

Exhibit No. _____

COOPERATIVE ASSOCIATION PROPONENTS

HURRICANE COST EMERGENCY HEARING TESTIMONY

FLORIDA FEDERAL MILK MARKETING ORDER NUMBER 1006

(7 CFR Part 1006)

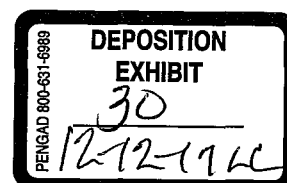
DECEMBER 12, 2017

Tampa, Florida

[AMS-DA-17-0068; AO-18-0008]

I am Elvin Hollon, Vice President of Fluid Marketing and Economic Analysis for Dairy Farmers of America, Inc. My office is located at 1405 N. 98th, Kansas City, Kansas, 66111. I am testifying today in support of Proposal 1, as offered by Southeast Milk, Inc., Dairy Farmers of America, Inc., Premier Milk, Inc., Maryland and Virginia Milk Producers Cooperative Association, Inc., and Lone Star Milk Producers, Inc. (the Proponents) who together market in excess of 90 percent of the producer milk pooled on the Florida Order (FO6). The Proponents requested that the Department hold this emergency hearing for purposes of amending FO6, to provide for temporary amendments to the Order authorizing limited reimbursement to handlers who experienced extraordinary losses from Hurricane Irma during September 2017.

Dairy Farmers of America, Inc. (DFA) is a qualified Capper Volstead Cooperative. We market and pool milk in all Federal Milk Marketing Orders (FMMO) except the Arizona Order. We are strong supporters



of the FMMO system and realize the benefits of orderly marketing it provides to our member owners; their customers and consumers are very important. With regards to the Florida Order, we regularly market and pool milk from DFA member owners on the Order. Our members suffered marketing losses of the type for which compensation is being requested in this proceeding.

We support the modifications to the proposal as outlined by Mr. Sims. Without them many of the claims of additional transportation costs and milk value would not be able to be recouped.

We agree and support the information supplied by the Ms. Wooten and Mr. Pittman with regard to the extraordinary weather conditions caused by Hurricane Irma and leading to this request and will not duplicate some of the factual storm specific data. With regard to the data supplied by the Market Administrator we note that the Exhibit __ **FO 6 Other Uses and Farm Dumps** clearly demonstrates that farm dumps are unusual in Order 6 and the volumes dumped on farms in September was substantial and would represent an amount in the hundred-thousands of dollars. Exhibit __ **Deliveries to FO 6 Pool Distributing Plants by Day** shows the disruption in the delivery pattern to pool distributing plants. Prior to the requested period, 9/1 – 9/4, deliveries averaged 6.3 million pounds; ramped up immediately ahead of the storm on 9/5 - 9/7 to 7.3 million pounds; began to decrease 9/8 to 5.8 million pounds; fell during the heart of the storm, 9/9 - 9/12, to 2.8 million pounds; ramped up to near the more normal average from 9/13 – 9/15 of 6.8 million pounds and averaged 7.2 million pounds for the balance of the month.

We would like to add the following “color” from our own experience to further demonstrate the situation. We have a regular daily supply of milk to the Florida Order. Our procurement system was heavily stressed by adding extra loads into customers ahead of the storm during the period September 6 through September 8. The additional loads incurred extra hauling costs due to more miles to deliver, longer hours for drivers and in some cases the stress of finding additional drivers as in some cases local area drivers were not available due to preparing for the storm situation for their own families. Congested road conditions complicated the longer hours of driving time due to Florida residents trying to get out of the storm’s path.

For the five-day period, September 9 through September 13 our Florida Order customers received 3 out of 75 loads that we would have delivered there. This includes a three-day period of zero deliveries, a day with a single delivery and a day with two deliveries. This level of delivery performance is phenomenally unusual in our industry if not related to a planned and noticed plant repair or a maintenance or capital expenditure project. Even emergency situations related to power or water losses are rarely ever this lengthy. While the retail and industrial dairy demand situation is varied it is rarely varied to this extent. During this period, we moved milk out of the marketing area to regulated and non-pool plants in other FMMO marketing areas. For several days there were only a few places to sell milk inside the Order 6 marketing area and on one day there was no place.

