



BEFORE THE UNITED STATES DEPARTMENT
OF AGRICULTURE
AGRICULTURE MARKETING SERVICE

In the Matter of Milk in California
Notice of Hearing on a Proposal to
Establish a Federal Milk Marketing
Order

7 CFR Part 1051
Docket No.: AO-15-0071
AMS-DA-14-0095

Clovis, California, November 2015

Testimony of Mkulima G. Britt

Part 1

November 2, 2015

Testimony of: **Mkulima G. Britt**

On behalf of: **Clover Stornetta Farms, Inc.**

Good morning. My name is Mkulima Britt and I am here to testify on behalf of Clover Stornetta Farms, Inc. located in Petaluma, CA. Clover Stornetta is a member of the Dairy Institute and we generally support the Dairy Institute Proposal 2 for the establishment of a Federal Milk Marketing Order (FMMO) in CA. I am here to comment specifically on the importance of maintaining the exempt Producer Handler limit of 3 million pounds per month in the California FMMO as it exists in all other Federal Orders.

Personal Background

I am a Board Director and part of the third generation family owners of Clover Stornetta Farms. Clover Stornetta was founded in 1977 by my grandfather Gene Benedetti with a small group of partners including his two sons. My current role is the Chief Sourcing Officer and I have been an employee at Clover for over 19 years. My current responsibilities include oversight of sourcing for all raw ingredients, packaging and finished goods for all items that are manufactured or sold by CSF. Some of my prior roles within the company include Chief Financial Officer, Vice President of Finance and Operations, and Distribution Route Manager.

Actually, my career experience in dairy dates back over 30 years when as a young teen I would scoop ice cream for Clover at the local fairs. During this time I also had the distinct pleasure of donning the costume of our famous mascot, 'Clo the Cow'. Clo always enjoyed taking pictures with her many fans... but she hated having her tail pulled. As I got to high school the summer work became more intense and I became part of the summer relief team working in full time shifts at the Clover distribution facility loading milk and ice cream trucks. My favorite shift was the 3 am start in the ice cream freezer... no coffee needed to stay awake.

After graduating high school I chose to leave California and attend MIT (the Massachusetts Institute of Technology) to study engineering with the idea that I would not return to Clover or the dairy industry. After two short years in Boston I realized that an engineering career was not for me, and I left MIT to find my true passion. I returned to California, worked back at Clover for a time and then moved to Sacramento to pursue an opportunity in the wine and spirits industry. As much as I enjoyed the wine and spirits industry after working almost four years in sales for a national distributor I found Clover and the opportunity to work in the family business

pulling me back and I was ready to embrace the dairy industry for good. As I returned to Cover I also returned to Sonoma State University to complete my BA degree in Business/Marketing.

Company Background

In the early 1900's the Petaluma Cooperative Creamery began distributing Clover Brand dairy products to stores and residential customers in the Petaluma, CA area. As Petaluma and the rest of Sonoma and Marin Counties continued to grow, so did the Co-op. Clover Brand products began showing up in nearly every store and household in the North Bay. In 1969, Clo the Cow first appeared as the official mascot for Clover Brand products and has graced billboards in Northern-California ever since with her magnificent smile and witty puns.

In 1975, disaster hit. The biggest fire the town of Petaluma had ever seen struck the Co-op, destroying the processing and bottling operations, and the cooler. Clover Stornetta Farms, Inc. was born from the ashes of that devastating fire. Following a decision by the Co-op not to rebuild the facility, my grandfather Gene Benedetti his team of partners purchased the wholesale distribution business from Cal Co-op and Stornetta's Dairy in Sonoma, CA in August of 1977. In 1984, the company moved and consolidated all of its distribution back to Petaluma. In June, 1991, Clover Stornetta opened a new fluid milk processing facility at the Petaluma location. With the opening of the new bottling facility Clover was able to abandon the old Stornetta's bottling facility in Sonoma, CA.

