

## Testimony of Jeff Smith

Good afternoon. My name is Jeff Smith and I live at 6359 Highway 98 East, Comer, GA 30629, which is located about 90 miles northeast of Atlanta.

I began dairying when I was 21 years old, between my junior and senior year at the University of Georgia where I obtained a degree in agriculture education. I've been dairying for 16 years, and have been in partnership with my brother for the last 10 years. We milk around 950 head three times a day, with a total herd size, including replacement heifers, steers and bulls of 2,700.

I would like to take this opportunity to thank USDA for granting this hearing to address the proposals that have been presented. I would also like to thank the Dairy Farmers of America and Southern Marketing Agency staffs for their hard work in putting together the information that was necessary to try and find a solution to the problems we are experiencing in Federal Orders 5 and 7.

I am a member-owner of Dairy Farmers of America, and serve as a director on the Southeast Area Council. Our farm is located within the Southeast Area Council geographic boundaries which spans portions of Federal Order 5 and 7. Our board of directors has reviewed the proposals made by our cooperative, along with several other southeastern cooperatives, and support their intent.

I am not an expert on Federal Orders, but understand enough about transportation credits and the cost of hauling local and supplemental milk. My brother Stephen and I have operated a trucking company for the last 5 years and have hauled milk and feed throughout the Southeast. Each year the cost of hauling has increased. Higher labor, insurance, tires, and equipment have also increased. This past year we saw fuel prices reach over \$3.00 per gallon and no means of relief within the Order system. The burden was again placed on the backs of cooperative dairy farmers.

One of the figures used in the fuel adjuster is 5.5 miles per gallon. When I compared the past five years of operation in the truck business using different size trucks to haul milk, the average fuel mileage for our company was 5.1 miles per gallon. So I believe the 5.5 miles per gallon is a conservative number.

Dairy farmers in the Southeast understand pooling. They realize that sharing in the Class I market is what makes ow paychecks. In the pool everyone shares in the returns, but not everyone shares in the cost of supplying the market. This cost falls back on cooperative members which includes me. The proposal that deals with milk from outside the market will help in two ways. The current program is definitely needed in the Southeast, but is outdated. It needs to be updated with adjustments for today's and future needs, along with a fuel adjuster which will allow us to better cover the cost of supplemental milk,

The proposal that deals with transportation credits for local milk is also very important. It would allow us to receive the cost in a fair manner while supplying the market. The fuel adjuster in these proposals will also move up and down with fuel prices. We would be able to recover this cost through the Order system.

In addition to working together to be more efficient, we need the Federal Order's help to recover some of the costs related to supplying the market. I understand that Order prices can move more

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frequently in the same manner that fuel prices can move very quickly. The over order prices take longer, and cannot assure equity among all handler as the Federal Order does,

To insure the survival of the southeastern dairy farmer, we need **an** answer that will cover as much of the problem as possible and **as** soon **as** possible. We decided that the best way to do this is to recover the cost through Class I returns which would be passed on to the **consumer**. We as dairy **farmers** incur the additional cost of producing milk through fuel surcharges on feed deliveries, on farm diesel fuel, electricity **and** higher prices for products and equipment due to higher energy output costs. In today's market, dairymen are responsible and expected to pay the increased cost of producing a gallon of milk and the extra cost of bringing in supplemental milk, delivering local milk beyond the closest plant and the unpredictability of fuel prices.

We believe the first means of recovery should be to pass the Class I price through to the consumer. We are flexible in finding a solution and any help is better than no help at all. If necessary, but only if necessary, some of the cost could be recovered through the blend. This would at least pass the cost to all dairy **farmers** equally, It is time to take some of the pressure associated with supplying the market off dairymen.

I thank you again for your time and your awareness of the problems that we are experiencing in Orders 5 and 7. Thanks for listening to my concerns and I will try to answer any questions that I can.