weather/hurricane/os-hurricane-irma-power-outage-map-20170912-htmlstory.html>

With media coverage starting and public awareness at an all-time high following the devastation of Hurricane Harvey in Texas shortly before Hurricane Irma, many Floridians began “panic buying” fuel for their vehicles, preparing for the worst. As the storm approached, many

gas stations across the state ran out of fuel. As of September 11, at least 60% of the gas stations in Miami-Fort Lauderdale and Gainesville were without fuel, according to estimates from crowdsourcing platform GasBuddy. Roughly half of the gas stations in Jacksonville, Tampa, West Palm Beach and Fort Myers were also empty after Floridians took to their cars to flee the path of the storm. With fuel scarce, many were unable to drive any further, leaving drivers abandoned on the side of the road or at rest stops, which were teeming with refugees.

<http://money.cnn.com/2017/09/11/investing/gas-station-shortage-florida-hurricane-irma/index.html>

Structural damage to dairy farms is estimated in the millions of dollars – barns and milking parlors damaged or destroyed, commodity sheds blown away, roofs blown off, fences torn down, and crop land and pastures flooded.

Many dairy farms missed an entire day or more of milking due to power outages, dangerous wind speeds, and malfunctioning generators. Some dairies were milking on generators for as long as a week or more. Because cooling systems were either without power or damaged, milk production fell well below normal levels due to heat stress. During the first 48 hours of the event, some of our south Florida farms lost 25% of their daily milk production as a result. FDACS estimates the value of all lost production to be at least \$7.5 million.

### **Milk Disruption**

With many milk processing plants in Florida shutting down operations before, during and after Hurricane Irma, there were no markets for milk for several days. SMI lost revenue and sales

because of dumped milk and milk being sold at lower prices in other milk markets. This issue will continue to impact the prices farmers receive for months to come.

Normal milk marketing activities were disrupted by Hurricane Irma, due to its enormous size, slow moving speed, and extra precautions taken and warnings given as a result of Hurricane Harvey, which had just passed through and devastated the state of Texas.

Hurricane Irma caused all fluid milk processing plants located in Florida to close from one to as many as 5 days. Three plants received no milk for four days, two other plants for three days, one plant for two days, and one plant received no milk one day. Even on Christmas, there are only one or two plants that actually close. See **Exhibit \_\_\_\_\_** for a full schedule of when plants closed during the week of the hurricane.

What made Irma more disruptive than past hurricanes is that past hurricanes affected only one part of the state. If a hurricane hit South Florida the Central Florida plants would continue to operate or vice versa. Hurricane Irma disrupted the entire state. In other words, during the time of the year when significant volumes of milk are being imported into Florida, the Florida market turned from a deficit milk market to a surplus milk market overnight. A portion of this "temporary" surplus milk was shipped out of the Florida market. Under normal conditions this milk would have been marketed in the Florida market at the Class I price.

### **Filling the Pipeline**

Referring to the data provided by the Market Administrator's office, one can see the significant increase in milk demand following Hurricane Irma. This increased demand came from the plants being closed from 1-5 days, many retail outlets out of power thus losing all perishables and

thousands of homes losing all perishable food products. This created a significant challenge in filling the pipeline with dairy products once power was restored. Most supermarkets have generators, but very few have generators large enough to power their entire store, much like on our members' farms. Others had generators fail due to mechanical issues or simply had no fuel to power them, as it became scarce. As a result, many perishables in the frozen and refrigerated sections of the stores had to be disposed of. Many stores were without milk for several days following the hurricane as they hurriedly tried to get milk back onto store shelves.

Making the matter worse is the decreasing milk production as a result of the hurricanes. In Florida, September milk production was 3% or 4 million lbs. less than September a year ago. This decrease is after showing several months of increased production. We anticipate further declines in milk production as more cows are culled due to hurricane related injuries and stress. Dairy farmers were unable to add cows, which normally happens in the Florida market this time of the year. This is due to barns and feed damaged, and drain on cash flow.

### **Dumped Milk**

During the requested time period of reimbursement, SMI dumped 2 million lbs. of milk at the farm or from trailers due to age during Hurricane Irma. The value of this loss of \$327,917 is shown in Exhibit [REDACTED]. Milk was dumped due to several reasons: milk trucks not able to get to farms due to high winds; down power lines and trees blocking roads and farm lanes; law enforcement officials limiting traffic to only emergency vehicles; lack of drivers, including outside haulers, and equipment; and all of SMI's milk tankers filled. SMI had no empty trailers to store additional milk.



### **Milk to Southeastern Cheese**

In addition to the milk being dumped on the ground, we were able to capture some value on the milk by shipping it directly to Southeastern Cheese in Uniontown, Alabama. However, this milk would normally receive Class I price in the Florida market; by shipping it to Southeastern Cheese, we lost abundant value on transportation and lower price. See **Exhibit** that shows a loss of \$73,000 for the lower value received and **Exhibit** that shows a loss of \$19,340 for the lower differential (not including net transportation) based on where the milk was received.

### **Transportation Expenses**

As indicated above, SMI incurred additional transportation expense in moving milk outside the Florida market and dumping milk, which we have not quantified at this time.

### **Summary**

A major purpose of the FMMO program is to ensure an orderly market supply of pure and wholesome fluid milk to consumers. When that supply is disrupted by extraordinary acts of God, it is important that the Federal Orders appropriately reflect those events and their costs in the regulations.

SMI's dairy farmer members strongly encourage the Secretary of Agriculture to issue an expedited decision for Federal Order 6, which includes Proposals 1 & 2. Emergency marketing conditions exist that warrant omission of a recommended decision under the rules of practice and procedure.

Please note that the examples provided in my testimony are used for the purpose of understanding how Southeast Milk has valued the cost of each loss and is not the final calculations that SMI will be submitting for the potential reimbursement.

We truly appreciate the Secretary of Agriculture providing us this opportunity. I have concluded my testimony and will now answer any questions.