

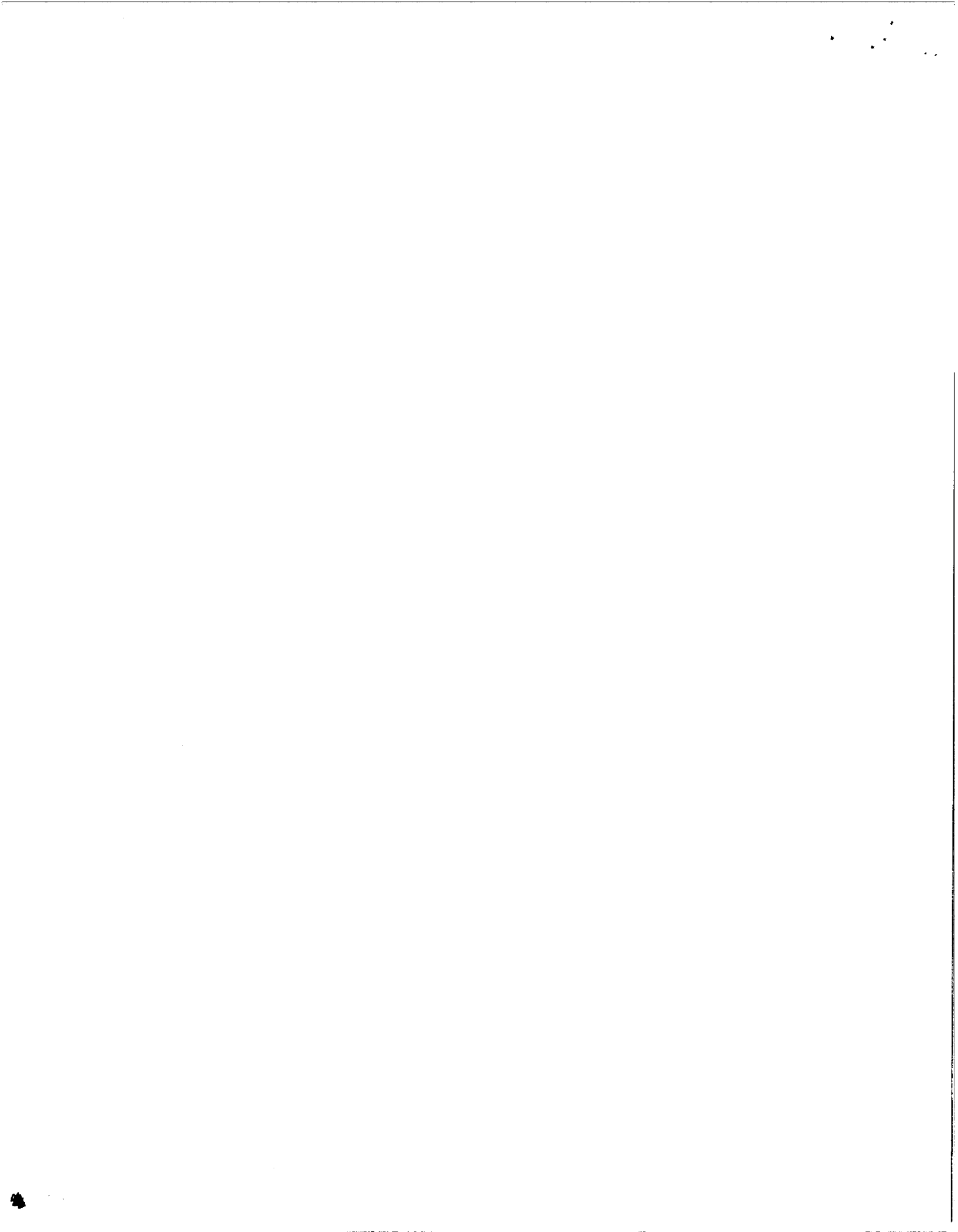
Producer Handlers & Exempt Plant Hearing

Docket No. AO-14-A78; et al.; DA-09-02; AMS-09-0007

Testimony of Rod Daniels

Cincinnati, Ohio

May 6, 2009



My name is Rodney Daniels. My address is 8189 West Prescott Road, Whittemore, Michigan 48770. My wife Anne and I have five beautiful daughters ranging in age from 28 to 19 and one extremely cute granddaughter - age one. We're on a roll. Each of my girls have, or are currently milking our cows, or otherwise helping out on our farm.

