

My name is Glen Easter. My address is 900 Eastglen Road, Laurens, South Carolina, 29360. My town is located in the Upstate of South Carolina, 35 miles from Greenville, South Carolina.

I own and operate our family dairy, Eastglen Farm, which my parents began in 1927. I have managed our farm for the past 41 years. My family farm has moved twice in the past covering more than 2000 miles because of milk marketing situations. At 61 years of age that is no longer an option.

I am a member/owner of Dairy Farmers of America and market all our milk thru the cooperative. I serve as a councilperson on the Southeast DFA Council. Our farm is located in DFA's Southeast Area Council, which spans portions of Order 5 and 7. Our Council Board of Directors has reviewed the Proposals made by our cooperative in conjunction with several other Southeastern Cooperatives and supports its intent. Additionally, my cooperative is a member of the Southern Marketing Agency which I will refer to as SMA. In addition, I am serving as President of the United Dairy Herd Improvement Association, for Virginia, North Carolina and South Carolina. I also serve on the South Carolina State Farm Bureau Dairy Committee, and I'm president of the South Carolina Jersey Cattle Association.

I support the three proposals that our cooperatives are making here today. The proposal that deals with milk from outside of the market will help us in two ways, The current program has been in effect for nearly 10 years. There is no dispute that it is needed in the Southeast, but it needs to work correctly. The credit simply doesn't pay all it is supposed to now. Our proposal should increase the charge enough to make sure that the costs are covered. Additionally the fuel adjustor will help us do a better job of keeping up with fuel costs.

The intra-market credit program, while new, will also help us to supply the market and recover the cost in a fair manner. Our management team has shown that where milk is processed and where farms are located are not necessarily in the same place. It is not reasonable to think that either business will relocate, so the milk must be hauled. Our proposal identifies the costs, outlines a method to pay for them and then recovers most of the cost through the Order system. It does not cover every cost but does help some and most importantly will move up and down with fuel prices.

I am a dairyman and do not profess to know all the workings of the federal orders, and so technical questions I may not be able to answer. I would leave those to the management team of my Coop. The producers call me frequently in my area about milk prices and milk marketing. It never takes long for the conversation to get around to balancing milk supply locally or in the entire order. It is hard for me to convince myself, let alone other dairymen in SC, that it is right for SC dairymen to pay for the expense of transporting milk all around the Southeast. As farmers we have historically paid the transportation cost of our produce whether it be corn, beans, cotton, or milk to the local market. As dairymen this is not what we have been compelled to do in SC or the Southeast. We have paid the lion's share of the transportation cost to move milk all around the Southeast. It is

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very hard to convince a SC milk producer that he, rather than the consumer, should be paying transportation cost to get milk moved from Virginia to Alabama or for that matter from Evansville, Indiana to Charleston, South Carolina or wherever.

Under SMA, we have worked together for several years to be as efficient as possible at moving milk around the Southeast between coops. But the cost of moving milk is very expensive even more so with the cost of fuel prices in the past year. Dairymen in the Southeast need the federal order help to recover as much of these market supply costs and to share them with all producers. Just like we share Class 1 returns. That is why we support these proposals. Some say we should do it with over order premiums, which sounds like a great idea but history has taught us that over order pricing is slow and can be unreliable. With very little market disruptions, such as in 1995 and 1996, over order premiums went to zero overnight. Because of these facts, we are interested in the hearing process. The industry accepts federal order price changes more readily than changes in premium levels. We know that the Department of Agriculture and Secretary recognize this from the results of the freight adjustment/hurricane hearings from last year.

No other section of the country is asked or expected to bear these transportation burdens that we have been expected to accept in the Southeast. There is no doubt that is part of the exodus of the dairy industry in the Southeast. I believe as evidence one only has to look at the latest CWT (Cooperatives Working Together) bids which is the voluntary buy out of dairy cows by the dairy industry,

Under CWT's guidelines, safeguard thresholds have been established for five separate regions of the country, limiting the total milk withdrawals possible in each. The limits are strictest in the Northeast, Southeast and Midwest, and less strict in the Southwest and West.

The totals for each region in 2005 include:

Region	Pounds of milk	Farms accepted	% of total milk reduction	Number of cows	Average bid
1 (Northeast)	93 million	43	8%	4,798	\$6.52
2 (Southeast)	63 million	53	5%	3,803	\$5.22
3 (Midwest)	210 million	183	18%	12,345	\$6.66
4 (Southwest)	292 million	82	25%	16,130	\$7.36
5 (West)	516 million	81	44%	26,993	\$7.52
TOTALS	1.2 billion	442	100%	64,069	\$6.75

It is evident by the CWT chart the average bid price for the Southwest and West is \$7.44 per CWT. The average for the Northeast and Midwest is \$6.59 per CWT. The average bid price for the Southeast is \$5.22 per CWT. In other words, the average bid price for the Southeast versus the Northeast and Midwest is \$1.37 less, The average bid price for the Southeast versus the Southwest and West is \$2.22 less. In my mind, this is indisputable evidence as to the lesser profitability in the Southeast. A significant portion of that is the burden the Southeast dairymen bear due to the tremendous transportation

cost that we incur for **balancing** the fluid milk supply more so than **any** other region in the country, To me, this reminds me of the Jerry Clower story, when he was raccoon hunting when his buddy found him up in **an** oak tree wrestling a bobcat and he hollers down to Jerry, "Shoot! Shoot! One of us has to get some relief." I believe the Southeast dairymen are saying the exact same things with these bids.

The burden of Southeast milk prices has created a situation where even several states have tried to devise ways at state government levels to put safety nets in place to save local dairymen. Even my state of South Carolina is well advanced in understanding that if something is not done at the federal level with milk prices in the Southeast; that even the 85 existing dairy farms in SC will dwindle very quickly. Even though I appreciate the effort of the SC legislature, I do not believe the way to solve reliable milk prices in the Southeast is with a hodgepodge of legislation by each state.

As I see it, the present system **has** two very large problems. First, all producers do not share equally in the cost of balancing the milk supply in the southeast. Second, there is no incentive on the part of the processors to build or operate plants where the milk supply is. A very vivid example is that National Dairy Holdings operates a milk plant in Charleston, South Carolina, probably the most expensive plant to supply milk to in the southeast. And at the same time, Dean Foods builds a soy milk plant in the heart of the **Shenandoah** Valley in Virginia, one of the largest pockets of milk production in the southeast.

To finish I **would** like to make a comment of how the cost should be recaptured. I, as a dairyman, would like to see the price increase to cover the amount requested. I believe that the quickest and easiest way to cover the costs of the proposed credit is with a price adjustment to the Class 1 price each month, but obviously both I and the Coop understand the urgency of this request and we want to give the Secretary as much flexibility to finding a solution as we can.

Thanks for listening to my concerns and input. I will **try** to answer any questions that I can with the understanding that I may not be able to answer any technical questions about the Federal Order.