Presented by; Mickey Childers, Dairy Farmer
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Louisville, Kentucky

I am Mickey Childers. I live at 277 Blue Springs Rd, Somerville, Alabama Zip Code 35670 near Huntsville, Alabama.

After graduating from AUBURN University in June of 1966, I started dairying in the Florette Community of Morgan County Alabama, where I presently dairy with my father-in law, Ganes Burden and my two sons Jim and John. Presently we are milking 700 cows with a 22,000 lb of milk, 3.80% BF herd average.

I have marketed milk as an independent producer and through several Cooperatives over the years, most recently Dairy Farmers of America (DFA). In 1995 I was elected to serve on the Gulf South Area Board of Mid-America Dairy Farmers. Since the formation of Dairy Farmers of America in 1998 I have served on the Southeast Council Board, currently as 1st vice- chairman. From 2000 until today I serve on the DFA Corporate Board of Directors.

Along with other cooperatives, DFA is a member of The Southern Marketing Agency (SMA). Other members of SMA are Maryland-Virginia Milk Producers, Lone Star Milk Producers, Arkansas Dairy Cooperative and Dairymen's Marketing Cooperative, Inc. of Missouri.

Thank you for agreeing to consider our proposals to change the transportation credits for the Appalachian and Southeast Federal milk orders. You have heard the testimony given by our staff from DFA and SMA. I would like to thank them for their efforts in preparing for this hearing. These proposals have the full support of DFA's Southeast Council Board and DFA's Corporate Board. I support the three proposals that our cooperatives are presenting at this hearing.

Any increases that are made to these credits will boost dairy farmer's income. Circumstances today are even more critical than ten years ago when transportation credits were initiated.

The proposal that deals with inter-market credits will align more with the actual cost of transporting supplemental milk into this market. Historically the transportation credits have not covered the full cost of supplying supplemental milk for the Southeast. Some months in the fall there are not enough funds to pay the credits. Any shortfalls are subsidized by co-op dairy producers. Cooperatives working together thru SMA have been supplying these needs at substantial cost to our dairy farmer members. If there is a need for the transportation credit fund, then it should cover the necessary cost incurred and have enough flexibility to adjust to market conditions. Raising the assessment to $0.15 and $0.20 per hundredweight respectively for F05 and FO7 should generate enough funds to maintain a balance in the fund

Our proposal to implement a fuel cost adjuster into the regulations would allow for monthly computations and adjustments to the assessment rate. The system simply is too slow to react to changing fuel prices. Recently when Southeastern fuel prices spiked to over $3.40, the system plainly could not react fast enough to recover these cost. Starting the computation with 2003 freight and fuel rates as a base appears to be reasonable. Using 5.5 miles per gallon of fuel is a conservative number, During my years of hauling my milk to market, I averaged 4.5 miles per gallon. A friend hauls feed and his average miles per gallon are 5.0. These additional costs to deliver milk to the market are significant, and again our dairy farmers make up the difference. It simply is not fair to require dairy farmers to subsidize this fluid milk market. The market, not dairy farmers, should bear this cost.

In just the last few years the dairy industry in the Southeast has changed drastically. Production is significantly less than the processing capacity in many areas of the south. Some deficit areas such as Alabama and South Carolina require long hauls to supply those markets. Just five years ago I shipped my milk forty five miles to a Meadow Gold plant in Huntsville, Alabama. Today that Meadow Gold Plant has closed and the nearest plant is ninety miles. Processing is consolidating, plants are closing and I am being asked to pay the additional cost of moving that milk. Alabama Dairy Farmers produce less than twenty percent of milk consumed in that state. These conditions are continuing and measures should be taken to help supply fresh fluid milk to the consumer in those deficit areas.

The concept of intra-market credits seemingly is new. But, I submit to you that years ago the Federal Order System recognized a necessity for location differentials. These location adjustments have not reacted to the rapidly changing cost of freight. A good example is a $0.20 location adjustment between Huntsville, Alabama and Birmingham, Alabama. It is 100 miles between the two cities. Actual cost of moving milk 100 miles, as shown by earlier testimony, is easily double $0.20. Our staff has clearly shown that milk production in the Southeast does not coincide with consumption and processing areas. Additional cost of moving this production beyond the first point of sale should be borne by the market.

Changing location differentials to reflect the actual market conditions would be the most logical solution. But, I understand the broad implications of doing this. So, the next best solution is for you to implement a new intra-market transportation credit. Credits would give some relief of the additional cost involved in moving milk long distances within our Southeast marketing area.

One might suggest that the additional cost might be covered by over order premiums. Our board of directors is constantly reviewing pricing policies and urging management to be as aggressive and responsible as possible. Asking and receiving over order premiums is a slow process and doesn't carry the validity and weight of a Federal Order regulation. Premiums can't always keep up with costs.

I would prefer the market provide the additional amount of the credits through the Class I price of milk. Any blend price adjustment should be a last resort. If we must adjust the pool, it shares the expense equally with all producers.

Our requests are not unreasonable. Only to modernize a system that has failed to keep up with the times. You have an opportunity and an obligation to react to these changing conditions. I only request that you act quickly and judiciously as I know you will.

Thank you for your time. I will try to answer any questions you might have.