

**Western Milk Marketing Order Hearing  
Salt Lake City, Utah  
April 17, 2002**

**Utah Department of Agriculture & Food  
Cary G. Peterson, Commissioner**

Good Morning. The Utah Department of Agriculture and Food supports proposed rule changes 6, 9 and 10 to Federal Order 135. Our support is predicated not on simply what is best for Utah, but on what is right, fair and equitable. Specifically, these proposals will accomplish the following: first, help repair the inequalities and damages to Utah dairy producers from the Western Order; second, improve the Order Utilization and price for all dairy farmers pooled on the Order; and third, more accurately recognize the demand for milk in Utah. I hope in my short time before you this morning to persuade you of each of these points.

Dairy farmers are a significant part of Utah's economy. Utah agriculture and its related industries are the catalyst for \$3 to \$4 billion in economic activity employing over 100,000 of our citizens. Farm gate sales in 2000 exceeded \$1 billion. Livestock is the foundation of Utah's agricultural economy, making up over 76 percent of farm gate sales. Utah's 96,000 cow dairy herd accounted for \$186 million in milk sales in 2000 and contributed to the \$349 million in market cattle sales. Our dairy farms continue to be valuable economic contributors especially to Utah's rural economy. Economists estimate that dairy farms produce a 5+ multiplier effect, which is significant in rural communities. (Don Snyder, Economist, Utah State University)

When the US Department of Agriculture was considering Federal Milk Market Order reform, Utah economists, professional experts and dairy farmers expressed concern of the inevitable adverse consequences. A major concern was that the Western Order replaced the Las Vegas market from the previous Great Basin Order with the Southwest Idaho-Eastern Oregon market. The result of this replacement of markets is to link together producers who have not traditionally shared a common fluid milk market, leading to a dilution of the Class I utilization, which in turn has reduced pay price to the Utah producers.

This reduced pay price to Utah producers is dramatic. Prior to implementation of the Federal Milk Marketing Order reform in January 2000, the Great Basin order (Utah milk producers) had a Class I utilization of 45.79% in 1998 and 50.96% in 1999. As a direct result the Western Order, Class I utilization has plummeted to 22.1% in 2001 and 17.35% in 2002.

It is important to note that these severe reductions are the direct result of a political decision of USDA in 2000 – not from the reduced consumption in the fluid milk sales in Utah nor increases in milk production by Utah dairy producers.

The imbalance created by the Order Reform is unfair and threatens the viability of Utah's dairy industry. It is undisputable that the mailbox price received by Utah dairy farmers is today the lowest in the nation. Low prices have led to the substantial decline over the past three years of the number of dairies in Utah: 488 in 1999 to 406 in January of 2002. The majority of these are farm families who have had a long history of contributing to Utah's rural communities. These consequences were forecasted to the USDA during the previous hearing process; however, the testimony of experts unfortunately was discounted or ignored.

In addition to these devastating economic consequences, the Order Reform does not reflect traditional market relationship. Even though the amount of being pooled in the Western Order area reflecting Idaho's milk productions has increased 144% since 1990, only a small number of Idaho producers have served the Utah fluid milk market. Also the majority of all Class I sales of Order 135 are located in Utah, not Southwestern Idaho or Eastern Oregon.

The US Department of Agriculture has the opportunity and obligation to remedy disproportionate hardships that have been inflicted by the Order Reform. Notable events indicate a favorable trend in support of our position. The Interim Rule under Reform included an 80% diversion for the Western Order and under Order 124 the diversion limits may be reduced from 99% to 80%. Also, changing the amount eligible for diversion to non-pool plants from 90% to 70% is in line with other federal orders, where the diversion limits dip as low as 25 to 40% in the Appalachian Order. Only the Upper Midwest has a 90% diversion limit.

The specific benefits from adopting proposal 6, 9 and 10, as outlined at the start of my testimony, are clear. Most importantly, changing the amount eligible for diversion to non-pool plants from 90% to 70% will strengthen prices paid for fluid milk to Utah dairies. This will increase the Class I utilization and allow Utah family dairy farms to compete fairly and to be compensated equitably. Such changes will keep hard working families on our dairy farms in Utah. These same families have been and will continue to be the economic catalyst in our rural communities. Without these changes, dairy farms in Utah will continue to be endangered, causing a real harm to our rural communities.

In conclusion, we support proposals 6, 9 and 10 of Order 135. The adoption of these proposals makes sense. We trust that political expediency this time will give to what is right, fair and equitable.