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FMMO Testimony: Brittany Nickerson- Thurlow

My name is Brittany Nickerson- Thurlow and I am honored to be here to present my testimony today on behalf of my family & my fellow dairymen and women throughout the Southeast. I am a 5<sup>th</sup> generation dairy farmer from Zolfo Springs, Florida which is in the south central region of our state. I farm with my dad and brother on a pasture based dairy, where we milk approximately 2,000 Holstein cows twice each day. We have 17 employees on our team and farm on about 1,700 acres. Our farm is a member of Southeast Milk, Inc. (SMI) a farmer owned cooperative of about 120 farms from the southeastern United States. I have had the honor of being elected to serve as the Vice President of SMI for the past year and a half and have learned a tremendous amount about our milk market, our customers, and the impact proceedings like today's have on our businesses. I also serve as a board member of Dairy Cooperative Marketing Association or DCMA which is an agency composed of 9 dairy cooperatives primarily located in the Southeast.

I feel the pressure of the southeastern dairy industry on my shoulders today, but I hope that this testimony and our story are useful to you in the important decisions you have before you – especially those pertaining to the Class I mover calculation and the update to the differentials which is critical to the survival of dairy farming in the southeastern United States. I truly appreciate the Secretary holding this needed hearing as it's been a long time since such a hearing has occurred.

My story is a little different than most dairymen. While I was raised on the farm and worked on the farm from childhood through college, I did not return to work full-time on the farm until 2017. After college, I began a career in corporate America where I spent almost a decade as a financial analyst. My husband and I returned to the farm after the birth of our son because we wanted to raise our kids to know the lifestyle and values the family farm provides. Since my return to the farm I have lived through what has seemed like a losing battle at the farm level, the cooperative level, and at industry level as a whole. As a producer in the highest Class I utilization market in the country, I have watched as more than half of the 110 Florida dairy farms that were in business when I came back in 2017 shut down their farms. Our family has also come face to face with this question "should we keep going?" and have since listed our farm for sale just a few months ago. If sold it will be the 61<sup>st</sup> dairy farm to close in 6 years leaving only 49 dairies in the state of Florida. I can assure you, our farm is not the only one who is contemplating selling or exiting the dairy business. Quite frankly, the last few years have felt like

an uphill battle wearing rubber boots full of cement while wearing a parka on a hot August day in Florida. The past 7 years have been tough on our industry to say the least!

As a Florida producer, we market our milk in Federal Order 6 or the Florida Milk Marketing Area. Over the 10 year period from 2013 – 2022 this Federal order has averaged a 83.8% Class I utilization rate. This means that about 84% of the milk in my Federal order is used for Class I or beverage milk. Our high Class I market has been the life blood of the dairy industry in Florida & the Southeast. High production costs in the Southeast have been historically tolerable only because of this high value Class I milk market. However in recent years that has not been the case, and instead we have in many instances lost value because of issues in the Federal Order that have brought negative implications to Class I milk markets. That is why these two important issues, the Class I mover calculation and the update to differentials, are very important to my family and the SMI dairy farmers and will be a major determining factor of whether the southeastern dairy farm attrition rate continues or slows.

SMI is supporting all five of the NMPF proposals, but today, I would like to specifically testify by advocating for the dire need to change the Class I price surface (proposal #19) and to revert to the “higher of” Mover calculation (proposal #13). I implore USDA to adopt both of these two proposals as soon as possible.

First, I'd like to address the Class I differential update. Most Federal Order Class I differentials have not been updated since the Federal Order Reform, with the exception of the differentials in the Appalachian, Florida, and Southeast Orders which were only modestly updated in 2008. I am sure I am not alone in my experience that virtually nothing is the same as it was in 2008. In 2008 my feed cost was \$10.52 per cwt. today it is \$18.18 per cwt.. In 2008 the Florida minimum wage was \$6.55 per hour, this year it will increase to \$12 per hour. And the cost of hauling milk has almost tripled since the current Class I differentials were established. I could go on and on with those comparisons but those three - feed, labor, and hauling, are the largest costs we have on our farm and there is a clear disconnect between reality and the economics the differentials were designed to compliment.

Next, I would like to address the Class I price mover calculation. This calculation as you well know was changed in 2018. As I recall, having just come back to the farm the year prior, the conversation around this change was that it was going to be revenue neutral to farmers and a tool to assist processors with hedging on their end. Unfortunately, that has not been the case. This change has caused significant negative price impacts at the farm level. Some of those

were certainly exacerbated by extraordinary events like COVID, however even still three years after the pandemic we are seeing negative impacts to our pay price today because of this change. I would like to submit my farm's case specifically to give you a real life example of how big of an issue this really is. I have done the math to quantify the impact that this calculation change has cost us. If I compare the current calculation to the previous calculation from 2019 to June of 2023, and use a standardized 3.5% butterfat, my family's farm has lost almost \$600,000 dollars over a 4 year period. While that may sound small in the grand scheme, as a family farm that is a lot of money to us. Furthermore if we use the same formula to estimate the total impact to the Federal Order 6 market, it totals nearly \$43 million dollars farmers have lost because of this change. A \$43 million dollar loss is in no way revenue neutral to farmers.

In closing, I would like to summarize by saying this. This Federal order hearing will change the future of the dairy industry. I encourage each of the decision makers in this process to think back to the farm first. Without our farms, there are no processors, there are no check-off organizations, there are no Federal Orders, and the economic impact to suppliers, employees, and rural economies is lost. The farms are who feeds this supply chain from top to bottom and from left to right. Our farms should have the opportunity to thrive just as much as anyone in that chain, but that role has been reversed or at minimum highly compromised. The federal order was established to provide an orderly market for Class I milk. Without significant changes in the dairy industry, especially in updating the pricing formulas in Federal orders, we will have more dairy farm attrition. Our southeastern dairy farms have been economically hindered by both the outdated Class I differentials and the Class I mover calculation change. If continuing to ensure an orderly market for Class I milk and keeping a local food supply remain the intent of the Federal order – we need meaningful changes and we need them as soon as possible!

I want to thank you again for the opportunity to be here today to testify. Thank you for the time and effort you are allocating to our dairy industry during this important Federal order hearing. I believe I speak on behalf of **all** US dairymen and women when I tell you how much it really means to us. Thank you.