

My name is Lewis [Butch] Miller and I am appearing today as the President of New York State Dairy Foods and as Executive Vice President of Queensboro Farm Products Inc. a handler in Order 1 with a manufacturing plant in rural Canastota, New York and with a distribution business of Class I and II products in metropolitan New York City. Our company will be 100 years old within the next two years and is now run by the third generation of the Miller family. Queensboro is a proprietary handler presently purchasing in excess of 25 million pounds per month from independent dairy farmers.

For purposes of this testimony both Queensboro and New York State Dairy Foods have common interests and will be addressing the prospective inequity in the Class II provisions of the USDA proposals.

Presently a relationship exists between the class IV butterfat and skim prices and the class II butterfat and skim prices. According to the present Federal Order System that relationship should price class II milk at .70 per cwt. conversion cost above class IV each month. If my information is correct these new proposals would increase the difference on butterfat alone from 0.7 cents per pound to 2.33 cents per pound. This would increase the cost of a tanker of 40% cream by approximately \$328 per 50000 lb. load. For both Queensboro and others in New York State Dairy Foods this is untenable position. The Class II market is a National market and to have an additional surtax placed on our manufactured products is unfair. Many of us are manufacturers of sour cream, cottage cheese, cream cheese, farmer's cheese, heavy cream etc. A selective cost increase on these products would make our products uncompetitive in both regional and National

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markets. Manufacturers of these products in California and unregulated facilities would have a substantial advantage over us.

As significant class II Handlers in New York State our members and ourselves would be faced with the prospect of higher cost butterfat products, reductions in the sales of class II products as our customers substituted butter, butter oil and anhydrous milkfat for fresh class II milkfat products. This would ultimately reduce our demand for class II milk, reduce the market for our independent producers and drive the milk to a lower class utilization, hardly what NMPF intended with this proposal.

To take this scenario to its logical conclusion it is important that the decision makers in USDA understand that our plants with fewer outlets for our class II butterfat will receive and process less milk thus driving up our costs. The viability of manufacturing plants themselves are being questioned in this era of greatly increasing costs of operation.

Manufacturing plants in the state would close, precious silo capacity would decrease and severely inhibit the already limited milk balancing capacities in the East. I am sure USDA is familiar with the closing of fourteen milk manufacturing operations in the East in the past few years. On top of this many jobs would be lost in New York's rural economy and many family multimillion-dollar investments in milk manufacturing facilities would be rendered worthless. To give the producers we are trying to protect, fewer alternatives to market their milk is certainly not the desired result here.

At present there are proprietary handlers procuring independent producer milk supplies in New York State. These plants operate with sales of both Class 1 and Class II milk and balance their own supplies. These handlers absorb their own costs of this balancing and do not feel it is necessary to raise these class prices to accomplish this balancing.