

increase production. In the Okeechobee area, my area (Bradenton/West Coast), and the Gainesville/Live Oak area, there are no new dairies going in because of environmental restrictions. The east coast basically has the same situation, there's just no place for dairies to go. Most of the dairies that are going in now will not be in production for 2 or 3 years because of the hassles. I built 8 years ago but I sure wouldn't do it again because it is a headache. You never know which county official or state official is going to say that you can't do something. They have no concept or concern about the cost of what they require.

I think we are going to have to do a better job of marketing our milk. We are going to have to look at the cost of imports. We have paid up to \$24 to \$25 a hundred for milk that has to come in and, of course, in Florida that is paid for by the dairy farmer. In most other areas, it doesn't happen that way. We have had \$.25 a hundred set aside to cover those costs but that is strictly from the dairy farmer and does not include anything from the processors.

The Louisville Plan also has been mentioned. The trouble I have with this plan is that in Florida you are forced to cut production in the spring and you cannot bring that production back. Usually what happens is that production will be down all year unless you buy lots of cows. And when you buy cows in July or August you can suffer tremendous losses to heat stress. I know one case where someone lost 40 to 50 cows in just a week because of the heat and humidity. It is hard to shift production. I have tried it and I know a lot of other people who have tried it. It is just about impossible.

Gene Smith
Superbrand Dairy Products
Jacksonville, FL

Good afternoon. I am not sure I am in the right place! Am I in the right place, Jack? It is great to be here this afternoon and after listening to the two speakers and the three members of the panel, the first thing I want to say is that my heart goes out to the dairy farmers. I grew up on a dairy farm and I know what some of you are going through. The other reason I think I was invited here is because Winn Dixie stores Superbrand Dairy has processing plants throughout the Southeast. We have seven locations, two in Florida, one in Miami and one in Plant City; one in High Point, NC; Greenville, SC; Montgomery, AL; Ft. Worth, TX; and Hammond, LA. We know that the Southeast is short of milk. You and the other Coops that serve us have not shorted us any milk and for that we are very thankful. You know that 20 years ago there were about 25 processors in this state. The majors of that time were Borden, Sealtest, Farm Best and some big independents. All of those are gone so changes are being made.

I want to share a little bit about our supply needs. Last year we sold and packaged goods for 137 million gallons of Class I milk. If you had a herd of cows averaging 5 gallons per cow, you would have to have a herd of about 77,000 cows to produce our needs. That would mean we would have to use all the cows in Louisiana

based on a chart I saw today. We need a stable milk supply throughout our operating area. Whatever arrangements that we make with any supplier has to be good not only for us but good for our supplier. Neither of us can live without an arrangement that is good for both parties. We hope that is what we have for the future.

Question: I heard Dr. Thomas list a lot of advantages for big herds, which Florida has. But Florida had the most dairies going out of business, right?

Thomas: Yes.

Question: How can we in Georgia or Florida or wherever, move milk and have someone pay for it other than the producer?

Thomas: My figures for the Southeast indicate we're likely to be short about 80 million pounds for September and August. Now who is going to pay for bringing that amount of milk in and how much is it going to cost? We're talking about big bucks. On the other hand you've got Mr. Smith whose supermarkets are open 365 days a year. And he's demanding the same amount of milk 7 days a week. Then you have some unnamed independents whose needs go up and down.

We haven't been able to get the market to pay the cost of servicing these different accounts. It's been tried and, Sam, you may want to respond to this, but you have to get the cost of servicing the individual accounts. Mr. Smith has equalized billing or demand, and his business is among the easiest to serve. You may want to talk to him about not selling quite as much during the summer months and a little bit more during the winter.

Smith: Yeah, but you've got to have it on the shelf.

Thomas: I am putting out a press release in Georgia where I am warning the people that the price of milk is going up this fall and the industry is working right now to make sure there is enough milk on the shelf. At this time the Coops won't tell you that it's not going to be there, but adding up the figures indicate a problem. Mid-Am has more members this year than they did last year and they are short 8% more milk than they were last year. Where is this going to come from? Louisiana and Mississippi? Their ryegrass died and they don't have anything to graze. So what are they going to do?

Smith: I have a comment. Winn Dixie stores this year went up 6% in tonnage from last year. The reason for that is that we bought 25 stores in the Cincinnati area and we opened our stores 24 hours a day. So although our volume is up 6%, milk volume sales as a whole are not up - they are flat. We have taken over somebody's business that already had it. We don't

know what is going to happen in the future. I was looking with interest at the premiums when Bill Thomas showed us how they've eroded. Did anybody venture to guess how they eroded? Well, let me tell you who does that....the dairy farmer does it. Until the dairy farmers (Coops) stop fighting themselves, you are going to continue to have problems. It is my understanding that all dairy Coops have boards, and the boards make the decisions. To illustrate the case that I am making here, the Borden dairy up in Macon, GA., received a sweetheart deal from a Coop that there would be no premium. We can't buy milk in that area without the same kind of a deal. You know how to solve those problems, but we don't. But we love our milk supply, our milk supply is great, our quality is great wherever we get it. We see a lot of difference, it seems, between the Coops when somebody is trying to get the upper hand. Somehow, the farmers (Coops) need to work together.

