

DROUGHT RELIEF WORKING GROUP REPORT: SCHEDULE MEETINGS ON GRAZING HERD MANAGEMENT DURING DROUGHT

Representatives from Georgia Farm Bureau; Georgia Cattlemen's Association; Georgia Milk Producer's, Inc.; Georgia Dept. of Agriculture; Senator Chambliss's office; Senator Isakson's office; and the University of Georgia Cooperative Extension are currently working together to organize a state-wide response to the drought. These organizations have agreed to make a concerted effort to provide timely information to Georgia's producers through local county Extension offices and via the internet. In addition, they are also working closely together to post and exchange the contact information of hay producers throughout the country.

The group will also sponsor several meetings throughout the state within the next month that will focus on Grazing Herd Management during Drought. Currently, two dates and locations have been scheduled. They are:

Monday, June 18th, 7 p.m. Gordon Co. Farm Bureau, Calhoun

Monday, July 2nd, 7 p.m. Lumpkin Co. Park & Recreation Center, Dahlonega

Other meetings will be announced soon. They will be held at Athens, Macon, Plains, Tifton, Buckhead and Statesboro. We will notify our producers of the upcoming meetings once all meeting have been set. This schedule along with additional information regarding the drought and hay directory can be found on our website at www.gamilk.org.

Useful websites: www.georgiaforages.com.

<http://commodities.caes.uga.edu/fieldcrops/Forages/drought.htm>

<http://enews.penton.com/enews/hayandforagegrower/>

<http://hayandforage.com>

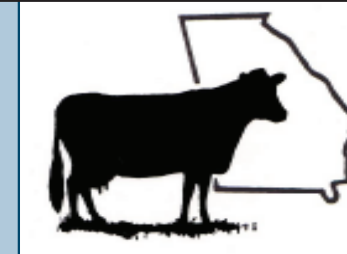
UPCOMING EVENTS

GMP & ADA of Georgia Fall District Meetings will begin on **September 10, 2007.**

October 4-14, 2007
Georgia National Fair, Perry, Georgia. Come visit us at the dairy exhibit!!

GEORGIA MILK REVIEW

Volume 8, Issue 3, June 2007



GMP PRESIDENT TESTIFIES AT FEDERAL ORDER HEARING

On May 21, 2007, the U.S. Department of Agriculture held a public hearing in Tampa, Florida, to consider proposals to amend the Appalachian, Florida, and Southeast Orders. The proposals submitted sought to amend the above Orders by temporarily adjusting the Class I pricing surface for each county within each of the three milk marketing Orders until USDA is able to comprehensively address the Class I pricing surface on a national scale.

Proposals included changing the diversion percentage limits, the producer delivery days, and the transportation credit provisions of the Appalachian and Southeast orders. In addition, other proposals wanted to change the maximum rates for each of the three Orders the Market Administrator may charge for the administration of the Orders from 5 cents per hundredweight to as much as 8 cents per hundredweight.

Tom Thompson, President of Georgia Milk Producers, was among those that testified at the hearing. His testimony is printed below, but can also be found at the Georgia Milk Producers' website at www.gamilk.org, along with supporting documents:

Thank you for the opportunity to appear before you to discuss a subject vital to all of Georgia's dairy farm families. I am Tom Thompson, President of Georgia Milk Producers, as well as a dairyman from Eatonton, Georgia. Georgia Milk Producers represents all Georgia dairymen and speaks on their behalf in matters such as we are here to address today. It is in this role that I also represent all Georgia dairymen on the S E Steering Committee, joining other members of this Committee speaking at this hearing. We applaud USDA for holding this emergency hearing to address matters of grave concern to those of us trying to produce milk in the Southeast. We support the proposals made by DCMA at this hearing as a first step in addressing the Federal Order rules and regulations that appear to be at the heart of the economic plight of the SE milk producer.

The Southeast is a unique region. On one hand, it contains one of the fastest increasing populations in the US. On the other hand, its milk production is decreasing at one of the highest rates in the country, and is now deficit year round. Georgia alone imports more than 1,000 tanker loads per month. We need to attempt to understand this seeming paradox.

