



"The Cooperative of Choice in the Southeast"

**Southeast Milk, Inc. Comments
2007 Farm Bill Forum
Orlando, Florida**

My name is Calvin Covington. These comments are submitted on behalf of Southeast Milk, Inc., a Florida based dairy cooperative representing 300 dairy farm families. Southeast Milk, Inc. markets about 95% of the milk produced in Florida and 50% of the Georgia milk production.

There are three areas our comments will address: milk marketing orders, competition, and price supports.

First, Federal Milk Marketing Orders are a cornerstone of federal dairy policy. Granted, milk marketing orders have created controversy over the years. However, overall, the orders have met their intended purpose of providing consumers with an ample supply of fresh fluid milk.

Going forward, if federal milk marketing orders are to continue to meet their purpose, plus encourage dairy farming and help maximize U.S. competitiveness we encourage you to consider the following as you develop the 2007 Farm Bill:

1. Federal Order regulations should not be legislated. The Farm Bill may provide general parameters, but let the administrative and public hearing process decide what is best for each particular marketing area. A prime example of how the administrative process is better than the legislative process is seen in the 2004 hurricanes that hit Florida. In about 45 days, USDA's Dairy Division worked with the local dairy industry to develop, hold a public hearing, and implement a beneficial program to help dairy farms deal with the hurricanes impact. We commend the Dairy Division for their efforts. Last October, Congress passed legislation to assist dairy farmers impacted by the hurricanes. The legislation is yet to be implemented, plus, the rule for the legislation is not dairy farmer friendly.
2. There are significant regional differences in milk utilization and needs. Individual Federal Orders need the flexibility to make changes that better meet the needs of their specific marketing area. For example, individual orders should be allowed, after going through the hearing process, to have different methods of determining minimum prices and pooling returns to dairy farmers. Let the local marketing area decide what is best for the producers, processors, and consumers in its market. Do not mandate one method for all or limit what can or cannot be done, such as with forward contracting.
3. Speed up and streamline the process to amend Federal Orders. The market changes quickly. Federal Orders need the ability to change quickly as well. The 2004 hurricane assessment for the Florida and other Southeast orders shows the process can move quickly if allowed.
4. The 2004 hurricanes significantly impacted both the production and processing segments of the Florida dairy industry. First hand experience showed us the critical need for an ample local milk supply. Higher fuel prices further show the benefits of a local milk supply. Food miles, the miles food travels from the farm to the consumer is a growing concern. We encourage you to support Federal Order regulations, as well as any farm policy that promotes lower food miles.

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The second area is competition. Consolidation is a norm in most segments of agriculture and dairy is no exception. One firm controls over 35% of all fluid processing in the country and one cooperative over 35% of all raw milk in the country. The control of each keeps increasing. We do not oppose consolidation as long as there is fair competition among all market participants. Plus, the consolidated entities should not use predatory practices against smaller concerns, or limit access to markets. Unfortunately, as we know from our own experience, this is not always the practice.

All segments of the dairy industry, producers, processors, and consumers benefit from healthy and fair competition. On the producer side, fair competition encourages new producers and processors, helps maximize competitiveness, and more fairly allocates resources to producers. For consumers it provides a choice and helps ensure that products are delivered efficiently as possible.

Even though USDA has authority to enforce fair competition through the law governing agricultural marketing orders and the Agricultural Fair Trade Practices Act, more is needed. We encourage the 2007 Farm Bill to contain a specific title on competition. This title should facilitate a transparent, accessible, open, and fair competitive market in dairy and all agricultural products.

The third area is the dairy price support program. We support the continuation of this relatively low cost safety net for dairy farmers. This program only comes into play when dairy commodity prices are low. It only purchases products the market cannot use. Products that are purchased can latter be sold back into the market when supply is low. With the large investment required of dairy operations and the time frame required to enter dairy farming it is imperative that a floor be kept on dairy prices to maintain an adequate milk supply. The dairy price support program is a win-win for producers, processors, and consumers.

Thank you for letting us submit these comments.