

US DEPARTMENT OF AGRICULTURE
AMS-DAIRY PROGRAMS

Hearing on Proposals to Increase Class I

Differentials in the Southern Tier of

The Mideast Milk Marketing Area

Cincinnati, Ohio

August 19, 2008

TESTIMONY OF JOE CARSON

PRESIDENT, UNITED DAIRY, INC.

I am Joe Carson, President of United Dairy, Inc. United Dairy is a 50-year-old family business, with headquarters in Martins Ferry, Ohio. United Dairy operates fluid milk plants in Martins Ferry, OH, in Uniontown, Pennsylvania, and, our smallest plant, in Charleston, West Virginia. Our milk supply comes from about 400 independent dairy farmers located in Ohio, Pennsylvania, Kentucky, and West Virginia. A map of our procurement area for the three plants is attached to my statement.

The Mideast Milk Marketing Agency (MEMMA) cooperatives have proposed Class I price increases in the southern tier of the Mideast Marketing Area. United Dairy must oppose the specific proposals of MEMMA. We have found their pricing methodology arbitrary and unfair.

The proposal, in particular, singles out our smallest plant in West Virginia for the largest proposed increase – 40 cents per hundredweight. That plant is the only federal order pool distributing plant in the state. It serves many West Virginia schools and communities in remote areas of the rural West Virginia mountains. The plant also serves an endangered species function -- a place where independent producers may have access to the Mideast Market pool, and thereby preserve their freedom of choice to remain independent.

The proposals will place United Dairy's Charleston plant at a unique and new competitive disadvantage. Our primary large business competitors are the Dean plants, supplied by MEMMA or DFA, and National Dairy Holdings plants, supplied and part-owned by DFA. A map showing these plants, and ours, is attached. The individual plant that competes most directly with United Dairy plant is Dean Foods' Broughton Foods plant in Marietta, Ohio, just 85 miles to the north of Charleston, West Virginia.

