

**UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE**

Re:

**Milk in the Mideast Marketing Area;
Hearing on Proposed Amendments to
Tentative Marketing Agreement and Order**

Docket No. AO-166-A72; DA-05-01

Submitted By

**Foremost Farms USA Cooperative
Alto Dairy Cooperative**

May 5, 2005

Foremost Farms USA Cooperative and Alto Dairy Cooperative wish to reaffirm our proposal for transportation credits on pool supply plant milk, in addition to producer milk, on deliveries made to distributing plants for use in the production of Class I products. Pool supply plant deliveries are typically made during the fall months, from August through November, when the needs of the Class I market are greatest.

Mr. Edward Gallagher, in his testimony given on behalf of Dairy Farmers of America, Michigan Milk Producers Association, Dairy Lea Cooperative, Inc., and National Farmers Organization, in support of Hearing Proposal No. 9, contained in Hearing Exhibit No. 14, documented DFA's purchases of supplemental milk supplies from "out-of-area states" to meet the needs of Class I customers. He provided a summary of these purchases for the month of October, 2004 in Exhibit 15, Table 5.

Supplemental Grade A milk supplies, regardless of the source, are necessary to supply Class I demand in Order 33. All producers pooled in the Order benefit from the added value that Class I sales add to the Producer Price Differential. Transportation credits constitute a market-wide service payment, that would ensure that all producers who benefit from servicing the Class I market also share in the costs of servicing the market.

Further, supply plant shipments should receive the same treatment under the Order as producer milk deliveries. The argument that producer milk deliveries are more efficient may be true, but the operator of the supply plant bears its cost of operation, and our proposed modification to Proposal No. 9 only extends the same transportation credit rate and mileage exemption to supply plant milk as the original proponents had proposed for producer milk.

Transportation credits for milk used in Class I have been a part of the Federal Milk Market Order System for some time, having been employed in Order 30 for many years.

Transportation credits on supplemental Class I milk are also a part of Orders 5 and 7.

Joseph W. Weis
Vice President – Fluid Products
Foremost Farms USA