

## Carl Conover Proposed Price increase for Order #33 Testimony:

Proponents in their request to the Department for a price increase, in the southern portions of the marketing area, state that market data shows a sufficient supply of milk to supply the class I demand for the market. Ex. 12, pp. 2-4. This would appear to be an understatement since the class I use in the market for June 2008 was only 39.3% of the market supply and 36.4% for July 2008. Official Notice requested of Order 33 Data available on M.A. website.

What this suggests is, that if the milk is available in the market overall, but not in the southern part, that the defined marketing area simply is too large for the market wide pooling to function as it should. The added value from the class I use in the market's southern areas is being distributed to producers whose milk is unavailable to those plants. Participation in a market wide pool should place a burden on producers to supply the markets class I uses. If the blend price at the fluid plant is allowed to reflect more of class I use in the plant, the producers will readily meet this burden.

A market where the total milk in the market relates to fluid plant needs would allow the fluid plant to attract milk with a higher blend price. In fact, it is differences in blend prices between orders that largely support movement of milk from where it is located to where it is needed. Such a system accommodates the mandate of the Act ("AMAA") to "protect the interest of the consumer" and does not require raising the class 1 price as proposed. 7 U.S.C. Section 602(2). A proposal, such as this one, that clearly ignores the direction in the Act to protect the interest of consumers, when a less costly method is available to attract milk to these fluid plants should not and indeed cannot be adopted.



I respectfully submit that USDA's recent decision to approach this problem piecemeal without considering less costly and burdensome alternatives, while not improper or illegal in itself, is leading to adverse and unnecessary results. The Cooperative Proponents make an excellent case and point. It is just that the evidence they present and the point that is made is not the one they intended. A more proper solution to the problem (if there is indeed a problem with attracting milk to the southern region of the Mideast Marketing Order) is to accept the Proponents' own conclusion that this market is really three sub regions – that is, it is readily apparent that it is in reality three different markets. If the Southern Region were a separate marketing order from the other regions, I have no doubt that the resulting blend price differences would drive milk to that market without any further need for Class I prices increases. It is for this reason that I conclude that the proposal is inconsistent with 7 U.S.C. Section 602(2).

Price alignment is of course important, but not as important under the authorization in the AMMA as to set a price that is no higher than necessary to attract an adequate supply of milk. Nor should the price be set so high as to create a trade barrier. And it is my considered opinion after many years involvement with this program that an adequate supply of milk for this market exists since less than 40% of the total milk distributed as fluid milk.

Moreover, USDA adopted a nationally coordinate Class I price surface over eight years ago. The recent changes in that pricing surface in the southeastern markets was an unjustified abandonment of that pricing surface, and the new proposal here is even more so in that the justification is different. There is no AMMA supported justification in this market to raise the price to attract more milk to the market. The milk is already here. The market needs a system that will allow the existing price structure to attract the milk to where it is needed. The proposal doesn't accomplish this purpose. It should be denied.