DEPOSITION
EXHIBIT

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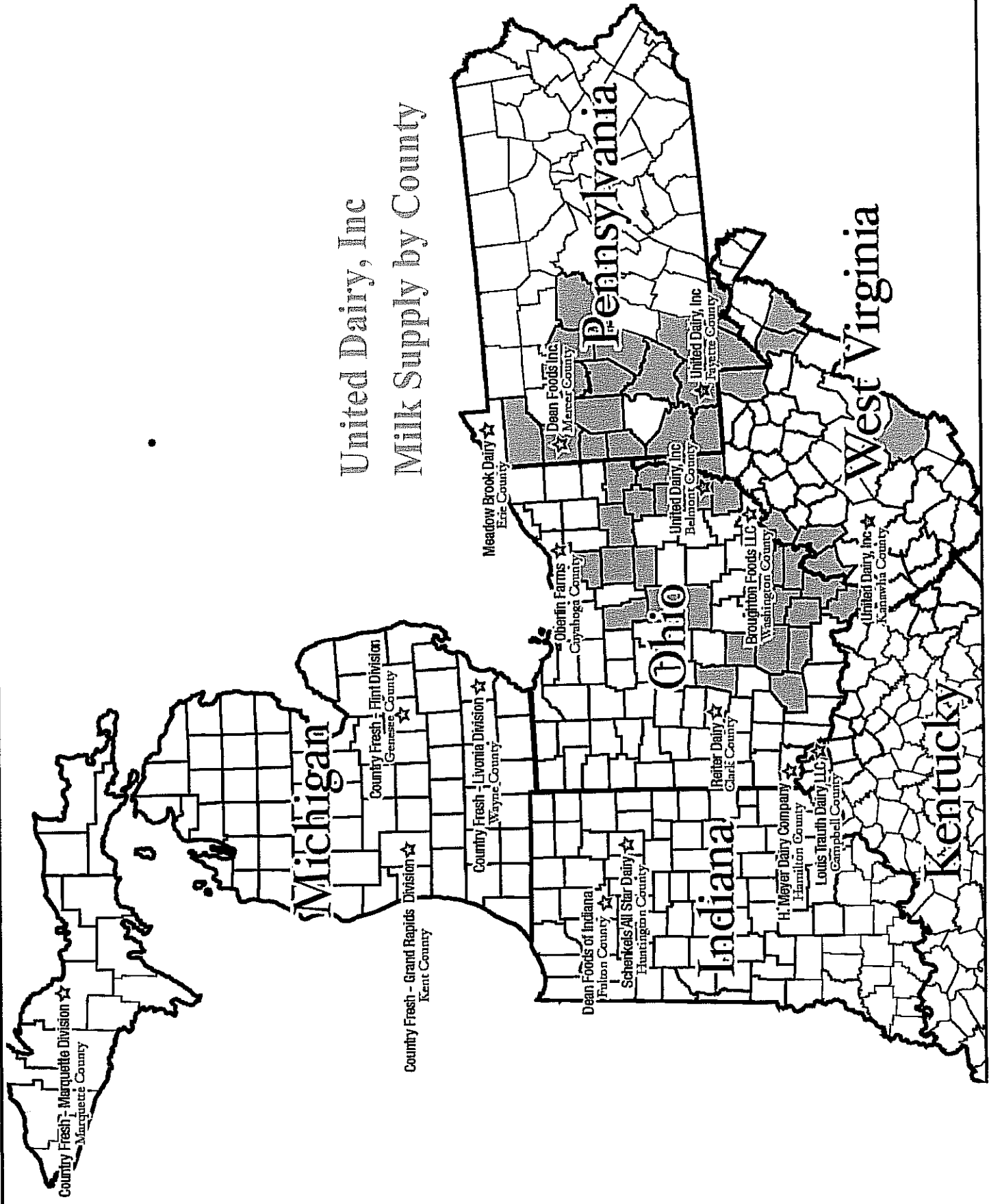
Currently, our Charleston, WV plant is located in the \$2.20 cwt zone and our competitor in Marietta, OH is located in a \$2.00 cwt zone. Under the proposal, the Marietta Dean plant's Class I differential would increase by 15 cents, to \$2.15/cwt. Our more remote competitors in metropolitan Cincinnati, 195 miles to the west, would see their price increase by 20 cents. Our price differential in Charleston, which is now the same as Cincinnati, would increase by 40 cents, to \$2.60/cwt. Our plant would be the only plant in this new, highest-priced Mideast zone.

The MEMMA cooperatives have repeatedly claimed that the price increases are proposed because of purported difficulties in attracting adequate supplies of milk to the southern zone plants. How this can be so is difficult to understand, since most of the plants (except ours) are supplied by a single supply organization (MEMMA), which is free to shift its farm supplies between its customers.

MEMMA's proposal, and supporting testimony by DFA, asserts that the greatest difficulty in attracting adequate milk supplies is for Charleston, West Virginia. That is absolutely untrue. We have had no difficulty procuring adequate supplies of milk at current price relationships within the Mideast market. Our order has always had enough supplies to supply the plants within the order. There are, in fact, producers who have expressed the desire to sell milk to us whom we have had to turn down.

A 40-cent/cwt price increase represents about 3.5 cents per gallon. In an industry where sales are won or lost for differences of pennies or mils per unit, the new competitive disadvantage proposed for United Dairy by the MEMMA cooperatives will almost certainly result in loss of sales or loss of revenue, and may threaten the continued viability of the Charleston plant as a source of fresh milk for West Virginia consumers and as a market for hundreds of north-Appalachian producers. This would not be good for producers who rely on sales to the United Dairy plants.

In our opinion, no change is needed in the zone at our Charleston, WV plant. However, if USDA determines that an increase is needed, we should increase no more than the Dean plant in Marietta, OH.



United Dairy, Inc
Milk Supply by County

United Dairy, Inc.

Dean Foods & National Dairy Holdings

