

Federal Order Hearing
Docket No. AO-14-A78
Testimony of Mike Asbury
Maryland & Virginia Milk Producers Cooperative Association, Inc.

My name is Mike Asbury and I have been the Director of Milk Accounting and Economic Analysis for Maryland & Virginia Milk Producers Cooperative Association, Inc. (Maryland & Virginia) since 2002. I have a B.A. in Business Administration from the University of Virginia at Wise and have served in various accounting and economic related positions within the dairy industry since 1978. My experience during those years includes working for the Dairy Division of Pet, Inc., and its successor companies, a proprietary fluid milk processor from 1978 to 1992 in various capacities, including Cost Accountant and Assistant Controller with responsibility for fluid milk processing. I am providing testimony on behalf of Maryland & Virginia in support of the National Milk Producers Federation proposals, number 1 and 26.

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AND NO. 2 (per Mr. Asbury's testimony)

Maryland & Virginia was organized in 1920 to more effectively market the milk of its member dairy farmers in the Washington, D.C. metropolitan area. Today Maryland & Virginia is a milk marketing cooperative with over 1,500 member dairy farm families spanning eleven states from Pennsylvania to Georgia to Kentucky, Tennessee and Ohio; and producing just less than three (3) billion pounds per year. The average production per month for a Maryland & Virginia farm was 160,000 pounds in 2008, approximately 100 cows per member farm. Over 1,400 of Maryland & Virginia's farms would be classified as small businesses. Over 1000 of our member farms, more than two-thirds of our membership, is in Order 1. In addition, Maryland & Virginia marketed over 1.6 billion pounds of non-member milk in 2008. 91% of our member milk is rbST-Free while the remaining 9% is conventional.

The cooperative markets its member and non-member milk throughout the Mid-Atlantic and Southeast regions. In addition, Maryland & Virginia owns and operates three fluid processing plants. Through these plants, we serve a wide variety of the market including grocery store chains, convenience stores and local home town markets. All of our fluid plants are rbST-Free. Through these plants, we market our own brand names of Marva Maid and Maola, and package private label for regional and local customers. Our cooperative has been in the fluid milk processing business since 1955.

Maryland & Virginia owns and operates one butter/powder balancing plant in Laurel Maryland, and owns an 80% majority interest in an additional butter/powder balancing plant in Strasburg, Virginia. We have been in the balancing plant ownership and operation business since 1956. The Laurel Maryland plant is a conventional supply plant with the ability to operate as a split rbST-Free/Conventional facility. Both balancing plants market cream and condensed milk in addition to processing butter and nonfat dry milk powder. In addition, the cooperative operates a Farm Supply Warehouse for the benefit of its members.

Maryland & Virginia markets the majority of its milk in three Federal Orders. The Northeast Order, Federal Order 1, which has a Class I utilization of 43.4%; the Appalachian Order, Federal Order 5, which has a Class I utilization of 68.9%; and the Southeast Order, Federal Order 7, which has a Class I utilization of 67.9%. These percentages are the averages for 2008.

There are producer handlers and exempt plants in the Federal Orders in which Maryland & Virginia operates. High Class I utilization and close proximity to major metropolitan centers provide a significant potential for more and larger producer-handlers in our marketing area. Large farms with over three (3) million pounds of production per month now operate in Maryland & Virginia's marketing area. The proposed limits on a producer-handler's ability to take Class I sales from the market-wide pool must be adopted. The federal order market-wide pool is the only way that all producers, and particularly smaller producers, and members of cooperatives, can share in the Class I price. The market-wide pools must be protected through adoption of the National Milk proposals.

As previously stated, Maryland & Virginia owns and operates three fluid milk plants. Large producer handlers' have a price advantage over any regulated plant in the market. In 2008, the average difference between the uniform price and the Class I price in Federal Order 5 was \$1.40 per hundred weight or \$0.12 per gallon. For the same period in Federal Order 1 the difference was \$2.63 or almost \$0.23 per gallon. No federally regulated handler, including Maryland & Virginia, would be able to compete in the market with plants which have these price advantages. The desire of large national chains to be supplied at the lowest cost, which we experience every day in our fluid plants, is an open invitation to producer-handlers in any order, and particularly in our marketing area. This has already occurred in the Southwest.

Maryland & Virginia Milk Producers Cooperative Association, Inc. supports the National Milk Producers Federation's proposals, number 1, 2, and 26, which allows current producer-handlers to continue to operate but with a size limit of 3 million pounds per month.