

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

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**In the Matter of :**  
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**Milk in the Mideast :**  
:  
**Marketing Area :**                   **Docket Nos. AO-166-A72  
and DA 05-01**

**HEARING BRIEF OF PENNSYLVANIA FARM BUREAU**

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Pennsylvania Farm Bureau ("Farm Bureau") files this Brief and offers the following comments regarding the proposed changes to the Federal Milk Order for the Mideast Marketing Area, which are being considered pursuant to the aforementioned proceeding. Farm Bureau is a statewide general farm organization in Pennsylvania with a membership of more than 36,000 farm and rural families in the Commonwealth. Approximately 54 percent of Farm Bureau's total membership are families who are actively engaged in the production of agricultural products as a principal occupation. Approximately 28 percent of those members of Farm Bureau who are actively engaged in agricultural production are specifically identified as engaged in dairy production. We estimate that between 725 and 800 of the families who are members of Farm Bureau are operating dairy farms in Federal Order 33.

Our Brief is limited to the issue of the extent to which handlers who decide not to include their Class III and IV milk in the Order 33 pool for any particular month should be precluded from including such milk subsequent months. We offer no opinions or recommendations with respect to other issues to be considered for Order 33 pursuant to this proceeding.

The current provisions of Order 33 give handlers of Class III and IV milk broad latitude in determining whether or not their milk participates and is included in the Order 33 payment pool. Unlike handlers of Class I milk, who are required under the Order to include their milk in the blended price to be paid in the Order 33 pool, Class III and IV handlers may choose to opt out of including their milk in the pool during those months when it is more "economically advantageous" for them to do so. And it will be advantageous to do so when individual handlers can receive for the month a greater

return from their "receipt" of the manufactured milk price than they would through a blend price that includes a lower Class I price. Evidence at the hearing of March 7-10 demonstrated that during the last several years, the occurrence of months where manufactured milk prices have exceeded the Class I price for the month have become a more common phenomenon within the Order 33 area, and may likely continue in the future.

The current Order's failure to provide disincentives for monthly depooling by handlers places Class I handlers and their producers at substantial and unfair economic disadvantage in the Order's attempt to service and satisfy the Class I market. During those months where Class I is below the manufactured milk price, Class I handlers and their producers "participating" in the Order 33 pool will be forced to bear a lowered blend price because of the option by handlers to keep the higher-priced manufactured milk out of the pool. In those months where Class I price exceeds the manufactured milk price, the decision by handlers to repool their manufactured milk in Order 33 and share revenues from higher Class I prices causes a reduction in blend price, thereby taking away from Class I handlers and producers revenues they would received in higher blend prices if manufactured milk had remained depooled. Class I handlers and producers are prevented from recouping the additional "blend price" revenues they would have received but lost during those months that Class III and IV handlers opted out of the Order 33 pool.

While we recognize that the overlying purpose of Federal Order marketing is to provide consistency and orderliness of regional marketing and that economic sacrifices may need to be made by individual handlers participating in marketing orders and their producers in order to better assure the availability and consistency of local markets, we feel a system that allows segments to vacillate monthly on participation in the pool is not only unfair to those handlers who must participate but also detracts from the objectives to be accomplished under Federal Order marketing.

Farm Bureau agrees with those proponents of proposals who are recommending the Order be amended to impose barriers upon manufactured milk handlers who have opted their milk out of the Order 33 pool for any month to reenter their milk into the Order 33 pool in succeeding months. Basic fairness and orderliness of markets within Order 33 should require that "economic advantages" of participating or not participating in the Order 33 pool not be measured from month to month, but rather be measured over a much more lengthy period and the economic stability that commitment to the pool will provide to handlers over that period.

We do not believe the barrier to pool reentry offered by some proponents will be a sufficient deterrent to reduce the current disparity in payment and disorderliness in marketing activity, which temporary abandonment of the Order 33 pool causes long-term. Farm Bureau recommends that the Order establish a minimum time period of 11 months that a handler who has opted out of the pool must remain out of the pool before the handler could reenter. With respect to the proposals that were formally offered for this proceeding, we would most favor that offered in Proposal No. 5.

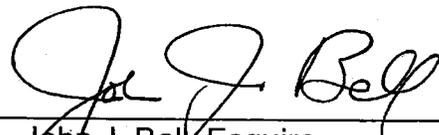
Summary

Farm Bureau recommends generally that Order 33 be amended to establish disincentives for handlers to opt out of participation in the Order 33 pool by creating barriers for handlers opting out of pool participation to reenter the pool. More specifically, Farm Bureau recommends that such handlers be prevented from reentering the Order 33 pool for a period of at least 11 months after the handler has opted out of the pool. To that end, we would be most favorable of the incorporation of Proposal No. 5 in the amended Order.

Thank you for your consideration.

Respectfully submitted,

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