EXHIBIT TWENTY-FOUR

My name is Dennis Tonak. I am the Manager of Mid-West Dairymen's Company, 4313 W. State Street, Rockford, Illinois, 61102. This testimony is in support of Proposal 1 and 2 and is on behalf of Mid-West Dairymen's Company and Lakeshore Federated Dairy Cooperative. Mid-West is a qualified Capper-Volstead cooperative representing 163 dairy farms in northern Illinois and southern Wisconsin. Mid-West is responsible for supplying an Order 30 distributing plant which is jointly owned by Mid-West and Prairie Farms Dairy. Mid-West also supplies milk to other Order 30 pool and nonpool plants.

Lakeshore Federated Dairy Cooperative's member cooperatives are all qualified Capper-Volstead cooperatives. Lakeshore provides a vehicle through which its members develop direction on dairy policy, legislative activities, and Federal Order issues, along with providing additional member benefits and services. The Lakeshore members are Manitowoc Milk Producers Cooperative, Manitowoc, Wisconsin organized in 1933; Milwaukee Cooperative Milk Producers, Brookfield, Wisconsin, one of the oldest dairy bargaining and service cooperatives in the country and formed in 1916; Mid-West Dairymen's Company, Rockford, Illinois organized in 1924 and reorganized in 1932; and Scenic Central Milk Producers Cooperative, Boscobel, Wisconsin, formed in 1998.

Lakeshore represents about 4,000 dairy farmers with an average herd size of 75 cows and who produce approximately 4,500 pounds of milk per farm per day or around 135,000 pounds per farm per month. The milk is primarily pooled on Federal Order 30. Lakeshore and its member cooperatives have supported the

Federal Order system because the Federal Order system generally provides fair and equitable treatment of both producers and handlers. We want a level playing field for both producer and handler. It is our belief that classified pricing and the market-wide pooling of those classified pricing proceeds contribute to orderly marketing conditions and a level playing field. The market-wide sharing of the pool proceeds also enhances the income for all dairy farmers participating in the pool. This belief and philosophy provides the framework for our support of Proposal 1 and 2.

Our concern with the current producer-handler exemption is three fold:

A. A producer-handler removes a revenue source from the market-wide pool. The producer-handler does not create "new" fluid milk sales or customers to any great extent but cannibalizes already existing sales. Since the producer-handler does not contribute to the pool the net effect is to reduce the revenue for all pooled producers.

B. A producer-handler has a competitive advantage in the market that can lead to disruptive and disorderly marketing conditions. One method of determining the producer-handler "advantage" is to calculate the difference between the regulated minimum Class I price and the statistical uniform price or "blend price". Using this method the difference in the Upper Midwest Order is approximately 14 cents per gallon. This is a huge price advantage for the producer-handler and can easily destabilize a market.

C. An individual producer who packages and distributes his own milk receives much different pricing treatment under the Order than a group of dairy farmers who form a cooperative and package and distribute their own milk. The group of producers takes the raw milk production risk and, through their cooperative, makes the investment and ownership risk of operating a fluid milk plant just as a producer-handler does. But the price risk is much different.

Muller Pinehurst

Much of our perspective on producer-handlers and their potential impact on the fluid market has been developed through Mid-West's joint venture ownership of a small fluid milk plant, Muller-Pinehurst Dairy.

In 1981, Mid-West purchased a 50% ownership interest in Muller-Pinehurst Dairy. Muller was a family owned business started by L. Fred Muller in 1900. He and his horse "Old Phillip" delivered milk to area homemakers. In 1947 Muller acquired Pinehurst Farms. Pinehurst Farm's purebred herd of Guernsey cattle produced the milk for the Pinehurst Farms milk plant. The two dairies continued to operate as separate companies with the Guernsey herd at Pinehurst Farms continuing to supply milk for the Pinehurst plant. Growth in sales necessitated the need for additional milk supplies from area dairy farms for the Muller plant.

In the early days of Mid-West, the cooperative marketed and priced the milk of dairy farmers to 15 handlers in the Rockford area. The pricing was generally based on a condensery price plus a differential. There were a number of condenseries within 45 miles of Rockford. The fluid handlers attempted to buy milk from farmers at a discount to the established pricing formulas. Chaotic and disruptive market conditions ensued. A committee of three arbitrators-one representing producers, another representing the handlers, and a third person from the University of Wisconsin- worked to resolve the situation. Without a regulated price and a formula for sharing that price, extreme price competition could and did exist. An eventual result of the committee's deliberations was the Rockford-Freeport Federal Order, instituted on September 1, 1949.

