



## MID-AMERICA DAIRYMEN, INC.

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SPRINGFIELD, MISSOURI 65802

A.C. 417/865-7100

September 5, 1997

Mr. Richard McKee  
 USDA/AMS Dairy Division  
 Room 2968, South Building  
 P.O. Box 96456  
 Washington, DC 20090-6456

Dear Mr. McKee,

Mid-America Dairymen has submitted comments on the Federal Order Reform process. Mid-Am and others have devoted a considerable amount of time and effort to the number of Federal Orders and the geography they represent. The marketing area of a Federal Order generally represents the distribution area of bottling plants. The milkshed of a Federal Order does not necessarily cover the same geographical area as the marketing area. For example, milk from New Mexico and Texas is shipped to and pooled on the Southeast Federal Order. This milk receives the Southeast Federal Order blend price and not the New Mexico-West Texas or Texas blend price. This also applies to milk located in Northeast Texas pooled on the Southeast Federal Order. Thus the Federal Order a producer's milk is pooled on determines the producer's blend price return and not the marketing area in which the producer is located.

Milk production characteristics in the Northeast Texas area are more similar to those in Louisiana and Mississippi than to those in Central and West Texas. Due to the higher rainfall and humidity in Northeast Texas, production units tend to be smaller and production per cow tends to be lower than in Central and West Texas, and therefore, production costs are higher and net income is lower in Northeast Texas than Central and West Texas.

The pricing and pooling provisions that are adopted in the Federal Order Reform must recognize the Northeast Texas production characteristics and must provide sufficient economic incentive to maintain a milk supply in Northeast Texas that serves as a regular milk supply for Texas and Southeast bottling plants and as a reserve supply for the Southeast.

Sincerely,

MID-AMERICA DAIRYMEN, INC.

Bill Blakeslee  
 Corporate Vice President,  
 Chief Operating Officer of Southern Fluid Group

BB/dr

cc Richard Fleming

