

Statement of Ron Kreider, Kreider Farms

May 2009 Federal Milk Marketing Order Hearing

Docket No. AO-14-A78, et al.

My name is Ron Kreider. I own and operate Kreider Farms, which is located in Manheim, Pennsylvania in Lancaster County. Kreider Farms was started by my grandfather over seventy years ago. Our family has continually operated the farm since that time and became a producer-handler in 1972 when my father and uncle opened our milk processing plant. We also produce and distribute our own Kreider Farm eggs. Our business and our farm brand is well known in Lancaster County. Kreider Farms is a member of the American Independent Dairy Alliance and opposes elimination of producer handler status.

Kreider Farms does not in any way create disorderly marketing conditions in the area in which we operate. We grow our own crops, milk our own cows, bottle and make ice cream from our own milk and distribute it in our own trucks. When we became a producer handler in 1972, we were processing milk from 400 cows. Today, our plant processes milk from about 1400. We have worked hard to keep our farms independent and economically viable. We have a diversified operation, that includes an egg business as well as our milk business. We also provide farm tours for fun and for education about our farming operations.

We sell the majority of our milk to small independent local supermarkets in Pennsylvania. We are a price leader in the dairy case and our market is based on local recognition of our farm brand, our reputation for high quality milk which has been built over many years, and consumer desire for readily identifiable local milk. Data provided for this hearing suggests that we are one of the largest seven producer handlers in the country. To put this in perspective, our customer list fits on one page; half of our customers are less than 350 gallons per week.

In addition we produce a substantial amount of kosher milk for Jewish communities in Maryland, Pennsylvania, Washington and New Jersey. Kosher milk must be certified as conforming to all aspects of Jewish law. Many children from this community also participate in our farm tours during the summer. We have a mashgiach who lives on our farm to supervise our milk production. He is present at every milking, monitors our cows and their health care to assure continuous kosher status, witnesses the filling of the milk tankers and supervises transportation and bottling. All of these requirements must be met on a continuous basis to maintain our kosher certification. Our certifying authority is the Star-K Kosher Certification and Rabbi Tzvi Rosen. The kosher milk we provide is sold under the Pride of the Farm label. As explained in the letter from Rabbi Rosen attached to my statement, vertically integrated producer handler operations and our farm specifically are especially well suited to the production of kosher milk.

I would like to address two points – why I believe that the existing ~~producer~~ ^{producer-handler} status gives us an equitable opportunity to exist in the milk market and why Krieder Farms sales

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in our area cannot be considered to be disruptive. First, with respect to our opportunity to exist. My father and uncle built our processing plant to provide Kreider Farms with the opportunity to bottle and sell our own milk. The purpose was to keep our local farm operation going and to ensure its economic viability. We don't buy milk from anyone else because we want to have complete control of our milk supply. Being a member of a pool plant with access to other milk would therefore be of no benefit to Kreider Farms. In order to meet our contractual obligations to customers, we do need to balance our own production. We make some ice cream, and we also sell our extra milk as required under the regulatory constraints of the producer-handler exemption at whatever price we can get for it – always less than the blend price.

We get our milk from our cows at the cost of production, not a regulatory price set by the FMMO system. I believe that our production costs are higher than average given our production system.

Kreider Farms can in no way be viewed as a disruptive market force, or as a threat to the large cooperatives and processors that dominate the regulated market. We have certainly grown over the years (from milking 400 cows to milking 1400) but in a slow and steady fashion essential to our economic survival. No-one is asking us to expand our farm or processing plant to provide a captive supply for a major chain, nor would we expect them to. We operate in a niche market – our local region – and our customers are people who are willing to pay above-average prices for the value they perceive in the milk we produce and sell to them.

Just this month, Kreider Farms has been forced to lower its price to an existing customer to respond to a price from a Dean Foods plant. This customer reported a price from Dean at seven cents a gallon below the Kreider price. We have been able to respond partially, but not completely on price and are waiting to see if we can keep the account.

We do not believe as a matter of national policy that the government should close the door to the opportunity for other farms like us to become producer-handlers, nor that it should impose an artificial size cap that is very low in today's marketplace. A three million pound cap is very low in today's marketplace. Had a size cap been imposed on our original producer-handler operation when we were 400 cows, we would not exist today – neither would the jobs, tax revenues and economic value provided by our farm operation. And a 450,000 cap for an exempt plant is simply unworkable for a business such as Kreider Farms.

I am aware that earlier testimony in the proceeding was offered on behalf of the Pennsylvania Department of Agriculture in support of a cap on producer-handlers at 2 million pounds of monthly Class I route disposition. I was unaware of this proposal prior to the presentation of this proposal and immediately contacted our State Secretary of Agriculture, Dennis Wolfe. He was equally surprised to learn that we would be adversely affected by this proposal and has said that he does not support a cap that would restrict Kreider Farms current operations. To me this demonstrates a widespread lack of understanding about the actual impacts of the proposal under discussion.

We respectfully request that USDA deny the NMPF/IDFA petitions and make no change to the existing producer handler provisions.