When Muller acquired Pinehurst in 1947 any handler could have been a disruptive force in a small local market like Rockford. A producer milking his cows and doing home delivery with a horse and wagon would not disrupt a very large area. Home delivery was a large part of the business and the highway transportation infrastructure was not developed as it is today. Since then with better refrigeration, roads, and transportation equipment, a producer-handler can be a disruptive force over a very large area.

The Muller Dairy and Pinehurst Farm were merged in 1957 to form Muller-Pinehurst Dairy. A new milk plant was built on the Pinehurst Farm. Eventually the cows were sold. At the peak of the home delivery period, Muller-Pinehurst had 40 small trucks doing home delivery 6 days per week and 15 larger straight trucks doing retail deliveries. Over time, the home distribution business faded and then was discontinued. Muller's distribution area increased from the

Rockford and Winnebago County area to include much of the Chicago suburbs. During the last years of old Order 30 – the Chicago Regional Order – Muller was among the smaller distributing plants pooled on the Order. At least it was not large enough to be the major supplier to any of the Chicago Region's large grocery chains. The last of Fred Muller's descendants involved in the operation and management of Muller Pinehurst, his great grandson, retired last year.

The Producer-Handler "Advantage"

A regulated handler has to account to the market-wide pool at the minimum regulated prices. Since a producer-handler has no minimum price obligation, the minimum Class I price provides a pricing umbrella that the producer-handler can use to undercut the regulated price thereby achieving a price advantage and enabling the producer-handler to gain or retain business. The producer-handler in Federal Order 30 has a 14 cent a gallon advantage over the regulated price. This advantage is calculated using the difference between the Class I price and the statistical blend price. Attachment 1 was compiled from the Order 30 Price Announcements.

This potential loss to Mid-West's dairy farmer members would be devastating and could easily exceed $2.5 million dollars annually to Midwest. For January 2009 Mid-West paid almost $700,000 to the Market Administrator Producer Settlement Fund and Administrative Assessment Fund. We routinely have obligations to the Market Administrator for half that amount. In fact Mid-West maintains a $500,000 credit line for the purpose of meeting our obligation to the

Market Administrator in a timely fashion. The money Mid-West pays to the Producer Settlement Fund would be welcome cash if it could be paid directly to Mid-West's producer members at these times of low prices.

Muller and Mid-West are not competing with any producer-handlers today however over the last decade a number of larger dairy farms have been built and began operating in our area. One farm currently under construction 50 miles from our Rockford, Illinois plant has announced plans for a 7,000 head milking herd. An additional 14 cents a gallon (the producer-handler advantage) would generate an extra $2.9 million in income annually for that farm operating as a producer-handler. It would be completely unfair to the dairy farmer owners of Muller Pinehurst to have a competitor 50 miles away with that kind of price advantage.

Balancing the Market

I have observed over my 30 plus years in the dairy industry a number of ways that producer-handlers can balance their surplus production.

Twenty years ago a producer-handler told me how he balanced his milk production and packaged milk sales. He had an arrangement with a small group of stores 200 miles away where he would work with the store to undercut the established prices from the Federal Order regulated plants. He would deliver a load of product to the store and in a matter of days his surplus was gone. While these distant stores regular supplier may have been upset the stores were happy about the extra volume of business. And it did not noticeably affect the producer-handler's local competitive price.

Muller Pinehurst has variability in the day-to-day and week-to-week needs for raw milk. Muller's school milk business creates part of the variation due to filling the school pipeline and adjusting for days that school is not in session. Another part of the variability can be due to competitive sales among grocery stores.

Many consumers perceive little difference between brands of milk and so they will shop at the store with the lowest milk price. This shifts milk volume between stores, the fluid plants that supply the stores, and the producers who supply the fluid plants. Twenty years ago in Texas my employer, a cooperative, had a full supply arrangement with a fluid plant. Whenever the large chain store supplied by that plant had a sale, the fluid plant needed more milk. Coincidentally another cooperative supplying a different fluid plant which was supplying a different chain store would become long on milk. The needed balancing supplies could be purchased from that second cooperative.

