

UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE SECRETARY OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

In re:

Milk in the Northeast and Other Marketing
Areas

7 CFR Parts 1000 *et seq.*

Docket No. 23-J-0067;
AMS-DA-23-0031

CARMEL, INDIANA
AUGUST 2023

**TESTIMONY OF TURNER DAIRY FARMS, PART 2
REGARDING NATIONAL HEARING ON
FEDERAL MILK MARKETING ORDER PROPOSALS**

September 16, 2023

I. BACKGROUND

Hi, my name is Chuck Turner. I have served as the president of Turner Dairy Farms, my family's milk business, for the past 20 years. Turner Dairy Farms is located at 1049 Jefferson Road Pittsburgh, Pennsylvania 15235. Before that I spent 17 years in other management roles at Turner Dairy including Quality Control Manager and Vice President of Production. My grandfather, Charlie Turner, started the dairy in 1930 in Penn Hills, a community east of Pittsburgh. We have just started the process of transitioning ownership and management of the company to the fourth generation of my family. We are a small business as defined by SBA for purposes of FMMO proceedings.

In addition to my role at Turner Dairy, I am also president of Titusville Dairy Products Co., a class II plant in Northwestern Pennsylvania that Turner Dairy owns and operates with two partners, and I'm a Member of Pittsburgh Special-T Dairy LLC, a fluid milk plant in the city of Pittsburgh that my family purchased in 2017. I earned a BS in Food Science from Penn State and an MBA from the Katz Business School at The University of Pittsburgh. I currently serve on the Executive Committee of the Pennsylvania Association of Milk Dealers, the Board of the Pennsylvania Center for Dairy Excellence and the Fluid Milk Board at the International Dairy Foods Association, where I also serve on the Economic Policy Committee.

Turner Dairy Farms and Pittsburgh Special-T Dairy are fluid milk plants in Allegheny County, Pennsylvania which means both plants are regulated by Federal Order 33. Turner Dairy is in an eastern suburb of Pittsburgh and Special-T is in the City. The milk supply for our plants is about three dozen farms located in counties just east of Pittsburgh, which is important because milk haulers do not need to sit in traffic to get to our plant. We generally transfer milk from Turner Dairy to Special-T. Our relationships with most of these farm families go back many years; some dating back to the 1950s. Having a direct relationship with independent farms is important to our business because the direct connection enables us to best serve the needs of our customers. For example, strict bacterial quality standards result in bottled milk that tastes great and has a long shelf, BST free agreements provide assurance customers look for, and personal relationships with

our dairy farm suppliers give customers confidence that we do things right the whole way through the supply chain. We also work with a couple of farms in Ohio whose milk is regularly diverted to a cheese plant as part of our balancing strategy.

We still compete with several fluid milk plants in Western Pennsylvania including a few family-owned plants like ourselves that are regulated by Federal Order 33. Other competitors are in unregulated territory to the east of us in Pennsylvania. We need to pay our dairy farmers premiums above the Federal Order blend to be competitive in the country with these unregulated plants while still offering wholesale prices that are competitive on the street. The pressure on both sides gets tougher every year. More recently, we find ourselves competing with cooperative-owned plants who, although FMMO regulated, are not required to pay their members the regulated minimum milk price like we must pay our independent farmers. The FMMO playing field has never been level in our part of the country, but it seems to be increasingly tilted against us in both directions.

FMMOs impose a heavy regulatory burden on Turner Dairy Farms as a small business. There is countless investment of time, dollars, and energy understanding, complying, and reporting according to FMMO rules. That is time, money, and effort that could be better spent creating value for our company, the employees who work for us, the farmers who ship milk to us, as well as our business partners and the consumers who drink Turner's Milk. We are fortunate to be able to participate in this hearing process through our relationships with IDFA and MIG. Despite bearing the financial burden of this system, there is no way that our company could afford to participate in this proceeding on our own.

II. SUPPORT FOR MIG PROPOSALS

A. The following comments are intended to support Proposal 20 offered by the Milk Innovation Group.

When I was a kid, it was not unusual to see milk cans outside on a platform alongside a rural road in parts of Western Pennsylvania, but that was many years ago. It has been a long time since I have seen or heard anything about grade B plants or producers in our part of the country.

