



HP Hood FMMO Hearing Testimony

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January 16, 2024



Hood Production Plants



HP Hood - Winchester, VA

HP Hood Fluid Products





Proposal 20 Supporting Testimony

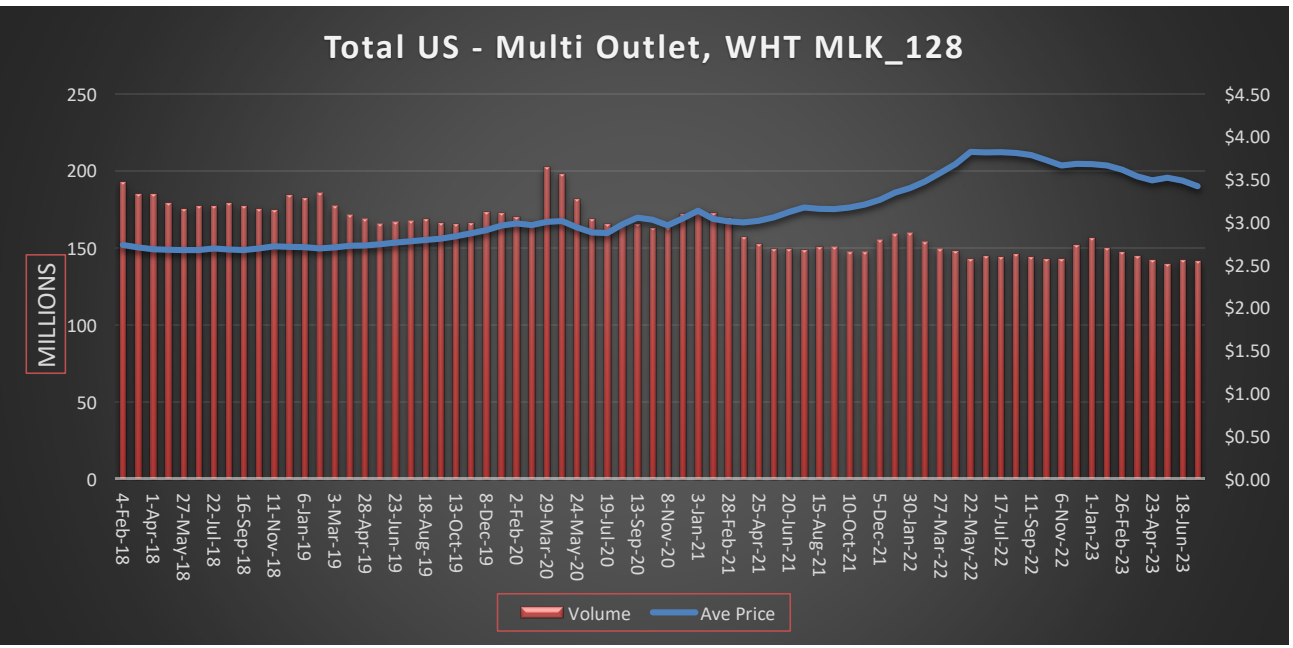
The market conditions in effect that justified the \$1.60 Base differential are no longer present:

- **Grade A Milk (\$.40):**
 - The Grade B milk supply is virtually non existent
- **Balancing Costs (\$.60):**
 - Milk direct shipped from farm to Hood's plants
 - Hood pays our Co-op suppliers handling charges that include the cost of balancing
 - Universal Receiving Credits
 - ESL processing facilities – including Hood's new \$120 million expansion to our Batavia facility which includes two additional receiving bays and milk silos
- **Incentives (\$.60):**
 - Hood has not had any issues attracting milk to its any of its facilities
 - Shortages are addressed through over order premiums



Proposal 20 Supporting Testimony

- Total U.S. Multi Outlet Sale data of the 1 Gallon size of milk from Feb 2018 – May 2023 show the negative impact that higher retail price have on milk. This supports the information provided by Dr. Capps