A group of stores in the Rockford market receive their "store" brand milk from a distant supplier. The store brand milk has predominant positioning, shelf space, and attractive pricing. Muller, as a local dairy, has a small amount of shelf space in these stores. The store also attaches a premium price to the Muller milk. As a result of the limited shelf space and the high price the Muller sales volume is very low. Occasionally the distant supplier of the store brand milk is unable to supply these stores.Then the stores call Muller with the directive to immediately deliver a much greater than normal milk volume to the stores. Of course the Muller-labeled milk dominates the milk case and the Muller sales volume in those stores increases. It is apparent that one reason the stores maintain Muller as a secondary supplier is to help supply or balance the stores' needs when their main supplier cannot perform

A producer-handler can use price to help balance production. A producer-handler can use a secondary supplier status-especially when used in concert with pricing-to balance production. A regulated handler can have a difficult time balancing a milk supply while a producer-handler does not have a price constraint. Allow me to illustrate. At certain times of the year fluid sales drop off. These drops are especially noticeable during the holiday periods and during the summer. As an example, last summer and this past Christmas Mid-West moved loads of milk 250 miles and more to find a manufacturing outlet. A producer-handler would not be constrained by the Federal Order minimum pricing and could be very aggressive in pricing and selling his milk locally through additional packaged product sales. The producer-handler would avoid the transportation and other costs of moving excess production great distances. Regulated handlers whose sales are already in the holiday slump would lose even more fluid volume. When the volume shifts from one regulated plant to another regulated plant for any of the above reasons, the Class I value stays in the pool and is shared with all producers in the pool. When the volume shifts to a producer-handler, the Class I value is removed from the pool and the milk of all producers in the pool loses value. When a large producer-handler uses the "producer-handler advantage" to gain business, chaotic and disorderly marketing conditions exist and all producers suffer.

Producer-handlers and the Federal Order

When Muller and Pinehurst started business there wasn't a producer-handler exemption since there wasn't a Federal Order. Since then, the Federal Order has created an artificial distinction between a dairy farm family who bottles their own milk and a group of dairy farm families who bottle their milk in a plant owned by their dairy cooperative.

In the early days of the order program, that distinction may have been justified. Most producer-handlers met their labor needs from the immediate family. The cows were milked by hand or with a bucket milker. Pipeline milkers did not exist. Processing and packaging milk was labor intensive. Every phase of the dairy operation was slow and tedious. Milk bottles were washed by hand. Vat pasteurizers were small and pasteurizing milk took many hours. Bottle filling was a manual operation. Ice was used to keep the milk cold during delivery. For many years Muller operated its own ice plant. Distribution was often by horse and buggy. Many producer-handlers operated only one route. There would be additional reporting requirements for a handler regulated by a Federal Order. Since most farmers packaging their own milk operated on a small scale, the benefit to the Federal Order pool of regulating these producer-handlers was quite small compared to the cost of auditing the records and enforcing minimum payments.

At the outset of the producer-handler exemption, much of the milk distribution was done on home delivery routes and to "corner store" neighborhood markets. After World War II milk distribution began a noticeable shift away from home delivery. While there may be many reasons for this, the one I hear most often is that more women began working outside the home and no one was available to put the home delivery in the refrigerator. Between 1955 and 1975 home delivery virtually disappeared in the Midwest. Many of the producer-handlers discontinued their milk processing.

The dairy industry has changed dramatically from those early producer-handler days. Home refrigerators are much larger than 40 years ago. My refrigerator is much larger than my parents and grandparents and my wife can buy more milk on her trip to the store.Trucks are much larger, highways are better, raw milk (at least for Grade A) is handled in bulk tanks and not cans, most Grade A farms save labor with pipeline milkers, some farms use robotic milkers or other forms of automated milking, dairy farms and plants use computerized record keeping and process control systems, and the processing and packaging equipment is automated and faster. In 1958 Muller's new half-pint machine could package 45 units per minute and now one machine can package 300 units per minute.

Small Business Impact

The Notice of Hearing states that a dairy farmer is considered a small business if he has a gross revenue of $750,000 or less. Likewise a plant was considered a small business if the plant had less than 500 employees. Producer-handlers are currently exempt from Order regulations based on their status as a dairy farmer-a dairy farmer who in addition to producing milk is also processing that milk. Accordingly it would be appropriate to consider producer-handlers as small businesses on the same basis applied to dairy farmers in the Notice of Hearing-a gross revenue of $750,000 or less.

Virtually all Mid-West producers are small businesses. The average Mid-West dairy farm produced 4,166 pounds of milk/day for the last year. This equates to 124,980 pounds in a 30 day month or 1,520,590 pounds in a 365 day year. The average Mid-West producer milks between 60 and 70 cows based on our estimates. In fact, we have only one farm over the 500,000 pound small business level.