The Southeast has the highest cost of production in the US. Contributing to this cost is high heat and humidity, causing wide swings in cool/hot weather milk production. Since production cost is high, the Southeast is not able to produce milk intended for

Farrah Newberry
Executive Director
1641 New High Shoals
Rd., Suite 5,
Watkinsville, GA 30677
706-310-0020 Office
706-310-0025 Fax
800-337-0555
www.gamilk.org

continued on page 2

Georgia Milk Producers Inc.
1641 New High Shoals Road
Suite 5
Watkinsville GA 30677

Nonprofit Org
US Postage Paid
Watkinsville, GA
30677
Permit No. 108

DAIRY BRIEFS

Cooperatives Working Together has finished all of the farm audit of its fourth herd retirement effort, resulting in the removal of 52,783 cows representing 1 billion pounds of milk. The CWT committee also endorsed the continuation of the farmer-led and funded self-help program in 2008.

The national average accepted bid in this round was \$5.50 per hundredweight, significantly less than the \$6.75/cwt. average in CWT's last herd retirement round in 2005. The average accepted bid for the Southeast Region was \$4.66/cwt. For a complete report on the fourth herd retirement round go to www.cwt.coop.

Downes-O'Neill dairy economist, Bill Brooks, recently said in a Dairyline Broadcast that we continue to see record Class III and All Milk prices in 2007 for producers. Prices will also be strong in 2008, he said, but will back off some from 2007.

He doesn't see the kind of milk production increases ahead that we saw in 2005, following the record milk prices of 2004, mainly due to the current higher feed and replacement costs so "It will take a little bit longer to see things turn around and leaves 2009 somewhat in question about what kind of year it will be."

TOM THOMPSON'S TESTIMONY AT USDA FEDERAL ORDER HEARING (CONTINUED FROM PAGE 1)

manufacturing purposes, instead trying to operate in a niche market supplying milk primarily for the needs of local bottling plants.

Another factor contributing to our high production cost is a lack of proximity to abundant grain and forage production. We have neither the vast rich soils of the corn belt nor the federally subsidized irrigation of the West. In the Piedmont region of Georgia where our dairy is located, there is no aquifer to supply water so desperately needed to grow the forage crops that are currently being decimated by the second year of drought.

Let's look a little closer at the region's declining milk production. Since Federal Order boundaries do not exactly follow state lines, we will use USDA's production figures for Georgia, Alabama, Mississippi, and Tennessee for annual milk production trends from 2000 through 2006. These states have experienced a 3.6% annual decline in milk production between 2000 and 2006: beginning in 2000 with 3 billion, 727 million lbs and falling to 2 billion, 997 million lbs in 2006. These numbers have been translated into trend lines by the Market Administrator's office in Atlanta and would indicate that virtually no dairies will exist in the Southeast in 10 years.

One of the proposals that is part of the DCMA package we support here today addresses the out-of-date differentials that are supposed to reflect the cost of moving milk from areas of plentiful supply to deficit areas. The differentials in place today were done in an era of gas in the \$1/gallon range, when stainless steel over the road tankers and the tractors that pull them were far cheaper, and truck drivers pay was less than 1/2 of what is paid today. Adjusting differentials to reflect changes in transportation costs is long overdue. We strongly support this much-needed change.

Can the Southeast dairymen be economically viable in supplying the needs of the SE's primarily fluid milk plants, whose outputs are typically 90% Class I? I would suggest that the answer is: "it all depends". In my economics courses at Emory University's School of Business we learned that the price of a commodity in a deficit area was the f.o.b. price of this commodity in a plentiful area plus the true cost of freight to the deficit area. There was no concept that the producer in the deficit area should have his price reduced by the cost to deliver additional amounts from a distant area, whether this cost occurred through "pooling", "transportation credits", "reblending", or some other means.