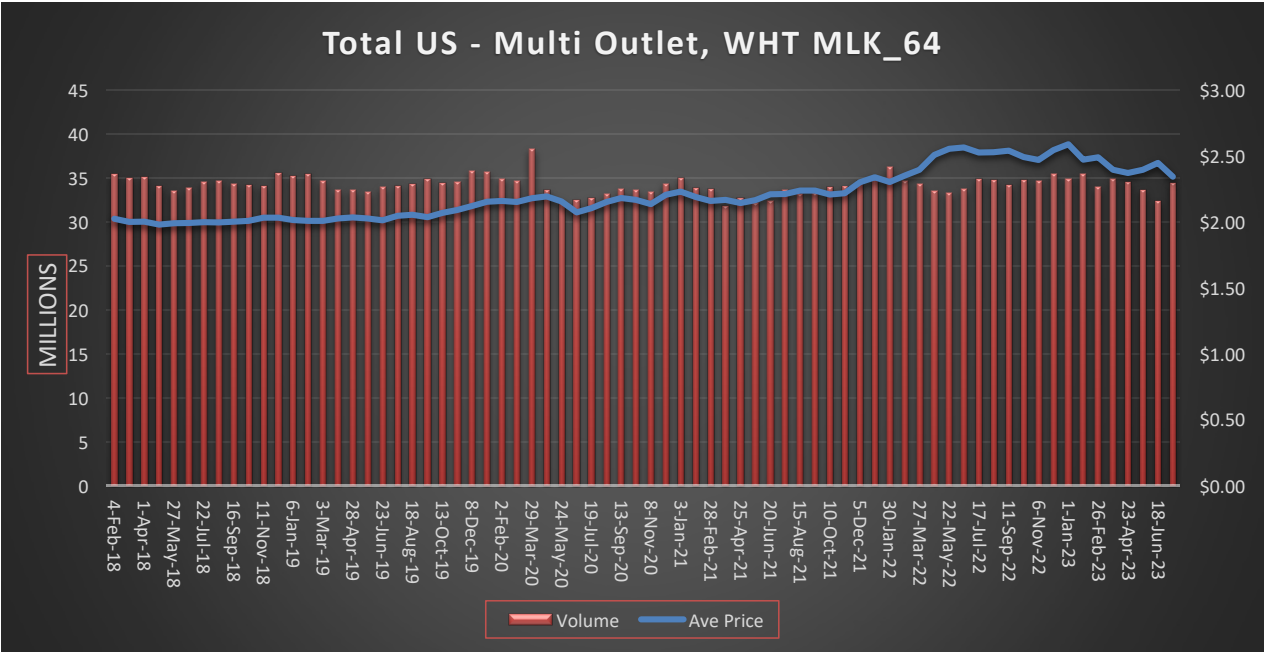


Source: Circana, Total U.S. Multi Outlet Sales, Feb. 2018- May 2023



Proposal 20 Supporting Testimony

- Total U.S. Multi Outlet sales of Half Gallon size milk was relatively flat during the inflation period of 2022 indicating the some consumers trade down to a smaller size due higher gallon prices.

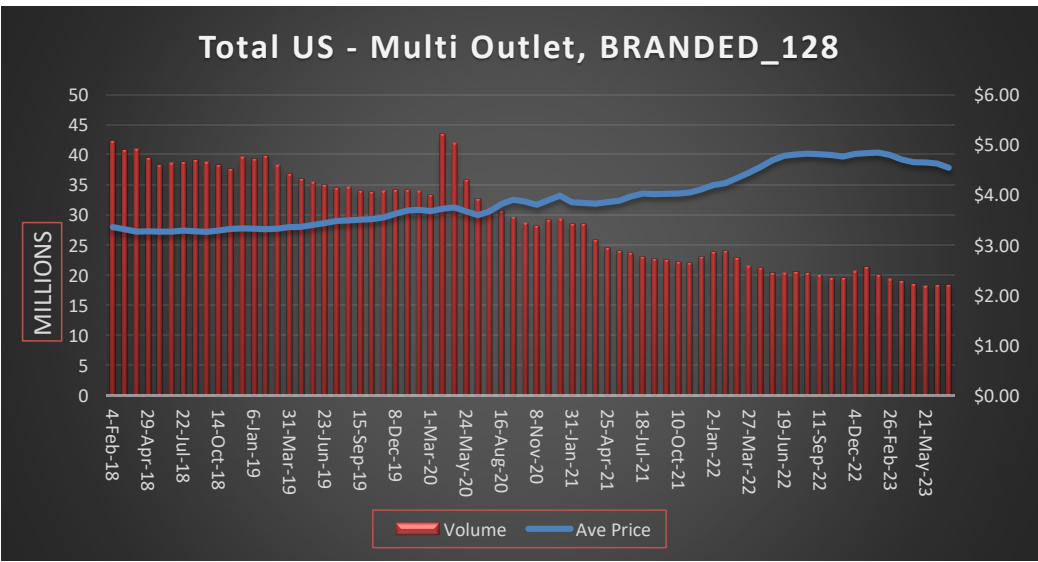


Source: Circana, Total U.S. Multi Outlet Sales, Feb. 2018- May 2023



Proposal 20 Supporting Testimony

- Total U.S. Multi Outlet sales of Branded Gallon size milk show the most significant decline