Question: Has the processor on the panel thought of ways to share profitability with the dairymen? When Coops talk to processors to negotiate a price that can sustain a local supply of stable fresh milk in the area, how do you see that mechanism working and what kind of process would allow you to arrive at such a price?

Smith: All we have ever wanted was to have the same price that everyone else has, so we are not at a disadvantage in the marketplace. If you can handle that end throughout your area of responsibility as farmers or as cooperatives, then you aren't going to hear much bellyaching from anybody that buys milk from you. We have formula pricing on products that we buy from outsiders. That formula pricing is based on the cost of the milk as it goes up and down each month. You know what you have to make...somewhere you have to show some figures and what you can't go below.

Swett: I'd like to comment. Last May when we were in the depths of this price depression, I went to each one of our customers and asked them, begged them, to let us keep that \$.73 last May when the price went down \$.73. Mr. Smith, and everyone of our customers agreed to let us keep that \$.73. The price went down every place except in Florida. They cooperated with us 100%. Some of our customers went to other customers to convince them that we did need this price. Dairymen say to let the processor pay for bringing in the milk and let them balance the market. Let me tell you my friends, processors think they are paying for it. So when we are getting a \$1.04 premium in Jacksonville, they feel they are paying for that. Mr. Smith was exactly right. This problem is not with our customers, the problem is internally and is mostly greed among dairy farmers.

Question: Excuse me, that last comment, did you say greed among dairy farmers or greed among Coops?

- Swett: Dairy farmers are Coops, I am looking at them as one and the same. Because supposedly Coops are controlled by the dairy farmers, that is where your problem is. We can set any price we want to if dairy farmers will get together. He (Smith) doesn't care what the price is. If Publix is paying \$20 then he's going to pay \$20.
- Smith: One other comment. We buy plastic resin to make jugs and that's a thing that goes up and down with the market on a monthly basis. Those people at times see those margins erode, but then they come back. We've got to get some leverage here. With regard to what Sam said about the premium, my understanding was that it was to take care of the milk coming in the deficit months. That is what Sam said he thought we were paying for and that's what we thought. For example, if the milk price in Florida is \$17/cwt average and you were charging \$18.20 to bring that in on a year around basis. We thought that \$1.20 on a year round basis was taking care of the shortfall.
- Peachey: I agree, Gene, that used to be the case. But that hasn't been the case in the last year. We probably averaged less than \$15 last year and we paid for it on both ends. One of the problems was a \$.43/cwt drop in December, and really there was no reason for it except that we were afraid to hold the price. When the dairy farmer loses that money there is never any way that he gets it back, he is always on the tail-end, he's the last one to get a price increase and the first one to get a price decrease.
- Question: Is the Northeast Dairy Compact going to be a reality, and how, or will, it affect Florida.
- Halnon: Of course it could have some impact on Florida, or the Southeast, down the road. If, for example, something happened to the federal milk order program it could conceivably be a substitute. I suppose you could look to a Southeast Area Compact to hold your overall pricing throughout the Southeast.

Will it come about? My guess is no. Part of the order provisions that could permit the compact requires that the Secretary sign the overriding public interest statement and my gut feeling is that they're going to be hard pressed to convince the Secretary about overriding public interest. Another problem that they say they have cleared up, but this remains to be seen, regards the interstate commerce clause in the constitution. It prohibits, as you know, the blocking of interstate commerce. If the compact were to establish prices higher than would otherwise prevail, the states outside the compact could, it seems to me, defeat the compact itself because it would be impossible for them to establish prices on that milk. This all remains to be seen, this is a provision that was kind of forced through the House and Senate. My guess is that there isn't going to be a

compact, but that remains to be seen.

Question: Are you not misleading the dairy farmer by saying that the high price was the cause of the 5% boxed milk. Publix has a plant in Atlanta and that milk will move south.

Swett: That's exactly right. They want you to think it moves south, because it's cheaper to ship the milk in here. You can't look at things through rose colored glasses and tell people what they want to hear. You've got to deal with the facts. I think we did the right thing in raising prices and holding them. I think we did the right thing in holding the premiums up when Georgia was down and we lost some business. I'm not saying that we should have lowered the prices to keep the business. I just want dairy farmers to be aware that when we lose sales in Florida, whether its boxed milk or whether it is bulk milk, its for one reason and that reason is price. It's nothing else because our customers are completely satisfied with the service we give them. With Publix, the reason they do not supply north Florida with milk from their Lakeland plant is it's cheaper to buy the milk in Georgia and bring it down. That's a fact.