

September 1, 2023

USDA/AMS/Dairy Program
Order Formulation and Enforcement Division,
Stop 0225-Room 2530-S,
1400 Independence Avenue S.W.,
Washington, DC 20250-0231

Subject: Testimony on proposals seeking to amend 11 Federal milk marketing orders (FMMOs).
Agency/Docket Numbers: Doc. No. 23-J-0067; AMS-DA-23-0031 and Document Number:
2023-15496

Witness:

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USDA Dairy Programs,

My name is Josh Tranel and I operate an organic dairy farm with my wife Kalyn and 3 first cousins in Grant County near Cuba City, Wisconsin. We also operate, in conjunction with various other family members, another dairy and custom heifer operation.

On Tranel Family Farms, we manage 2,500 organic acres and milk 600 cows along with managing as many as 1,000 young stock in a given year.

We have a crossbred herd of Holstein and Jerseys, but also practice beef on dairy to maximize our opportunity in the fed cattle market.

Our family has been dairy farming since coming over to America and our operation transitioned to organic dairy production 20 years ago.

We have marketed milk through CROPP Cooperative for 20 years and employ up to 10 full time people on the dairy, as well as offering many part time opportunities for extended family members. We also offer some custom bailing/harvesting to other local farmers.

In 2020, I was appointed to on the Wisconsin Farm Service Agency executive committee and currently am the committee chair. Other family members associated with Tranel Family Farms are extensively invested in the community and agricultural industry.

For example, we have a family members that serves in the Wisconsin State Legislature, where he chairs the Agriculture Committee. Other family members are involved with the Iowa State University Extension, Grant County Township, the Organic Meat Company board of directors, as well as a few CROPP Cooperative's committees.

In addition, I currently serve as one of the seven elected board members for CROPP Cooperative, which is more commonly known by our brand Organic Valley.

Our cooperative is made up of over 1,400 organic dairy farmers in 32 states.

The majority of our business is dedicated to organic fluid milk within Class I. However, our farmer-owned cooperative makes organic dairy products across all four FMMO classes, as either branded products or as bulk and ingredient offerings for commercial organic dairy buyers.

In addition to our own processing, the cooperative relies on an extensive network of co-manufacturers to bottle milk for us.

We continue to bring on new farms and are in procurement mode, with over 140 farms expected to join the co-op over the next 3 years. We are a cooperative of small family farmers, with an average herd size of 78 cows.

While organic dairy market has grown over the last decade, existing USDA FMMO pricing regulations have placed an inequitable burden on our members and co-op.

Let me describe a little more of how we operate and the impact of existing FMMO pricing regulations.

Our pay price is determined annually by the board of directors and cooperative leadership. It is set by our expected performance in the marketplace and our ability to manage inventories and supply. We strive for an organic product sales utilization of 98% of all milk received.

The co-op seeks to provide farmers with a predictable and fair price which does not fluctuate on a monthly basis outside of seasonal adjustments and typical quality premiums.

Like most in the dairy industry, CROPP Cooperative farmers are paid on components for farm gate milk. While monthly FMMO classified pricing gyrations do not impact the monthly base price offered to farmers, they certainly impact our pay price decisions on an annual basis and impact things such as our co-op's operations and cash flow position.

In aggregate, the co-op faces a multi-million dollar pool obligation each year and extreme variability each month — all of which is detached from our actual business of sourcing, processing and selling organic milk.

I am here in support of the Milk Innovation Group's Proposal 20 and to oppose proposal that would increase the Class I price and CROPP Cooperative's obligation to the pool. USDA should reject proposals that: increase Class I differentials, that modify the Class I mover and ultimately the spread between Class I and Class III; and somehow assert these will not impact the pricing we are able to offer CROPP Cooperative farmers.

Many of these changes will take money away from organic dairy farmers who do not benefit from the FMMOs. As a specialty milk defined under federal law, organic milk, we cannot substitute non-organic milk with organic milk.

The FMMO pool is as a constant, multi-million dollar draw from our cooperative., This imposition on our Class I business position undercuts better pricing opportunities for farmers, end of the year dividends for farmers, and operational investments that enhance farmer-owner's security and equity.

This frustration is further amplified by the fact that the organic dairy industry has historically offered farmer pay prices far above the uniform regulated minimums mandated by the Orders.

The central question of how organic dairy fits in the FMMO system need to be addressed at this hearing.

Organic dairy farming requires significant ongoing investments and innovative methods, for example, to improve soil and animal health. These investments are directly competing with payments into the FMMO system. As farmers we cannot fund a system that does not directly support our farming operations.

For that reason, I want to voice support for Proposal 20, which highlights the lack of logic and economic justification for the current Class I differentials.

I'll also note other proposals that seek to expand Class I differentials only further burden organic dairy farmers and market by demanding more from our portion of the industry, which receives no benefit.

I also strongly disagree with USDA's decision to not accept within the scope of this hearing, Proposal 6, which would exempt organic milk from pooling obligations if producers are paid above Class I premiums.

I understand USDA is here to decide dairy pricing, and I do not believe organic milk belongs in the FMMO pricing system. I, along with 174 organic dairy farmers, signed a letter urging inclusion of the organic exemption in the hearing proceedings. USDA's response and rejection is insufficient and we believe in error. I've provided the letter as an exhibit along with my testimony.

I urge USDA and Judge Strother to reconsider that decision.

The USDA Action Plan issued on June 1 stated: "...USDA is providing the opportunity for interested parties to submit additional proposals regarding potential amendments to the current pricing provisions applicable to all FMMOs."

It did not specify in that Action Plan that only amendments directly impacting the uniform pricing formulas would be in scope, an assertion made only once a hearing was announced.

Even with that arbitrary narrowing of scope, our Organic Exemption proposal should be heard. Organic dairy farmers have been stuck in a system for too long that does not align with our business model. Organic dairy has seen great successes in recent years, but it will be increasingly difficult to maintain those if we can't reinvest our capital in our facilities and farmers.

I appreciate the opportunity to share these remarks and the farmer letter with USDA and Judge Strother and welcome any questions.