In order to put this in perspective let's review a little history. In the late 1960's, Georgia's Milk Commission was ruled unconstitutional, and Georgia subsequently got its own Georgia Federal Order. Unlike today where the co ops controlling the majority of milk in the Southeast have their majority membership living outside the Southeast, Co-ops in Georgia were local, represented Georgia dairymen, and the Georgia Federal Order served the industry well. Class I utilization was normally in the high 80's and low to mid-90's. Subsequent years added a state here and a state there to the Order that soon became the Southeast Order. Each geographical increase in the Order resulted in small declines in Class I utilization. However, USDA's January 2000 inclusion of southern Missouri and an additional portion of Arkansas resulted in no small decline: this time the Southeast saw a drop of 15-20 points in utilization. Instead of utilization that typically ranged from the 80's to 90's, we now saw utilization hovering in the 50's to 60's with its corresponding transfer of milk revenues from those dairymen serving the needs of bottling plants in their close proximity every day, to those far distant who were "qualified" by "touch base" and "diversion" rules. Since January 2000 my partners and I estimate this change in utilization has cost our 800

cow dairy hundreds of thousands of dollars. We cannot continue to operate our dairy under these adverse economic conditions. Therefore, we and other Georgia milk producers applaud and support DCMA's proposal to place a cap on "diversions" as a first needed step to raise utilizations. Since this is an "emergency hearing", USDA has not had the time to do a study to determine how much "stand-by" capacity is required to supply the Southeast's deficit needs. We suggest that USDA should conduct this analysis and initiate subsequent changes that their study might deem warranted in order to more closely approximate the "real economics" I was taught years ago.

It is my belief the purpose of this hearing is an attempt to address the economic issues that are forcing Southeast dairymen out of business, with the SE becoming increasingly dependent on milk transported many times more than 1,000 miles from where it is produced to where it is needed. This has vast implications of increasing demands on foreign oil, air pollution, congested highways, vulnerability to bio-terrorism, in addition to the insidious economic bleeding of the Southeast milk producer.

According to DCMA's estimates, "The combined impact of additional Class I pooled revenue and lower diversion limits would increase Federal Order minimum blend prices. Based on 2006 annual data the estimated increase in blend prices at the various Order Base zones are: Approximately .75 hundredweight in F.O.7 (Atlanta/Dacula)" (Reference "Proposed Federal Orders 5, 6, & 7 Amendments—Talking Points" by DCMA.) Other locations and orders vary from these numbers.

I would like to reference "Projected Increases in Milk Production Resulting from Proposed Price Changes" compiled by Dr. Tommie Shepherd, University of GA, and Dr. Geoff Benson, North Carolina State University. Given the limited impact on current milk production trends that this analysis indicates would be expected from DCMA's proposal, this underscores our position that although we fully support DCMA's proposal to address the SE's economic plight, it is but a first step to correct the economic inequities that have plagued the SE's ability to continue local milk production. It is my belief that USDA first needs to implement DCMA's proposal and then use the data and qualified economists at its disposal, becoming pro-active similar to the Federal Reserve Board, as opposed to reactive. After implementation of the DCMA proposal, USDA should also monitor the results. If the goal is to achieve a reversal of the present trends in the Southeast, USDA needs to give serious thought to a partial decoupling of Class I pricing from manufacturing milk prices set primarily by Western over production, production that controls our fluid milk price but which is physically unrelated to our market. The need for this review is underscored by the current lack of confidence in the veracity of the pricing data provided. Price volatility may be acceptable and understandable in manufacturing prices; volatility in fluid pricing typically robs both the consumer and the dairyman. Georgia and other Southeast dairymen are tired of being robbed.

Given the dismal track history of "reform" inflicted on the SE since 2000, nothing less than a review and readdress by USDA is needed to achieve "true economics". Only then will there be a chance to stop the "cannibalization" of the Southeast.

For more information on the hearing including transcripts and supporting documents go to www.fmmatlanta.com or www.gamilk.org.

BOARD OF DIRECTORS

2006-2007

Tom Thompson, Eatonton
President
706-485-4547

Bob Holden, Whigham
Vice President
229-377-4071

Earnest Turk, Eatonton
Secretary
706-485-5971

Marvin Yoder, Montezuma, Treasurer
478-472-4533

Henry Cabaniss, Maxeys
706-759-3362

Dave Clark, Madison
706-342-2923

Ed Coble, Waynesboro
706-554-3672

Terry Embry, Eatonton
706-485-9848

John Gay, Garfield
478-982-2108

Kenneth Murphy, Luthersville
770-927-9210

Jeff Smith, Comer
706-783-5018

Mark Stovall, Ila
706-789-2916

Daniel Weaver, Montezuma
478-472-6493

Everett Williams, Madison
706-342-3479

Franklin Wright, Talking Rock
706-276-3291