We also temporarily shut off supplemental milk arrangements with long distant suppliers. These types of arrangements are normal for the Southeastern markets in the fall. In addition to the negotiated base premium, these arrangements have a maximum daily volume the seller must ship if asked and a minimum daily volume the buyer must take. If the seller falls short, they pay some type of penalty

generally equal to the replacement cost and if the buyer falls short they pay some type of penalty generally equal to balancing cost incurred by the supplier. During the requested period we paid “take or pay” fees on the minimum “take” volumes.

Following this extended “no delivery” period, we then experienced a “fill the pipeline” situation where more milk than usual was needed as plants began to reopen and package milk to fill daily demand. During this period the same situations of more miles, longer driver hours and congested roads was just as burdensome as the period before the storm.

The Hearing request noted:

“... the cooperatives are requesting emergency relief in the form of amendments to Federal Milk Marketing Order 6. The requested amendments are set out on the attached proposed amendatory order language. The amendments are strictly limited and applicable only to milk movements during the hurricane period of September 6 to September 15. The categories of costs requested for recovery include:

(1) the minimum class price value of whole and skim milk dumped due to the unavailability of markets while plants were shut down; (2) additional transportation costs associated with milk movements resulting from the storm; (3) lost minimum location price value on milk movements out of market; and (4) price losses on distress sales of milk. Reimbursement for handlers who incurred these limited costs, which would have to be proven to the satisfaction of the Market Administrator, would be through a temporary \$.09 per hundredweight increase in the Class I price under the order. The increase would only be applicable for the number of months necessary to cover the documented costs.”

DFA’s milk marketing losses due to the storm situation can be detailed as outlined below. In the area of transportation, DFA had multiple loads that were rerouted due to the storm. In many, if not most, cases these loads were directed to non-Order 6 plants. This would include loads that were picked up as early as September 6 and were either delivered or in transit on September 15th and ultimately delivered on the 16th or 17th. A few of those deliveries resulted in transport savings and increased returns which will

be provided in the claims for compensation, but the majority resulted in additional costs. With each load that incurred a transport gain or loss there may be a corresponding gain or loss in location value. We will document for the Market Administrator, the gain or loss from each load by showing its delivery point for days immediately prior to September 6, its actual delivery point during the requested period and also on the 16th or 17th if the load was picked up and in transit before the 15th. Additionally, we will demonstrate for the Market Administrator, we will show delivery point for deliveries made after September 15th. Associated with each delivery will be the normal pooling Order, the resulting pooling Order, the difference (gain or loss) in the location value and the change (gain or loss) in hauling cost. Again, we support netting the gains and losses as we do not expect a windfall gain only a compensation for the net marketing loss.

DFA had minimal instances of dumping milk. But in each case, there is the loss which in this special situation is equal to the lowest Class value. We will provide the normal documentation for dumped milk of route, manifest, test data, and dumped location.

Regarding the cost associated to distressed deliveries to manufacturing plants, we experienced additional transportation costs on loads that moved to distressed manufacturing outlets in addition to a loss in milk value. There are only a few manufacturing locations in the Southeast. They generally operate only seasonally receive milk at a deeply discounted price. For these loads we will furnish the normal and final delivery point, and invoices showing the prices received on the loads in order to substantiate a request for a payment to make the return equal to the prevailing Class price for the use at the location.

Regarding the recovery of the cost of transportation, in all cases, we support setting the value at the lower of the actual cost or \$3.75 per loaded mile.

Based on the data we have and our interpretation of how the requested provisions will work we estimate our reimbursement amount to be approximately \$150,000.

As noted in the Hearing Request we support the reimbursement of these marketing losses through a temporary increase in the Class I price in FO6 of 9 cents per hundredweight for the number of months necessary to cover all claims made for which sufficient proof is provided to the Market Administrator. At the rate of 9 cents per hundredweight, the price impact on a gallon of milk is less than 1 cent per gallon. Providing this vehicle for cost recovery recognizes the extraordinary nature of the situation, a method to derive the compensation from the entire affected market and a method to insure equal impact on milk producers, milk processors, milk sellers and consumers. We encourage the Secretary of Agriculture to utilize the procedures available to omit a Recommended Decision and expedite reimbursement for the extraordinary costs that have been occurred.

We appreciate the efforts provided by USDA to recover these costs caused by the severity of Hurricane Irma. I will be glad to answer any questions you may have.