Our current business operation is a L.L.C. consisting of my two brothers, Wallace and Lynn, their sons', Christopher and Luke, my daughter Laura, and myself. We own and operate 1280 acres and milk approximately 300 Holsteins with plans to expand to at least 400. The farm was started in 1953 with 120 acres and 8 cows by my parents, Donald and Dorothy Daniels. They also were born and raised on dairy farms, both of which are still operating, and are designated Michigan Centennial Farms. My mother's father, Peter Koelsch, served on the board of directors of the old Michigan Producers Co-op for over 30 years. We are not Johnny-come-lately's to this business.

I am currently serving as a director-at-large for Michigan Milk Producers Association. I was elected to this position in 2006. Before that I served on various local, district, and state committees, most notably, over 20 years on the State resolutions committee. This committee is directly responsible for formulating the policies that guide our organization as voted on by delegates representing our membership.

I take my responsibility to represent our membership very seriously, and can say, without hesitation, that our members are staunch supporters of the Federal Milk Order system and the formal hearing process used to amend its' rules. We have long-standing resolutions in place that attest to this. In all my years of involvement with MMPA this commitment has never wavered.

The Federal Order system has brought all dairy farmers an orderly and fair marketing system out of what once was chaos and corruption. Uniform minimum pricing and equitable sharing of the value created by classified pricing has been instrumental in making the U.S. dairy industry the envy of the world. As I stated before, my grandfather

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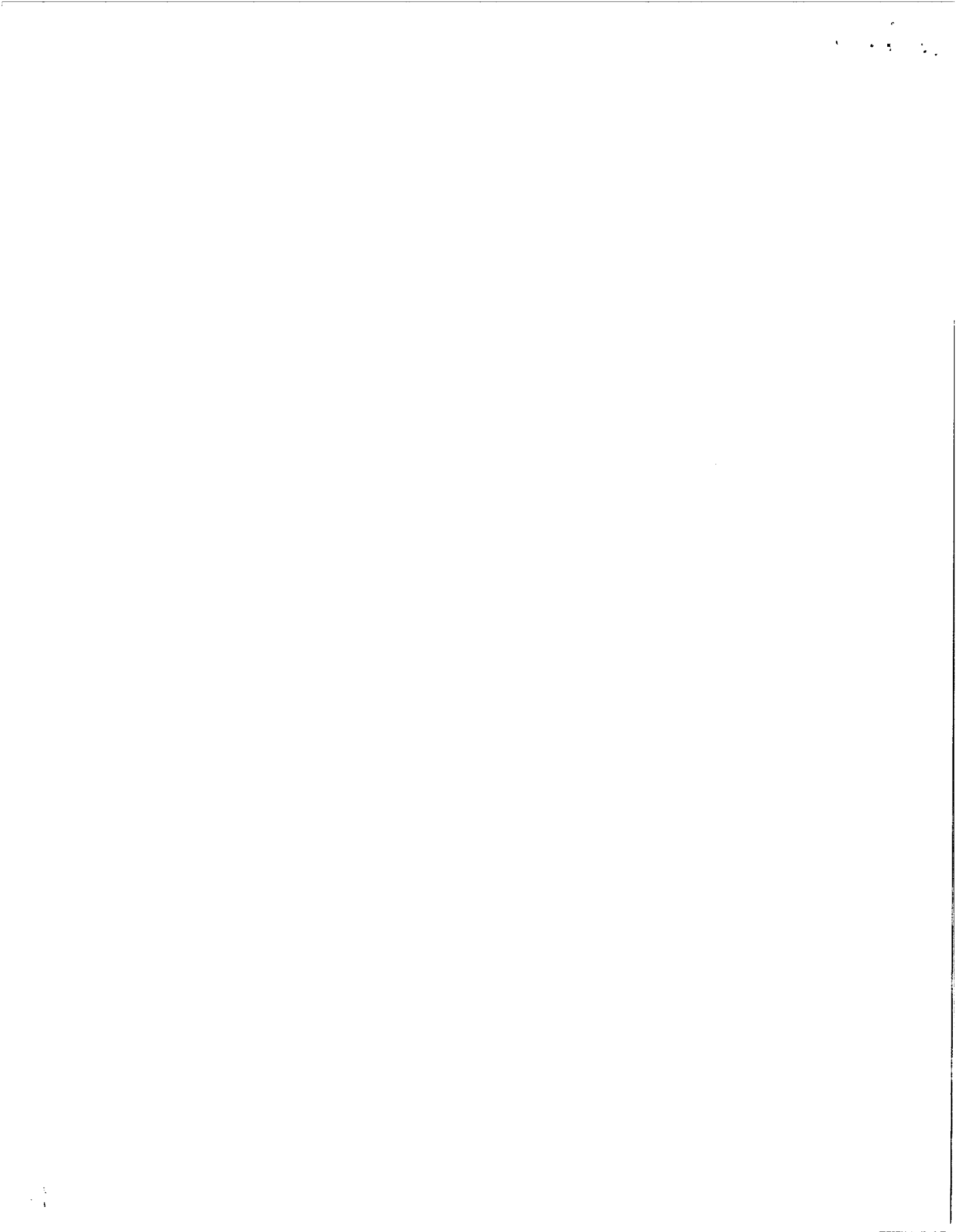
served on Michigan Producers board from the early 30's to the mid 60's. I find it humbling that I sit here today trying to protect the integrity of a system that he and many others fought so hard to institute and maintain for so many years.