Implications higher Class 1 prices:

- Lower Gallon Sales
- Consumers switch to smaller sizes, plant-based, and/or consume less
- Brand Gallons Sales decline as more consumers choose private label
- This trend favors captive and cooperative bottlers
- Falling volume could drive further Class 1 processor consolidation and plant closures

Source: Circana, Total U.S. Multi Outlet Sales, Feb. 2018- May 2023



Opposition Testimony

Reject Proposal 19

- Regulated prices should represent minimum prices
- Industry uses over order premiums and fuel surcharges to incent milk movement
- USDA should not burden Class I minimum prices with variable transportation costs
- NMPF working groups used different supporting logic that was at times contradictory
- The proposed location differentials often vary significantly from the spatial model and in some cases seem to give a competitive advantage to competitive plants owned by the cooperatives that helped craft the location differential proposal



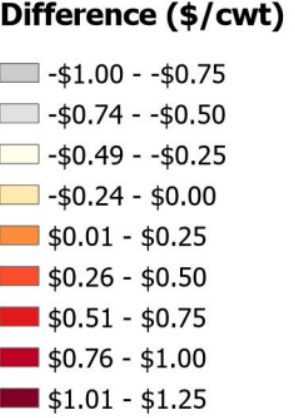
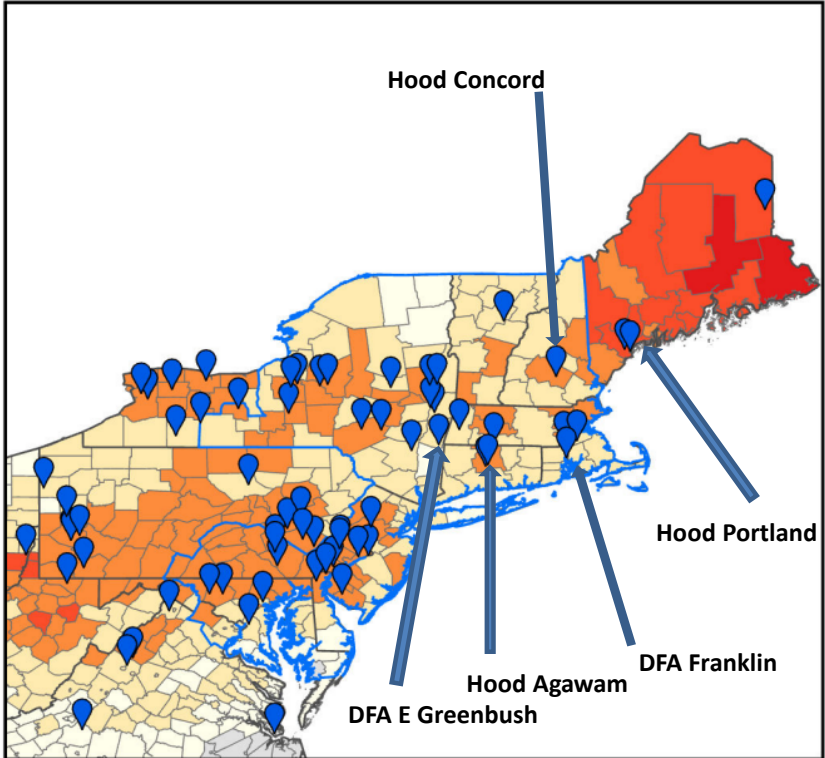
Opposition Testimony

Proposal 19 – New England HTST

Proposed HTST Plant Differential Changes v. Model

Plant	Current Total Differential	Proposed #19	Model Average	Variance
Hood Agawam	\$3.00	\$4.85	\$4.85	\$0.00
DFA Garelick Franklin	\$3.25	\$5.10	\$5.25	-\$0.15
DFA Garelick E Greenbush	\$2.70	\$4.40	\$4.45	-\$0.05
Hood Portland	\$3.00	\$4.85	\$4.50	\$0.35
Hood Concord	\$3.00	\$4.85	\$4.70	\$0.15

