

Testimony of Kristopher Scheider

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I'm Kristopher Scheider, an owner of Zirbel Dairy Farms LLC located outside of Green Bay, WI. I am an active board member for Foremost Farms USA (Foremost). Foremost is a large milk cooperative with 850 members, producing over 6.2 billion pounds of milk annually and manufacturing 500 million pounds of cheese annually. Our members are located in WI, MI, IN, OH, IA, and MN. In addition to being involved with NMPF National Milk Producers Federation (NMPF), I am diligently active with the FARM Program FAC, as the vice-chair and sit on the FARM Task Force Group for V5.

I would like to begin my testimony speaking to the Class I mover calculation, proposal #13, submitted by NMPF. As a board member of Foremost, I am requesting that the USDA recent revert back to the "higher of Class III and IV calculation, replacing the average of Class III IV +\$.74. Since May 2019, when the implementation of the average plus \$.74 occurred, we have encountered dramatic shifts in milk markets which have caused significant financial losses to dairy producers. This "higher of" Class III/IV calculation has exposed our dairy farm members to endless risk on the downside, while benefits to our dairy farmers are hampered on the upside. Our dairy farmer members would benefit greatly by reverting back to the original "higher of" Class III/IV pricing method. This loss of value for our products has greatly impacted our

members' profitability, especially during volatile markets and continual increases in farm input costs.

Regarding the removal of the 500-pound cheddar barrel (barrel) price from the protein price in the NMPF proposal #3, we feel, as Foremost members, this should be eliminated from the pricing all together. FMMO pricing was designed to provide dairy producers with a fair price for their milk based on the value of dairy products manufactured by processors. Block and barrel prices prior to 2017 were very similar. The average NDPSR spread between the block/barrel was \$.01. Since 2017, we have seen the spread go from \$0.07 in 2017 to a high of \$0.27 in 2020. The NDPSR spread since 2017 between the block and the barrel has averaged \$0.11. As a result, this has undervalued the class III price because the proportion of barrel volume driving the protein calculation is overstated. To have classes of milk being unvalued is a detriment to the dairy industry, not only from a producer standpoint, but also from a manufacturer standpoint, which includes cooperatives like Foremost. Allowing the elimination of barrels would help both dairy producers and manufactures to capitalize on the true value of dairy products.

In 2022, barrels only represented 9% of the natural cheese manufactured in the United States. The other 91% of natural cheese was based mostly off the 40# block market. Trying to price off the barrel vs block market would be the same as pricing one acre of farmland for commodity production vs one acre of farmland for real estate development. Neither belongs in the same category but both are tied to pricing.

Regarding make allowances, I would like to say out of all the proposals, NMPF proposal #7 should be considered the most crucial because the make allowance changes have a significant impact on the milk prices received by dairy farmers. Make allowances used in Federal Order pricing formulas have not been updated since 2008 and manufacturing costs have risen over the past 15 years. I agree that make allowances should be adjusted but such changes need to be done in a timely matter. The NMPF proposal has outlined the best two-stepped solution for dairy farmers. Changing the make allowance needs to be addressed at slower paces and levels that doesn't severely impact dairy farmers ability to survive. I see this as taking a portion of someone's salary/hourly rate and cutting it by $\frac{1}{4}$ to $\frac{1}{3}$ instantly. No one wants to see this! I'm here to help provide the solution that's best for the dairy farming industry. Let's take the current make allowance and move them to a higher level as proposed by NMPF. This will allow dairy farmers to financially survive. I understand that Wisconsin Cheese Makers Association (WCMA) and the International Dairy Foods Association (IDFA), would like to increase the make allowance to what they consider true costs or at a much higher level in just a matter of a few years span. Instead, let's recognize plant costs have increased as outlined by NMPF in proposal #7, but more importantly, I am very much in support of NMPF efforts in providing the USDA the authorization and funding to conduct a mandatory plant cost survey. After which the industry would be able to see the USDA results, then the industry would determine whether or not to ask for another hearing should take place to consider increasing make allowances. Allowing the make allowance to increase dramatically in a short time frame would seriously hinder the dairy farming community. NMPF's proposal is looking at a negative price impact of approximately -

\$.58 while WCMA/IDFA proposals would negatively impact price by approximately be a -\$1.58.

Allowing the adoption of the WCMA/IDFA proposal, some if not many dairy farmers would be forced into selling and others would be forced into retirement. At that end of the day, the make allowance needs to be continually updated and reviewed to allow for changes in a reasonable and acceptable manner with data to support pricing.

In summary, I'm here in support of all five proposals from NMPF. Using good data information, the USDA would then, be able to provide dairy farmers with accurate and sustainable metrics for pricing. I would like to thank Secretary Vilsack for allowing me this opportunity.

Thank you,

Kristopher Scheider