

Testmony federal Order Hearing

May 2009

My name is James Buelow and I reside at 146 Clizbe Av. Amsterdam NY 12010. I have spent all my life in the dairy industry. I was born and raised on a 40 cow Jersey farm in Western New York. At age 18 I purchased a dairy farm in western New York. I operated this 60 cow dairy farm for 20 years. Then I worked for the National Farmers Organization for 17 years. Most of that time I was responsible for marketing the member's milk including, overseeing the payment of producers and filing the monthly MA reports. My geographic area of responsibility was increased over the years until it included all the area of the Northeast and Ohio, Michigan and Indiana.

For the last ten years I have been employed by Worcester Creameries. Worcester Creameries is a family owned business. Worcester Creameries is the supply arm for three major fluid milk plants all in New York State. Worcester Creameries has about 200 producers and buys the rest of the milk needed for our plants from cooperatives. These plants are Elmhurst Dairy in Jamaica, NY which is the only surviving fluid milk plant in New York City. The second plant is Mountainside Farms in Roxbury NY, which a unique plant in that it operates as if there were three separate plants all under one roof. The plant packages Organic, Kosher, and conventional milk. The third plant owned by the Schwartz family is Steuben Foods in Elma New York. This plant process many food items including organic and conventional extended self life milk.

I am here today to testify on behalf on all four of these milk businesses.

I am also the Vice President of Northeast Dairy Foods Inc, which is a trade organization of primarily milk plants in the Northeast.

Before I get into the specifics of the our position today regarding Producer-Handlers and Exempt Plants I would like to state that myself and both of my employers over the 30 years have supported the Federal Order System. I believe it has worked well serving the dairy farmers, processors and our customers. The overall effect has been to treat all three businesses fairly and equally.

However since Federal Order Reform in 2000, there has been an ever increasing amount of price volatility and more and more inequities in the system. Therefore I would encourage the Department and all the participants in this hearing to make sure that any decisions made to change the order now and in the future truly are for the benefit of all producers, plants and consumers.

Regarding the proposals regarding Producer –Handlers. We are in favor of eliminating the provisions exempt producer-handlers and commercial exempt operations for many reasons. First we believe all producers should be treated equally. The current situation as well as what would result from many of the proposals simply give a very small number of producers (between 100-130 throughout the country) an advantage over the rest of the producers and other handlers. For each producer who receives this exemption all the other producers receive a lower blend price. Also on the plant side of this each producer-handler has an advantage in his milk cost compared to the regulated cost of all the other plants in the country, therefore causing disruption in the marketplace which in the end causes all producers that are pooled to receive a lower price for their milk. In the early days of the orders when the producer-handlers were very small it did not make much difference to the rest of the industry. Producer-Handlers sold their small amount of milk in an area very close to there farm. Today Producer-Handlers are much bigger and there marketing areas are much bigger. In the Northeast Federal Order 1 fluid sales from producer-handlers have more than doubled from 2000 to 2008 according to exhibit no. 12. The larger a producer handler is allowed to grow the more disruption in the marketplace will occur.

Currently Worcester Creameries has a producer just north of Binghamton NY that has two large farms. Together the farms produce about 4,000,000 pounds per month. If this producer was to build a fluid plant and was exempt from the order and or became a producer handler under some of these proposals this new plant would have a tremendous advantage in the Binghamton market. The current pooled plant in serving that area would certainly lose market share, therefore paying less dollars into the pool and could be forced to close. This would result in all farmers in the Northeast receiving less money.

This only a hypothetical example of what could happen under the proposals that would raise the exempt plants volumes. I can think of numerous examples of farms that might consider building plants that were exempt near many different metropolitan areas. If a plant is allowed to pay only competitive price for its milk instead of the announced class I price it certainly would have an advantage over plants required to pay the Class I price. The question becomes what a plant does with the money it saves from not paying the class I price. However there are only two real chooses. The first is to hang onto the money. The second is to use this new money to help their new business gain a bigger market share by reducing the price they sell their product for. This could cause disruption in the whole market place.

In closing I ask that the producer-handler exemption and the exempt plant provision be eliminated. If this is not possible at this time please put a solid cap of 150,000 pounds on the exempt plants and eliminate the producer handler provisions.