I am here today to support National Milk Producers Federation's and the International Dairy Foods Association's proposal to eliminate the producer-handler provision and to expand and qualify the size-based exempt plant provision in every Federal Order.

The producer-handler exemption provision was put in place originally to protect small farmers who bottled their own milk. These little farms had virtually no effect on the price of milk for other farmers. No one then could have considered the situation we are faced with today. In Michigan alone, there are at least 100 farms producing more than 1 million pounds of milk per month, any or all of which are capable of taking advantage of this loophole in the rules. Some already are. This can amount to as much as \$0.15 per gallon, more than enough to give them a significant advantage over regulated processors. Not only does this money not get shared with other dairymen, it tends to drive down the overall class 1 price, further aggravating an already bad situation.

How important is this money to an average dairyman? In the case of our own farm, it is very important. F.O. #33 was amended in October of 2005 in order to discourage pool riding and to minimize de-pooling in order to prevent dilution of the P-P-D and to reward producers for their commitment to supplying and balancing the milk needs of local bottlers. Since October of 2005, the milk check received by our farm has included a P-P-D that has averaged \$0.48/cwt. That's about \$108/day or over \$3200/month. Folks--that will buy a lot of prom dresses. Erosion of this pool-sharing hurts the vast majority of producers while benefiting very few. This is exactly the kind of conditions that made Federal Orders necessary in the first place.

Replacing the blanket producer-handler exemption with a small processor exemption level of 450,000 pounds per month makes a lot of sense. It allows relatively small processors to carve out niche markets based on unique qualities and local patronage



without disrupting major markets. What the rest of us lose in pool-sharing, we gain in increased consumer demand and product development. Our quarrel is not with these people, only with those who would abuse the system to compete unfairly.

The alternative is not a pretty picture. Some markets are already experiencing the hardship that large exempt producer-handler bottling plants can create. Unless the rule is changed there will be more and more, until we're right back where we were in the 1930's.

Everybody knows this can be an extremely competitive business. Our profit margins are famously tight and sometimes non-existent. We work hard every day to keep our costs down and our cows producing well. The last thing we need is a growing situation where a small minority cuts the vast majority of producers out of the most lucrative portion of the business. It is unethical and bad for the industry.

I have previously commented about the justification for exemption from pooling and pricing regulations for processors with less than 450,000 pounds of class 1 sales per month. For those same reasons, MMPA and I personally do not support any proposals that would provide for a qualified exemption for current producer handlers. Producer handlers in excess of the 450,000 pounds have realized an unfair advantage for too long and have grown to their current size because of that advantage. There are numerous proposals that advocate an exemption for current producer handlers at various levels of volume. No matter where you set that limit, there will continue to be some number that will argue that they are being unfairly treated. We believe that proposal #2 submitted jointly by NMPF and IDFA is a suitable solution to a market disorder that has been allowed to exist for far too long.

Thank you for the opportunity to testify here today. I hope you find my thoughts on this issue useful.

