Dairy
EXHIBIT NO. 11
2/28/23 C. Beiling

BEFORE THE UNITED STATES DEPARTMENT OF AGRICULTURE AGRICULTURAL MARKETING SERVICE

IN RE:	:	**7 CFR Parts 1005, 1006, and 1007**
	:	
Milk in the Appalachian,	:	**Docket No. 23-J-0019**
Southeast, and Florida	:	
Marketing Areas	:	**AMS-DA-23-0003**

Franklin, Tennessee

February 28, 2003

Testimony of Matt Johnson

On behalf of the Dairy Cooperative Marketing Association

Proposed Amendments to the Orders Regulating the Handling of Milk in the Appalachian, Southeast and Florida Marketing Areas

Testimony before the United States Department of Agriculture, Agriculture Marketing Service

In the Matter of Proposed Amendments to the Appalachian, Southeast, and Florida Federal Milk Marketing Orders

Franklin, TN, February 28, 2023

My name is Matt Johnson, and I am a 1st generation dairy farmer from Southwest Georgia. In May 1999, my father, uncle, and I purchased the farm from one of my dad's veterinary clients. The day we took ownership, we were milking 350 cows and farming 250 acres. Today, the farm consists of 28 employees milking 1,400 cows, raising 1,250 replacement animals, and growing multiple crops on approximately 1,000 acres, primarily forage for our farm.

I am blessed to serve the dairy farm families of Georgia and Dairy Farmers of America (DFA) through several leadership positions. Currently, I reside on DFA's Southeast Area Council, and pending approval by DFA's delegates this March, I will also serve on the DFA Corporate Board. In my capacity on the DFA Southeast Council, I represent the Cooperative on the Board of Directors of the Dairy Cooperative Marketing Association (DCMA), where I currently serve as President. Additionally, I also have the honor to serve as the President of the Georgia Milk Producers Association, representing the dairy farm families in Georgia. I am also involved with the U.S. Dairy Export Council's Dairy Trade Envoy, a cohort of farmers and industry staff working together to help educate legislators on the importance of dairy exports.

I appear here today to testify in support of updating Orders 5 and 7's out-of-area transportation credit program and implementing a similar program for locally-produced milk in Orders 5, 6, and 7.

In the last 3 years, there has been an unprecedented rise in on-farm input costs, from feed, labor, and diesel fuel, to fertilizer, medicine, and interest rates. The following chart identifies some of the input price increases actually experienced on my farm that have negatively impacted my farm's bottom line over the last two years. All these increases have made margins tight and strained our ability to grow.

	2021	2022	Difference	Increase %
	Price Per Unit			
Diesel Fuel	$2.25	$4.25	$2.00	89%
Labor	$10.00	$13.50	$3.50	35%
SBM	$290.00	$465.00	$175.00	60%
Corn	$4.25	$8.20	$3.95	93%
Silage	$38.50	$52.00	$13.50	35%
Minerals	$26,200.00	$39,600.00	$13,400.00	51%
Nitrogen Fertilizer	$225.00	$875.00	$650.00	289%
Land Rent	$200.00	$300.00	$100.00	50%
Medicine & Supplies	$2.50	$4.25	$1.75	70%
Electric	$20,800.00	$26,000.00	$5,200.00	25%
Insurance	$7,800.00	$9,250.00	$1,450.00	19%
Interest	5.00%	9.00%	4.00%	80%

Not only have costs and inputs increased on my farm, but the costs to haul my milk have risen as well. Labor, tires, and diesel fuel are a few examples of the increased input costs of transporting milk over the last 2 years. Additionally, in the last 18 months, the 2 plants closest to my farm, Borden's plant in Dothan, Alabama (59 miles) and the Southeast Milk plant in Baconton, Georgia (52 miles) have both closed. Today, my milk travels 292 miles to the T.G. Lee plant in Orlando, Florida. In 2021, the cost to haul my milk was $1.32 per hundredweight. Today, with fuel surcharges, that amount is between $2.37 and $2.45 per hundredweight, close to an 80 percent increase.

The purpose of the federal order system is to assure an adequate supply of milk to the consuming public. The Southeast orders have relied on Class I differentials and processor-funded transportation credits to support the program's goals. However, I believe more must be done.

The Southeastern U.S. represents the most significant milk-deficit region in the United States. The deficit seems to be worsening as the area's population is growing, and its dairy farm numbers and milk production are declining. The region is faced with significant challenges obtaining enough farm-fresh milk to meet its needs. Its Class I handlers, and their supplying cooperatives, have been required to import significant quantities of milk from outside the marketing areas to fulfill demand. This nutrient-rich beverage is particularly vital to support growing, healthy school children and nourish the region's aging population.

The existing transportation credit programs in Orders 5 and 7 have supported obtaining needed milk supplies to supplement the shortfall in the region's production. While the programs have shifted a portion of the financial burden away from the farmer, they don't do enough. Unfortunately, the Order 7 program does not fully cover all costs of milk imports for the region. Since the implementation of this program in 2006, the markets have changed significantly. Importantly:

- The Southeast's milk production has declined, and population increased requiring more milk to be imported now than in 2006;
- Weakening numbers of dairy farms in adjoining regions have resulted in the average distance to travel to obtain the supplemental milk supplies to increase; and,
- Diesel fuel prices, haulers' driver wages, cost of hauling equipment, and other cost factors have increased substantially.

The Transportation Credit Balancing Fund has experienced increased shortfalls of revenue to cover the rising costs of importing supplemental milk. Unfortunately, the financial burden of this decline in cost coverage has fallen back to the farmer owners of the milk marketing cooperatives servicing the fluid milk market needs. This has resulted in the Southeastern dairy farmers shouldering a bigger financial burden of costs that should be shared downstream. This situation has led to less profitable dairy farms, contributing to a further decline in the region's milk production.

Although the Order 5 transportation credit fund has fared better, it too should be modernized with similar adjustments. Over the next few years, this marketing area will continue to face obstacles in attracting adequate supplies of fluid milk for the growing population. The proposals laid out by DCMA will help address the current and future challenges within this market.

In addition to the issues in sourcing milk, there are fewer Class I plants in the region today than in 2006. We also see fewer dairy farms near the remaining milk plants as development to serve growing urban and suburban populations absorbs agricultural lands. On my farm, this has resulted in increased distances for my "local" milk to be transported, resulting in additional costs to my farm. I anticipate these challenges to continue and the milk delivery miles to grow, along with the costs. The current situation applies even more pressure to the hard business of dairy farming I and other producers in the Southeast face.

Different from the importation of supplemental milk, these financial costs are primarily the burden of the region's dairy producers through their cooperatives. To correct this and better share these costs, I support a transportation credit program that helps offset the expenses of moving milk from milksheds within the region to Class I processors. Given milk is forced to travel further and further within the Order, this is a necessary addition.

In closing, I urge USDA to implement updates to the Orders 5 and 7 out-of-area transportation credit programs and implement in-area transportation credit programs in Orders 5, 6, and 7. Due to the significant financial burden southeast dairy farmers bear in supplying the Class I needs of its growing population, I ask you to make these changes expediently. Since December, Class III and IV milk futures for February and March have declined by more than $4 per hundredweight. This weakening in projected price means my milk check's blend price will be that much lower. The input costs on my dairy have not decreased anywhere near the declines I will be seeing in my milk prices. Immediate implementation of these proposals will help to buffer some of the stubbornly high hauling costs and moderate some of the cash crunch I will be facing this year.

Thank you for letting me appear here today and testify about this matter that is of great importance to me, my family, my dairy cooperative, DCMA and the dairy farm families of the Southeast.