

**FMMO Testimony August 2023**

I am Ken Nobis, a dairy farmer located in St. Johns, Michigan, 20 miles north of Michigan's capital, Lansing, and near the campus of Michigan State University in East Lansing. Our farm is 65 miles from Grand Rapids, Michigan and five miles from St. Johns. Nobis Dairy Farms (NDF), is a family partnership that farms 2,500 acres and milks 1,000 Holsteins. Since our farm is just 20 miles from the Michigan State University ("MSU") campus and because researchers at MSU needed practical application of their research, we have participated in various research projects with MSU dairy researchers extensively. I also serve as a College of Ag and Natural Resources stakeholder. I am especially proud of being honored by MSU granting me Honorary Alumnus status in 2019.

I served on the Michigan Milk Producers Association's Board of Directors for 27 years, 12 years as Chairman of the Board. Along with that position, I served on the National Milk Producers Federation Board for 15 years. I held positions as Treasurer and 1<sup>st</sup> Vice Chair while a member of the NMPF Board.

I appreciate the opportunity to testify at this Federal Order Hearing. I support all five of the NMPF proposals, but my testimony is directed more specifically at proposal 1. Many factors have changed since 2000. Producers deal with far greater price volatility today. In 2000, NDF's pay price varied just 52 cents from high to low (\$12.95 to \$12.43). In the last 12 months that variance is \$7.46 (\$22.50 to \$15.04).

We purchased corn for \$2.10 per bushel in 2000 and soybean meal for \$200/ton. Today corn cost is over \$5.00/bushel and soybean meal is over \$500/ton. It is important to highlight that producers are compensated for only 9.0 pounds of protein and other solids in class 1 skim milk sales via federal order #33 pool. They are compensated for actual protein and other solids used in all other classes of milk. Federal Order #33 is a very large class 1 market, routinely exceeding 500 million pounds per month. Federal Order #33 class 1 utilization ranges from 33% to 41% depending on volume of milk pooled each month. It is time the formula involved for pricing class I milk reflects the actual value of the milk being produced.

The changes made by farmers to produce a better product will continue. Our long research relationship with MSU and seeing firsthand what results could be achieved has been especially gratifying. I think the first project we cooperated with was the use of prostaglandin to synchronize estrus in heifers in the mid-1970s. Since then, we have worked with MSU on many things that include various cow comfort adaptations that led to greater component values (butterfat, protein and other solids). Cow comfort adaptations started with curtain-sided barns and sand bedded free stalls in the 1980s. We have been working with Dr. Richard Pursley at MSU for over 25 years as he has been instrumental in developing successful timed breeding protocols. Timed breeding leads to greater efficiency and therefore greater cow comfort.

My objective in highlighting some of the research projects is to show how we strive to improve our cows' comfort, nutrition, and genetics. This has led and continues to lead to higher milk production and higher component content of the milk supply. Our milk production per cow in 2000 was 24,930 pounds of milk, 1024 pounds of butterfat, and 769 pounds of protein. As of August 2023, our production is 34,992 pounds of milk, 1357 pounds of butterfat, and 1054 pounds of protein.

I support NMPF's request to have the milk pricing formula updated, with a mechanism in place to update the formula in the future every three years. Dairy farmers have done their part, having recognized the marketplace's call for increased protein and other solids and having made decisions to meet the need. I don't think farmers have reached the end of that road, and further improvements can be expected. This formula update will help make certain that producers are properly compensated for meeting consumers' expectations.

Producers are facing serious cost of production issues today. I know we are not unique in that respect. but it adds to the reason why we need to address the issue today and allow for a method to assure that we stay current as component production changes.

I would like to explain in more detail some of the things I have mentioned.

#### Barns

Greater cow comfort through evolving building design has had a positive impact on milk production and component values in our cows' milk today. Curtain-sided barns are designed to be open in the summer months with fans added to provide adequate air flow. The fans create air flow on days when there is low natural air flow. They also help cool the barns more quickly when the sun goes down. This has reduced heat stress impacts on milk production. Before the concept of better barn design came into vogue, the hot summer months of July and August had a negative effect on total milk production and the components that made up the milk. We all knew that effect would last until November. We still see negative heat-related impact, but it is less severe with much shorter times of impact on production.

Other barn improvements include higher eave heights that allow for greater air flow, and orientation of barns east/west rather than north/south in order to take full advantage of prevailing winds.

#### Calves

Better calf care with excellent survival rates gives confidence to raising only the heifer calves from the best cows. By "best cows" in this context, I am referring to cows with good milk production and components. They in turn are matched with bulls exhibiting similar traits resulting in heifers with superior genetic potential. This allows for faster improvement in herd milk production and component content.

#### Feeds

Feeding dairy cows has changed over the years. Today's cow receives a higher quality diet than in the past. Research has provided us with options we can add to the ration that is fed to improve components. These options were not available 25 years ago. However, the cost of the options cannot always be justified, given the value we receive for the milk we produce.

Home grown roughages are higher quality than they used to be, and the equipment we have to harvest the roughages allows us to include a higher quality base ration than ever before. For example, when we harvest alfalfa for silage today, we chop 35 acres per hour. 25 years ago, we could chop 10-12

acres per hour. The increased capacity increases the probability of harvesting the crop at peak nutritive value while reducing the chances of a crop being damaged by weather.

#### Pricing

- Current Class 1 skim milk is valued at 3.1% protein, 5.9% other solids, so total solids not fat = 9.0%, a static calculation since 2000.
- Meanwhile, the actual composition of skim milk produced is 3.39% protein, 6.02% other solids, so total solids not fat = 9.41%.
- Imbalance of pool revenue versus producer value (9.0 verses 9.41) dilutes the value of the Producer Price Differential (PPD). This does not promote the orderly marketing of milk.
- A PPD based on today's actual component values would provide an incentive for me as a producer to supply milk to a class 1 plant in Grand Rapids versus the local St. Johns cheese plant. This change would help promote the orderly marketing of milk by promoting the value of servicing the class 1 market.
- Based on a historic average protein price of \$2.58/pound, other solids price of \$.21/pound, and 37% class 1, the PPD is reduced by \$.29 per hundredweight if the composition factor remains at 9.0%. This does not reflect the component value of producers' milk today. Therefore, producers in the class 1 market are not being properly compensated today.

I hope I have been able to highlight how dairy farmers have been working diligently throughout the years to improve milk production and the component make-up of the milk they produce. Dairy producers are innovators who are willing to adopt new technology to keep their businesses economically sustainable and to meet the expectations of the class 1 consumer. But technology is becoming ever more expensive to implement, and producers need an economic signal from the marketplace that provides the necessary incentive to continue to be innovative. Increasing the value of class 1 skim milk in the federal order pool will provide us with some of that incentive. This pricing formula change is necessary to keep farmers in a position to continue to produce milk. I would like to thank the Secretary for holding this hearing and providing me the opportunity to testify.