

**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:
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Representing
Dairy Farmers of America
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My name is Perry Tjaarda. I am a second-generation dairy farmer from Shafter, California. My wife and I operate a family farm that includes 960 acres of crop ground and milk 3,200 cows. Our two sons work on the dairy with us and represent the third generation. My 87-year-old parents are retired from the business. My parents both emigrated to the United States in the 1950's and started the dairy in 1964. Over the years we have been fortunate enough to grow the dairy, while reinvesting in practices and technology to achieve efficiency and sustainability. In 59 years, we have had many struggles but also much success. We currently have 27 full time employees and value their input daily.

I currently serve as a director on the Western Area Council of Dairy Farmers of America (DFA) while also serving as a director on the corporate board of DFA. I am also a director on the National Milk Producers Federation (NMPF) Board of Directors as well as other local organizations and am a former director of state and national dairy promotion organizations.

I appear today in support of the National Milk Producers Federation proposals to:

- 1] Limit the make allowance increase to the NMPF proposed levels
- 2] Return the Class I mover to the higher of
- 3] Eliminate the barrel cheese price from the calculation of the Class III protein price
- 4] Increase and regularly update the skim component tests used to determine Federal Order skim milk price
- 5] Implement the NMPF proposed national Class I differential and price surface proposal

I want to provide information today about what is going on with my farm and how a reduction in the milk price from a large make allowance change will impact us.

This has been a challenging year on our dairy farm. The California Federal Order's statistical uniform price peaked at \$25.49 per hundredweight in June 2022. June of this year, it was \$16.42 per hundredweight, a decline of over \$9.00 per hundredweight. My DFA milk check has declined in a similar fashion.

The challenge is that my costs of production have not gone down to the same degree and our dairy is tremendously unprofitable right now. We have faced significant inflation in our input costs since 2020. Our operating expenses have increased by more than \$5.00 a hundredweight in that time. Feed costs are historically 50% to 60% of our milk check. However, this year they have been as high as 90%. As a dairy farmer, I know that feed costs will fluctuate from year to year. I also know that my other costs my fixed costs don't go down, costs such as labor, utilities, fuel, insurance, parts, service, and equipment to name a few.

My dairy's cost structure is very similar to others in California. As you can see, the California milk production cost structure has changed significantly over the last few years. We also have regulatory changes in California that we will struggle with. For example, California's Sustainable Groundwater Management Act will gradually limit

acreage available to grow livestock feed. This will increase feed costs as larger quantities of feeds will need to be brought in from further and further away.

I do not like that make allowances will increase and lower my milk price. However, I understand that make allowances are an important aspect in determining Federal Order class prices and from time to time there is regulatory need to adjust them. I ask that in doing so that the Secretary of Agriculture take into account the impact on dairy farm milk prices not only nationally but regionally also, and more importantly, the impact on dairy farm profitability. The more modest changes proposed by NMPF, which they have indicated will lower farm milk prices by about \$0.50 per hundredweight, is already a troublesome change.

The average profitability on my dairy over the last 5-10 years has been less than the \$1.45 per hundredweight milk price decline coming from the changes proposed by the International Dairy Foods Association (IDFA) and the Wisconsin Cheese Manufacturers Association (WCMA). This degree of decline in milk prices would be devastating to my family's dairy as well as most other dairies throughout California. Dairy farmers already pay all the freight for feed, supplies, and services coming into their farms while also paying most of the freight for milk leaving the farm.

I and other dairy farmers are concerned about the data provided by IDFA and WCMA you are being asked to use to increase the make allowances. We believe if you are going to lower our milk prices by increasing the make allowance there should be credible data. Every year, those involved in the dairy industry have access to and can easily determine what a producers cost of production is. All commodity manufacturing plants should be reporting their costs frequently. This information should be collected by USDA, audited and verified.

Just as dairies of all sizes have to grow, adapt, and innovate to stay competitive, so should plants. Plants must also do better when marketing their products to help offset the need for a make allowance. You can't keep taking money out of the dairy farmers pocket and expect us to survive.

I close by repeating my support for the NMPF proposals to change the Class I mover, eliminate barrel prices from the Class III protein price formula, modernizing the skim component factors and updating of the Class I differential and producer price surface. Others from DFA and NMPF will be speaking more directly to 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.

Perry Tjaarda
Tjaarda Dairy