STAR-K KOSHER CERTIFICATION

April 30, 2009

The Honorable Judge Jill Clifton
1400 Independence Avenue SW
Washington, DC 20050

Dear Judge Clifton,

I am a Kashrus Administrator employed by Star-K Certification, Inc., who would like to personally appear in Your Honor's courtroom in support of Kreider Dairy and the outstanding service they perform on behalf of the Jewish communities of Baltimore, MD, the Greater Washington, DC area, Philadelphia, Pittsburgh and Lancaster, PA, and Lakewood, NJ. However, due to the fact that I am presently abroad, I cannot.

In lieu of a personal appearance before Your Honor, I write this letter. Your Honor, according to Jewish law, the only milk that is permitted for Jewish people adhering to a kosher diet is milk that comes from a kosher species. A kosher mammal is a ruminant that has totally split and cloven hooves. Cows and goats would qualify as kosher species, pigs and horses would not. It has been the tradition, for time immemorial, to have an observant Jewish representative present at the barn during the milking, to ensure that the farmer would not adulterate the fluid kosher milk, thereby assuring Jewish consumers that they are drinking 100% kosher milk. Today, in our country, we are blessed with a government and dairy board that ensure that milk is not adulterated or tampered with, yet, to the extremely devout Jewish community, the traditional laws governing this age old process of producing Cholor Yisroel (literally, Israelite Milk) have not changed.

In order to adhere to this tradition, a kosher certification agency such as Star-K Certification, Inc., certifies that the milk conforms to all aspects of Jewish law outlined by our Torah (Bible) and Shulchan Aruch (the compendium of Jewish Laws and Standards). I am going to explain how this is fulfilled, practically, and why we need a dairy, such as Kreiders, to fulfill these tenets.

The most critical factor, of course, is to have a dairy that only milks kosher animals, and is closely monitored to make sure that no health factors will compromise the kosher status of the herd. To this end, Star-K has a kosher field representative (mashgiach, literally a kosher supervisor) that lives on the farm, whose job it is to be present at every milking, monitors those animals stricken with DA or bloat, and witnesses each operation to see that no internal organs are

punctured so as not to compromise the kosher status of the cows. Furthermore, the mashgiach must witness the filling of the milk tankers to see that only supervised milk is bottled, and then, either travel with the tanker to the production facility or seal the tanker with a kosher seal. The duties of the mashgiach at the dairy include the offloading of the milk into the dairy's holding tanks and being present when the milk is bottled to ensure that no non-approved additives, such as non-supervised non-fat dry milk or vitamins, are added to the mix. When specialty runs are made, the mashgiach is present to see that all the ingredients and flavors conform to the cholov Yisroel standard.

The cholov Yisroel milk known to all as Pride of the Farm, is distributed to the high density Jewish markets that look forward to high quality delicious cholov Yisroel provided by the good services of Kreider Dairy. To produce fluid cholov Yisroel milk through a milk cooperative is prohibitively expensive and nearly impossible. The numbers of supervisors needed to oversee such an operation for fluid milk would be staggering. Furthermore, if the dairy would make specialty runs of cholov Yisroel milk, the practicality from both a practical and financial standpoint would be more than impossible.

Your Honor, the dual systems that would have to be maintained to assure there would be no adulteration would not only be mind boggling, but financially prohibitive. In short, there would be no cholov Yisroel for this growing niche market. Let me stress that this market is a niche market, and a dairy of Kreider's size and location is perfect to accommodate this niche market. Kreider's Dairy bears no resemblance to a large cooperative dairy, nor does it want to compete with the large cooperatives. If the producer packer dairies would be assessed the same surcharge as the cooperatives, it would affect the viability of Kreider Dairy and Pride of the Farm milk, due to its exorbitant built-in overhead, including the mashgiach fee and delivery of the product, to maintain the specialty infrastructure.

Your Honor, I hope you will find favor with my explanation. If Your Honor requires further information regarding this matter, please do not hesitate to contact me, or a Star-K or Pride of the Farm spokesperson, to provide additional assistance.

Respectfully,

Rabbi Tzvi Rosen

CC: Ronald E. Kreider
Kreider Farms

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Commonwealth of Pennsylvania



DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

DENNIS C WOLFF

May 11, 2009

Ron Kreider
 Kreider Farms
 1461 Lancaster Road
 Manheim, PA 17545

Dear Ron:

Thank you for bringing to my attention the testimony presented at the USDA hearing in Cincinnati, Ohio last week on the proposals to eliminate the producer-handler exemption. While the Pennsylvania Department of Agriculture (PDA) was involved in the discussion of the five-state proposal presented last week on behalf of the State Departments of Agriculture of Vermont, New Hampshire, New York, Wisconsin and Pennsylvania, the data that was used did not accurately reflect the potential impact on Kreider Farms.

We now recognize the adverse impact that a 2 million pound cap will have on Kreider Farms and support your efforts to retain the current producer-handler exemption. Kreider farms is markedly different from the types of operations that we feel that exemption was intended to target. I want to assure you that we do not believe that Kreider Farms presents economic threats to either Pennsylvania's or the national dairy industry.

I personally have been in the dairy business for almost 40 years and am well acquainted with Kreider Farms. Kreider Farms is an asset to our state and PDA is supportive of your business model.

Sincerely,

Dennis C Wolff

cc: Tom Villasek, Secretary of Agriculture