MIG Exhibit 64 A, MAP 7, FMMO 1 with Fluid Plants



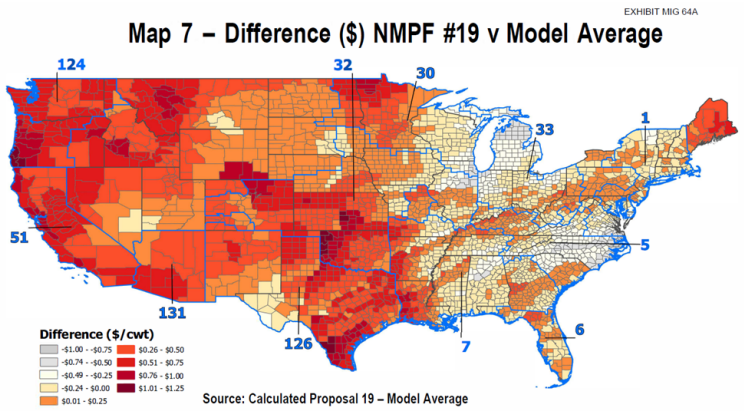


Opposition Testimony

Proposal 19 is Inconsistent Even Amongst Hood Facilities

Plant	Current Total Differential	Proposed #19	Model Average	Variance
Hood Batavia	\$2.20	\$4.00	\$3.95	\$0.05
Hood Oneida	\$2.50	\$4.20	\$4.00	\$0.20
Hood Sacramento	\$1.70	\$2.50	\$1.90	\$0.60

- **Hood Batavia and Oneida** (Hood’s NY ESL Plants) – Model suggests narrowing of differentials, but Proposal 19 raises Oneida \$.20 more
- **Hood Sacramento** – Proposed Change is \$.60 more than the Model average
- **National Inconsistencies** –
 - California average change is +\$.69 more than model average v. the average model deviation for the rest of the U.S. (+\$.14)
 - The Appalachian region (FMMO 5), where the milk deficit was cited to justify NMPF Proposals, is -\$.14. This seems irrational when compared to the California proposed changes.

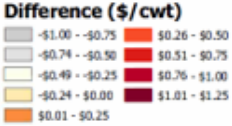
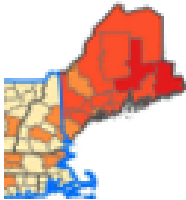




Opposition Testimony

Proposal 19

- The Maine Milk Commission was created to arbitrate differences, establish minimum prices in designated areas after hearings and exercise general supervision over the milk industry in Maine
- On farm costs of production are reviewed every three years by an independent party and adjusted accordingly
- A producer margin is added to the Class I price (which helps to establish minimum wholesale and on shelf pricing in the state)
 - The producer margin is paid back to the Maine pool on milk produced, processed and sold in Maine by Dealers
- In 2022, Maine milk production was in surplus of in-state Class I Demand (NMPF 54 Appendix 1b)
- Additional Class I differentials are not needed with close oversight by the Maine Milk Commission and a surplus of milk to service Class I demand



Source: Calculated Proposal 19 – Model Average

Appendix 1b

State	Population (thousands)	2022			
		Per capita milk beverage demand (pounds per person)	Total milk beverage demand (millions of pounds)	Milk production (millions of pounds)	Beverage demand compared to milk production (%)
Alabama	5,074	130	659	32	2059%
Rhode Island	1,094	130	142	10	1420%
New Jersey	9,262	130	1,202	87	1382%
Arkansas	3,046	130	395	45	879%
Louisiana	4,590	130	596	112	532%
Massachusetts	6,982	130	906	188	482%
South Carolina	5,283	130	686	161	426%
Mississippi	2,940	130	382	90	424%
West Virginia	1,775	130	230	75	307%
Delaware	1,018	130	132	48	275%
Tennessee	7,051	130	915	494	185%
North Carolina	10,699	130	1,389	912	152%
Florida	22,245	130	2,888	1,933	149%
Connecticut	3,626	130	471	480	109%
Illinois	12,582	130	1,633	1,714	95%
Maryland	6,165	130	800	842	95%
Missouri	6,178	130	802	941	85%
New Hampshire	1,395	130	181	219	83%
Virginia	8,684	130	1,127	1,424	79%
Oklahoma	4,020	130	522	715	73%
Georgia	10,913	130	1,417	2,028	70%
Montana	1,123	130	146	223	65%
Kentucky	4,512	130	586	926	63%
Nevada	3,178	130	413	794	52%
Maine	1,385	130	180	554	32%