Even with a new bottling plant the dairy market in the Bay Area of Northern California remained very competitive in the early 1990's. The owners of Clover knew that they had to differentiate from a commodity product in order to continue successfully. Clover began to source milk directly from a small group of select producers. Having its own pool of milk allowed Clover to think differently and to respond to an increasingly demanding and educated consumer base.

In 1994, Clover Stornetta Farms established North Coast Excellence Certified (NCEC) program developing some of the most rigorous quality standards in the dairy industry. (SCC - 160,000 average). At the time Clover was the first dairy processor in the US to certify all of its producers ~~do~~ not use the controversial synthetic growth hormone, rBST.

did

Clover works together with the dairy families to govern and set goals for the NCEC program. Among its tasks are defining sustainable agriculture, and identifying a new requirement the dairies are to meet each year in order to enhance sustainable agriculture practices and continue participating in the program. Clover pays our NCEC dairy producers a premium to produce milk to meet these rigorous standards. Each dairy is also visited at least once a year and judged on its appearance and ranch maintenance practices.

Clover was one of the early leaders in the organic fluid milk industry and became certified ^{dairies} organic in 1999. All of Clover's conventional milk standards apply to its organic milk and ~~dairies~~ as well. Clover's organic sales have increased almost every year and now account for over 50% of its volume across all products.

In November 2000, Clover Stornetta Farms became the first and only dairy in the U.S. to be certified by the American Humane Association (AHA) for their animal welfare program, American Humane Certified.

This annual certification by the AHA means that one may enjoy Clover products knowing that the lives of our family dairy cows are:

- Free to live and grow in a humane environment under conditions and care that limit stress.
- Free to enjoy a healthy life, benefiting from injury and disease prevention and rapid diagnoses and treatment.
- Free to readily access fresh water and a diet that maintains full health and vigor.
- Free to express normal behaviors and live in an appropriate and comfortable environment that includes sufficient space, proper facilities, shelter, a resting area, and the company of its own kind.

Clover Stornetta currently distributes its products primarily throughout Northern California but also, on a smaller scale, in parts of Southern California and in neighboring Western states including Nevada, Arizona, and Hawaii. Clover Stornetta currently has 29 producers under contract who ship both conventional and organic milk to our plant. Our producers are located primarily in Sonoma, Marin, and Humboldt Counties. Clover sells a full line of both conventional and organic fluid, by-products, butter, cheese, and ice cream throughout our distribution areas.

Market Challenges

While many of the Clover contracted shippers hold quota, Clover Stornetta does not own any of the dairies or cows and is not a P-D. As a non-exempt fluid milk processor Clover must pay into the CA pool on a monthly basis for all pounds of product used at the reported Class values. This places Clover at a significant disadvantage compared to exempt producer handlers that are allowed to not account to the pool on the exempt quota portion(volume) that they bring into their bottling plant from their own operations since they don't have any pool obligation (or credit) on that volume. The P-H pricing advantage depends on how high the regulated Class 1 price that you have to pay is, compared to the quota price on that milk for which the exempt p-d does not need to report.

That margin plays several roles in the exempt P-Hs' ability to beat regulated handlers in the market. First and obviously, fluid sales to wholesale customers. Next, that margin is used to secure multiple customers. It can be shifted or segmented from prospective customer to prospective customer to gain market. Once customers change suppliers, it's very hard to get them back. Exempt P-H's may use that margin advantage across other lines of products - cultured, frozen, and have advantages in gaining market beyond fluid milk.

Clover has been successfully building a premium brand ID by taking risks and listening to our customers. We still face these real challenges to be competitive against handlers who enjoy a regulatory advantage. Clover should be able to market products on a level playing field. USDA has dealt with this issue, Clover supports uniform treatment of handlers across California, and as they are regulated across the US.

Thank you for allowing me to testify today. I am happy to answer any questions.