

**United States Department of Agriculture  
Before The Secretary of Agriculture**

**In re: [Docket No. 23-J-0067; AMS-DA-23-0031]**

**Milk in the Northeast and Other Marketing Areas**

**Hearing beginning August 23, 2023**

**Testimony Presented By:**

**Matt Johnson**

**Representing**

**Dairy Farmers of America**

**1405 North 98<sup>th</sup> St**

**Kansas City, KS 66111**

My name is Matt Johnson, and I am a 1<sup>st</sup> generation dairy farmer from Southwest Georgia. In May 1999, my father, uncle, and I purchased the farm from one of my dad's veterinary clients. The day we took ownership, we were milking 350 cows and farming 250 acres. Today, the farm consists of 28 employees milking 1,400 cows, raising 1,250 replacement animals, and growing multiple crops on approximately 1,000 acres, primarily forage for our farm.

I am blessed to serve the dairy farm families of Georgia and Dairy Farmers of America (DFA) through several leadership positions. Currently, I reside in DFA's Southeast Area, and serve on the Southeast Area's Council as well as DFA's Corporate Board. I also serve as President of the Board of Directors for the Dairy Cooperative Marketing Association (DCMA). Additionally, I have the honor to serve as the President of the Georgia Milk Producers Association, representing the dairy farm families of Georgia. I am also involved with the U.S. Dairy Export Council's Dairy Trade Envoy, a cohort of farmers and industry staff working together to help educate legislators on the importance of dairy exports.

I appear today in support of the five proposals offered by National Milk Producers Federation (NMPF):

- Limit the make allowance increase to NMPF’s proposed levels
- Return to “the higher of” in the calculation of the Class I mover
- Eliminate 500-pound barrel cheese pricing from the calculation of the Class III protein price
- Increase and regularly update the skim component tests used to determine the Federal Order skim milk price
- Adopt NMPF’s Class I price differential proposal

This has been a challenging year on our dairy farm. Since December 2022, my pay price, as reflected in my milk check, has decreased by \$5.84 per hundredweight. Our costs of production have not gone down to the same degree, and our dairy’s profitability has been reduced substantially. We have faced significant input cost inflation since 2021, which are summarized in the table below.

	<u>2021</u>	<u>2022</u>	<u>Difference</u>	<u>Increase</u> <u>%</u>
	<u>Price Per Unit</u>			
Diesel Fuel	\$2.25	\$4.25	\$2.00	89%
Labor	\$10.00	\$13.50	\$3.50	35%
SBM	\$290.00	\$465.00	\$175.00	60%
Corn	\$4.25	\$8.20	\$3.95	93%
Silage	\$38.50	\$52.00	\$13.50	35%
Minerals	\$26,200.00	\$39,600.00	\$13,400.00	51%
Nitrogen Fertilizer	\$225.00	\$875.00	\$650.00	289%
Land Rent	\$200.00	\$300.00	\$100.00	50%
Medicine & Supplies	\$2.50	\$4.25	\$1.75	70%
Electric	\$20,800.00	\$26,000.00	\$5,200.00	25%
Insurance	\$7,800.00	\$9,250.00	\$1,450.00	19%
Interest	5.00%	9.00%	4.00%	80%

I understand that make allowances are an important aspect in determining Federal Order class prices, and from time to time, there is a regulatory need to adjust them. That being said, I am displeased about the impact on my milk price when make allowances are increased. Simply said, my milk price will go down when make allowances go up. I ask that when increasing make allowances, the Secretary of Agriculture consider the impact on dairy farm milk prices, and more importantly, the impact on dairy farm profitability. NMPF has proposed more modest changes to the make allowances, which are projected to lower farm milk prices by about \$0.50 per hundredweight. While that level of price decrease is troublesome and concerning, we

can live with the change. The much larger increases to make allowances as proposed by the International Dairy Foods Association and the Wisconsin Cheese Manufacturers Association would crush my farm's profitability and should be rejected.

Cheese manufacturers have the opportunity to pass along higher manufacturing costs when they sell cheese. Unfortunately, I do not have the ability to pass along my increased costs of production. Milk buyers at manufacturing plants have other means to recover their operating costs, including reducing over-order premiums and using revenues obtained by depooling milk from a Federal Order. Because dairy manufacturers have other means of passing along their costs, there is no need to place a large burden on dairy farmers with large make allowance increases. A more modest approach to increasing make allowances is appropriate.

I understand that the proposal to change the skim milk component factors is based on proven and documented tests of farm milk that show inarguable increases in milk components. In 2022, my milk averaged 3.69% butterfat, 3.18% protein, and 5.76% other solids. These have increased by 3.5% since 2021. These increases have come from management decisions to crossbreed our herd to capture higher components and revenue in the same volume of milk. Better forage harvest management, as well as better feed bunk management have also contributed to our increased components. As technology and information continue to improve, along with more of our genetically superior youngstock moving into the milking herd, I expect our component levels to continue to improve. Updating the component factors of the skim milk formula just makes sense through this Federal Order hearing process, given the on-farm progress toward higher milk components across the country.

It is important to the success of my risk management strategy that the Federal Order milk pricing formulas are not changed without a lengthy notification period. Ideally, there would be a 12-month delay in implementation after the revised skim milk component factors in the class pricing formulas have been adopted. That said, I recognize the broader needs of the dairy industry and support an earlier implementation for some of the other changes found in NMPF's proposals, i.e., increasing make allowances, reinstating the "higher of" in the Class I mover formula, and eliminating 500-pound barrel cheese pricing from the Class III protein price formula.

I close by reiterating my support for NMPF's five proposals:

- Limit the make allowance increase to their proposed levels
- Return to "the higher of" in the calculation of the Class I mover
- Eliminate the barrel cheese price from the calculation of the Class III protein price
- Increase and regularly update the skim component tests used to determine the Federal Order skim milk price
- Adopt National Milk Producers Federation's Class I price differential proposal

Others representing DFA will be speaking more directly on these issues. Thank you for allowing me to testify today on these issues that are very important to my family and the future success of our dairy business.