I am not here to say that we need to pay less for fluid milk. What I would like to do is pay our producers, the dairy farmers who ship milk to Turner Dairy, more to keep them in business by making the highest quality milk close to our plant while also covering our costs to balance our milk supply. Less price volatility would also be a big help.

B. The \$1.60 base Class I differential does not help balance Turner's milk supplies.

The FMMO system does not help us balance our milk supply with our bottling requirements.

All of our milk comes from independent producers. Most of them are within an hour's drive to our east in Armstrong, Cambria, Indiana, and Westmoreland counties of Pennsylvania. We also have a couple of producers in Ohio whose milk goes to a cheese plant regularly as part of our balancing plan. Balancing is an important part of our business because most of our business is seasonal with summer being slow not only for schools and colleges but also for convenience and grocery stores to a lesser extent.

Shipping milk to a manufacturing plant during summer and school holidays is very expensive for Turner Dairy Farms and our producers. We pay for it by subsidizing hauling rates for diverting milk to a cheese plant or by doing the hauling ourselves with our own tank trucks for transfers from our raw milk silos. Our producers pay for it in their hauling rates while the milk haulers cope with the risk of long wait times keeping them from getting back for the next days' work. So, we are directly outside the FMMO system paying for our balancing costs in addition to paying for balancing that portion of the Class I base differential that is supposed to compensate for balancing. The market reality is that one way or another fluid processors are paying for balancing twice.

Given Turner's location, the costs of the FMMO system can put us at a particular disadvantage to those not carrying those same regulatory burdens. Most of our bottled milk sales are in Pennsylvania where milk prices are actively regulated by the Pennsylvania Milk Marketing Board (PMMB). For the past couple of decades, the PMMB has imposed a Pennsylvania Class I

price paid to producers on milk produced, processed, and sold in the Commonwealth. I note that we also sell in Ohio and West Virginia and those sales are not regulated by the PMMB. Also, competitors purchasing milk from Ohio are not subject to the PMMB pricing. Finally, we sell to USDA under competitive bids outside Pennsylvania. So, our competitive situation relative to nearby cooperative owned plants matters very much to our ability to stay in business.

C. The FMMO system does not incentivize service of Turner's plant through requiring Turner to pay \$1.60/cwt into the pool.

Mark Stephenson's study on demand for milk Class III versus Class I confirms the reality we see month in and month out. It reflects the world we live in. The dairy farmers who ship to us do not do so because of any incentive created by the FMMO pool – it is a geographic issue as we are one of the best and most reliable buyers in Western PA. Additionally, there are not many manufacturing plants that are accessible to proprietary handlers and our producers.

We have high standards for the milk coming from our independent dairy farms. First, we expect farm conditions to be good all the time and do not even want a farm that cannot pass inspection with a score of 90 or better. Our IMS rating score this summer was 97%. Second, our bacterial standards are strict at 20,000 SPC. Not so much on the 20,000 threshold but the fact that the standard has to be met on **every load** we receive. It costs more to produce milk with a 97 score and 20,000 SPC than it does to meet the minimum IMS standards of 90 and 300,000. We believe we get milk that tastes better and keeps longer because of our standards. We are proud of the awards and 21-day code on our HTST fluid milk that proves it.

We believe that having independent producers is important to our business and that sourcing better quality milk allows us to better serve our customers. We have made significant investments to that end including long-term relationships, three tank trucks and most recently new software for milk procurement and producer payroll. We have been paying a quality premium over and above the FMMO and PA regulated minimum price as an incentive to attract and retain good producers. We believe the milk regulatory system must be able to not only accommodate but support the success of independent producers. A general payment into the pool to be distributed

amongst all producers does nothing to support Turner’s relationship with our high-quality, independent suppliers – in fact, it just leaves us with less money to pay our suppliers.

III. CONCLUSION

It is obvious that the fluid milk business is hurting. Industry and USDA need to come together to find a way to make Class I more, not less, attractive to consumers from a price perspective. One of the foundational principles of the Federal Order system is to ensure the American people has an available supply of fresh fluid milk. There is obviously plenty of raw milk in the US. Maybe it’s time to start supporting fluid milk processors and stop treating us like prisoners. The current system is contributing to the loss of Class I sales to the detriment of everyone and must be fixed.

Thank you for the opportunity to testify before you today.

DATED this 16th day of September, 2023.

By /s/ Chuck Turner
CHUCK TURNER