

originating from Minnesota and Wisconsin. The other 16 percent of the total milk pooled on Order 30 during June 2001 was from California.

The witness testified that DFA considers it important to end the near open pooling of large volumes of milk that never serve the fluid market by modifying the order's pooling standards and establishing diversion limits for pool plants. To this end, DFA offered a proposal requiring milk produced outside the States that comprise the Upper Midwest milk marketing area be grouped into, and reported as, individual State "units." Each unit would be subject to the same shipping standards for pool supply plants, said DFA.

Additionally, DFA was of the opinion that the order lacks the means to define the potential size of the pool. In this regard, DFA thought it appropriate to establish a limit on the amount of producer milk that a pool plant can divert. Because a producer need only deliver one day's production to an Order 30 pool plant to qualify and thereafter remain qualified to pool their milk on the order, DFA noted, a pool plant may subsequently divert all of the producer's milk to any plant without any of that milk being required to serve the fluid market. It is this shortcoming of the Order 30 producer milk definition that provides the means by which milk from distant areas is able to pool on Order 30, stated DFA.

Stressing the costs associated with transporting milk long distances, DFA was of the opinion that no economic basis exists for such milk to actually make itself available to consistently serve the fluid market. Therefore, the witness concluded, milk located far from the order should be required to meet performance standards equal to the performance standards for milk originating within the order. The ease of qualifying for pooling on Order 30, said DFA, has attracted and caused to be pooled increasing volumes of milk which have only served to lower the order's blend price. The economic burden of the cost of delivering milk to a pool plant becomes a one-time event, said DFA. Thereafter the milk need never perform in servicing the fluid market while reducing returns to producers whose milk is actually serving the market's Class I needs, the witness concluded.

DFA was of the opinion that their proposal provides reasonable standards for demonstrating consistent performance in supplying the fluid market by milk from outside the States comprising Order 30. This would result in milk from distant areas performing on

the same basis as local milk, said the witness, while not discriminating, penalizing, or establishing any barriers to the pooling of milk from any area on Order 30. The witness also stated this feature of their proposal is an adequate and reasonable standard for requiring all market participants to share in the responsibility of serving the fluid market.

DFA presented an analysis of data depicting mileages from California and Idaho to locations in Order 30 with the performance standards they proposed. This was offered to illustrate DFA's opinion that distant milk would not rationally seek to be pooled on Order 30 when required to perform in the same way as milk from within the States that comprise the marketing area. The witness presented a review of the relationship between the order's blend price return versus the cost of delivering milk to the Order 30 market. The witness claimed that a daily delivery of milk from California would yield a net loss of \$71,647, while a daily delivery from Idaho would yield a net loss of \$48,576 in the month of January 2000. On the basis of such losses, DFA concluded that such distant milk would not seek to be pooled on Order 30.

DFA then presented a comparison of blend price return versus hauling costs with no performance standards. After absorbing the one-time hauling cost, both the California and Idaho milk supplies would have generated a positive return in the first month, growing to much higher returns in the second month, concluded the witness. Stressing that once the cost of the initial haul to qualify a producer for pooling is incurred, the subsequent pooling of milk would continually enjoy monetary benefits of being pooled on Order 30 without servicing the fluid market.

The DFA witness was of the opinion that their proposal has a measurable economic consequence that is in line with existing Federal milk order principles. If the economic returns are positive, said DFA, regulation would not prohibit pooling of distant milk and thus would provide a reasonable and defensible standard. The witness also said that each State unit must be treated individually and perform as a stand-alone entity under the same performance standards as currently applicable to supply plants. The witness stressed that this feature of their proposal provides a reasonable economic test of whether or not the market needs such milk for Class I use, and that economic returns must be earned in the marketplace and not by what is provided in pooling reports.

DFA was of the opinion that Order 30 should not be amended on an emergency basis prior to proceedings to consider amending other orders. The distant pooling of milk on Order 30 has been occurring for a long time—since January 2000, DFA stated. While the volume of distant milk pooled has increased, the negative impact on Order 30 blend prices has been reduced by the fact that Order 30 handlers have, in a not dissimilar fashion, pooled large volumes of milk on the Central and Mideast Federal milk orders, stated the witness, adding that California milk under their control was also being double pooled on the Central Order, Order 32. DFA was also of the opinion that if the Upper Midwest order is amended prior to consideration of appropriate amendments to the Central and Mideast orders, the pooling problems exhibited in the Upper Midwest would only "migrate" to these other marketing areas, resulting in even more disorderly marketing conditions.

A witness from the Northwest Milk Marketing Federation testified in support of DFA's proposals. The Northwest Milk Marketing Federation (NMMF) is a cooperative representing over 97 percent of dairy farmers whose milk is pooled on the Pacific Northwest Federal milk order.

The NMMF witness stated that Federal orders should have performance requirements which reasonably require all volumes of milk associated with the pool to proportionately service the fluid needs of the market. The witness was of the opinion that Idaho milk could pose a threat to producers in the Pacific Northwest if that milk can be pooled without meeting performance standards. The proposals offered by DFA adequately address such pooling issues and should be adopted in Order 30, said the witness. This would not only alleviate the issue of pooling distant milk, but would serve as a model for other Federal order hearings, namely the Pacific Northwest, where similar pooling problems exist, said the witness.

Opponents of DFA's proposals stressed that marketing conditions prevailing in the Upper Midwest require only the elimination of double dipping. Associated Milk Producers, Inc., First District Association, and Lakeshore Federated Dairy Cooperative expressed concern that DFA's proposal does not thoroughly address the need to end double dipping. They claimed that DFA's analysis of hauling costs only serves to exclude and target Idaho and California milk, and the value of such analysis of the Order 30 marketing conditions is misplaced. Similarly, they