Source: Exhibit NMPF - 54

Opposition Testimony



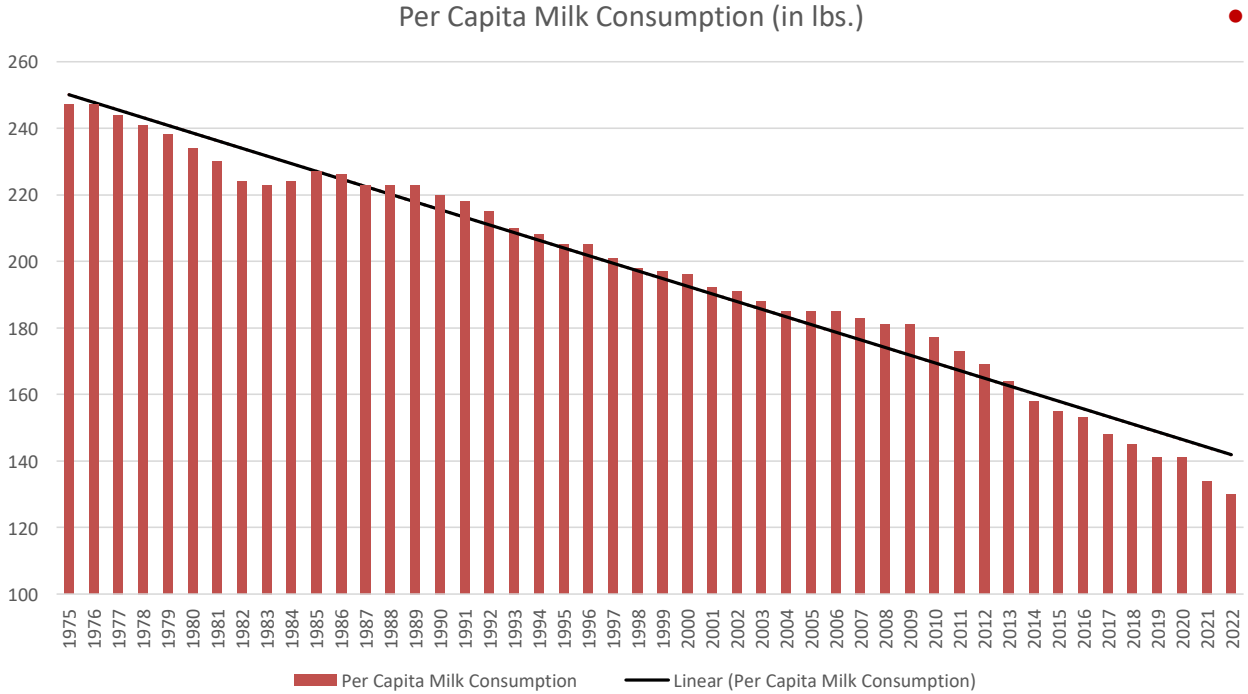
Proposal 21

- Unfairly impacts Class I facilities which produce both Class I and Class II products
- In lieu of another stagnant differential we would lean on our opposition to Proposal 19 and reiterate the need to let a free market do its job and place the value of Class II milk in the hands of the overorder premium based on supply and demand signals in the marketplace.
- The permanent cost increases in Proposal 21 may decrease the demand for Class II skim solids by encouraging low-cost raw material optimization of non-fat dry milk powder, whey and/or buttermilk in place of the Class II skim solids.
- Displaced skim and/or raw milk will be pushed to Class III or Class IV plants, incurring additional freight costs and potentially lowering overorder premiums (and the pool)- which would be completely at odds with AFBF's proposal reasoning
- Reduced Class IV capacity availability in the Northeast could result in disorderly marketing conditions



Conclusion

- Thank you to the USDA for holding the FMMO hearings and allowing for thoughtful conversations



- Agricultural act of 1937 – “Bring forth an adequate supply of milk for fluid use.”
 - Doesn’t mean *all* transportation costs should be covered
 - If the other classes attract milk without covering all of the costs, why are we considering burdening Class I with the additional costs
 - Class I is steadily declining – any regulatory change must account for that market reality

Source: USDA ERS https://www.ers.usda.gov/webdocs/DataFiles/48685/pconsp_1_.xlsx?v=2763.4