Changes in Regulation

I have already discussed many of the changes in milk production, processing, and distribution that have occurred since the inception of Federal Orders. The dairy industry has moved from hand milking to robotic milkers, from can milk to bulk milk, from distribution by horse and wagon to distribution with large tractor trailer trucks.

Federal Orders themselves have changed many times over the years. The pooling requirements have changed, the method used to determine prices have

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changed, the classes of utilization have changed, the geographic area covered by the Orders and the numbers of Orders themselves have changed. These changes have had a financial impact at various times on Mid-West, on our members, and on Muller. In 2000 we had the changes brought about by Federal Order Reform. Since then additional changes occurred in make allowances and the end product pricing formulas along with pooling participation requirements. A plaque in our office says – "The only thing permanent is change". Or to paraphrase the old saying "The only sure things in life are death and taxes... and change".

Over the years producer-handlers have changed their operations to meet the changed Grade A regulations the same as any other dairy farm or dairy plant. I am sure they have changed their milk production and plant operations just as the dairy farmer owners of Muller-Pinehurst have done. It is now time for a change in the Federal Order regulations and the pricing and pooling responsibilities that go with those changes.

There may have been valid reasons to have had a producer-handler exemption at one time during the history of the Federal Order program. If the exemption did not already exist there would be no compelling reason to create a special producer-handler exemption today. Mid-West Dairymen's Co. and Lakeshore Federated Cooperative urge the adoption of Proposals 1 and 2 as being in the best interests of the entire dairy industry. Thank you.

Attachment 1

Order 30 Class I / Uniform Price Difference

2006	Class I	Uniform	Difference
Jan	$ 15.18	$ 13.66	$ 1.52
Feb	$ 15.18	$ 12.68	$ 2.50
Mar	$ 14.29	$ 11.67	$ 2.62
Apr	$ 13.02	$ 11.29	$ 1.73
May	$ 12.77	$ 11.21	$ 1.56
Jun	$ 12.55	$ 11.52	$ 1.03
Jul	$ 13.14	$ 11.30	$ 1.84
Aug	$ 12.77	$ 11.43	$ 1.34
Sep	$ 12.65	$ 12.37	$ 0.28
Oct	$ 14.22	$ 12.56	$ 1.66
Nov	$ 14.20	$ 12.96	$ 1.24
Dec	$ 14.23	$ 13.47	$ 0.76
Ave	$ 13.68	$ 12.18	$ 1.50

2007	Class I	Uniform	Difference
Jan	$ 15.39	$ 13.75	$ 1.64
Feb	$ 15.19	$ 14.23	$ 0.96
Mar	$ 16.05	$ 15.14	$ 0.91
Apr	$ 16.80	$ 16.15	$ 0.65
May	$ 17.72	$ 17.65	$ 0.07
Jun	$ 19.64	$ 20.12	$ (0.48)
Jul	$ 22.71	$ 21.65	$ 1.06
Aug	$ 23.56	$ 20.61	$ 2.95
Sep	$ 23.71	$ 20.71	$ 3.00
Oct	$ 23.39	$ 19.53	$ 3.86
Nov	$ 23.25	$ 19.86	$ 3.39
Dec	$ 21.84	$ 20.65	$ 1.19
Ave	$ 19.94	$ 18.34	$ 1.60

2008	Class I	Uniform	Difference
Jan	$ 22.77	$ 19.70	$ 3.07
Feb	$ 21.48	$ 17.63	$ 3.85
Mar	$ 18.50	$ 17.75	$ 0.75
Apr	$ 20.41	$ 17.23	$ 3.18
May	$ 18.42	$ 17.99	$ 0.43
Jun	$ 19.98	$ 19.79	$ 0.19
Jul	$ 22.58	$ 18.90	$ 3.68
Aug	$ 20.27	$ 17.81	$ 2.46
Sep	$ 19.45	$ 16.85	$ 2.60
Oct	$ 17.33	$ 17.02	$ 0.31
Nov	$ 19.13	$ 15.85	$ 3.28
Dec	$ 17.23	$ 15.04	$ 2.19
Ave	$ 19.80	$ 17.63	$ 2.17

2009	Class I	Uniform	Difference
Jan	$ 17.54	$ 11.60	$ 5.94
Feb	$ 12.52	$ 9.82	$ 2.70
Mar	$ 11.23	$ 10.57	$ 0.66
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			
Ave	$ 13.76	$ 10.66	$ 3.10