

Federal Order Testimony  
Carmel, IN  
September 28, 2023  
By HH Barlow of Cave City, Kentucky

Hello, my name is HH Barlow, I am presently milking 120 cows in Barren County Kentucky. I also serve as Executive Director of the Kentucky Dairy Development Council, but today I am testifying as an independent milk producer and dairy farmer, shipping milk to the Borden plant in London, Kentucky.

It is an honor to be here, and I thank you for the opportunity to testify today.

My understanding is the purpose for our Federal Milk Marketing Order System is two-fold: to provide an orderly marketing system for dairy farmers' milk production, and to provide the consumers with an adequate fresh supply of milk.

My reason for testifying today is to express and explain my support for the proposals, along with a bit of a warning, based on my life-long career in dairy. I have first-hand experience as an independent dairy producer who has been harmed by volatility and pricing mechanisms. These factors have been detrimental to producers everywhere causing a massive loss of dairy farms in my state and across the country, which in turn created a significant loss of economic activity in rural communities across the country. In 2005, Kentucky had 1500 dairy farms. Today we have 340. One cow on average produces five to six thousand dollars in milk sales revenue per year. Economists have determined that those \$5000 - \$6000 dollars turns over eight more times in the local rural economy. \$48,000 per cow annually into a rural economy is not pocket change. For a herd of just 100 milking cows, this would remove nearly half a million-dollar business from a local economy. Thus, you can understand the economic impact of losing dairy herds in a community.

In order to best illustrate my convictions today, I would ask you to take a trip down memory lane with me and let me tell you a story. My dad got his first Jersey cow in 1929, and we have been milking continuously since then for the last 94 years. I paid my way through college at the University of Kentucky milking cows at their research farm. After graduation in 1972, I married my college sweetheart

and returned home to the family dairy farm working full-time with my dad. We started a family and I farmed for the next eleven years milking 100 cows while farming 400 acres. The farm depression of the early 1980's almost wiped me out. After selling 150 acres and most of my cows, my wife and I started over on our own in 1986. We have maintained the dairy ever since, but not without many close calls. I started selling feed as a commission sales agent and have had the necessity of at least two jobs for the last 39 years. My passionate love for cows kept me in the business even through tough times. It was important to us to raise our family in this way of life. I credit God's help and a praying wife for our survival.

In my twenties, I was elected to the Dairymen Inc. Nashville division board, serving six years. In the eighties there were seven different potential markets for my milk to be marketed – plenty of options. My DI Co-op market was the lowest price of the seven at that point, so I changed markets to become an independent producer for the next twenty years, selling to three different companies before finally getting the highest market price of all at Purity Dairy. There was often a one-to-two dollar difference between the co-op and independent price. With the volatility of the market and overall financial condition of farmers at that time, it was imperative that we searched for the highest pay price to stay in business.

The next challenge for dairy men and women in the Southeast market was the consolidation of privately owned milk plants. For example, Dean Foods purchased Purity in Nashville, Mayfield in Athens, Tennessee, and Barber Dairy in Birmingham. Producer premiums quickly disappeared as consolidation took place. The situation further deteriorated when Suiza bought Dean Foods.

My high milk prices in the nineties completely disappeared by 2002. I organized a group of sixty to seventy dairies to look for another market. This endeavor came to the attention of Lone Star Milk Producers in Texas and in 2003 this group of dairymen were offered membership in that co-op. I served as a director of Lone Star from 2003 to 2013. The introduction of Lone Star brought some premiums into the marketplace and reduced the cost of hauling. This was advantageous to our member producers. This venture also gave Lone Star entrance into the Southeast market, so it was mutually a beneficial arrangement.

The Southern Marketing Agency was formed shortly thereafter and was a great idea because milk from several handlers was co-mingled on trucks which

created great efficiencies in hauling. This efficiency was an example of co-ops working together and all dairy farmers benefited. I don't have the precise facts of what caused the Southern Marketing Agency to cease operations, but it was detrimental to the dairy farmers' pay prices. I continued marketing my milk through the co-op structure, but after a few years of comparing pay prices to my independent neighbors, the independent price was significantly higher.

Thus, in 2013 I led the initiative to take the ten million monthly pounds of production being sold to Lone Star to the independent Borden bottling plant in London, Kentucky. This endeavor netted an immediate \$2.00 price/cwt increase in my milk pay price and for the past ten years we have maintained the highest price in the available market.

Competition has been central to improved prices throughout my entire fifty-year career. Today, there is less competition than ever before in the marketplace with the consolidation of co-ops, and the closure of independent plants. This is detrimental to producer pay prices everywhere.

I have given you this history as a summary of actual events I have experienced as a dairy producer for fifty years. My dream was always to be a successful **large** dairy farmer. I am not complaining about my life, because I am blessed to have a great family, nice farm, and wonderful way of life. The challenge is the economic reward for **small** dairy farms has been eroded significantly by economic conditions in the market.

Therefore, I am in general agreement with NMPF proposals to modernize the pricing system. Today's market conditions are markedly different from year 2000 levels. The uses of milk are significantly different. Our products are still extremely nutritious, and we must market our milk to meet producer and consumer needs and desires.

First, let's tackle the "higher-of" formula. The return to the higher-of formula is an example of how the market should dictate our prices. Who would have ever imagined that butter would dictate my milk price as a dairy farmer. For the month of August 2023, my 3.5 blend price of \$19.64 was made of \$9.42 for skim and \$10.22 for butterfat. This is just one example of my pay price being less than what it could be because the higher-of formula was not used to calculate my

pay price. Using the October reported Class III and IV prices that were reported on September 22<sup>nd</sup>, this resulted in a loss of \$0.78 per cwt, meaning for the month I lost out on \$1287.00. This would pay all of my electricity costs on the farm for one month.

Next up – the component pricing. The discussion to update the components in the skim milk portion of Class I pricing has already taken place in this hearing. I am very much in favor of this update. I have always produced high component milk and selling milk in Order 5 and 7 my entire career has never paid me for my higher component value milk. In the marketplace today, high protein milk is where our growth is, and we should create every incentive to the farmer to produce higher protein and solids milk. As evidence, the success and growth of Fairlife is a testament to consumers' preference and the willingness to pay for the higher value milk. It would more accurately reflect consumers' desires for high protein milk and incentivize farmers to produce a higher component milk through genetics, nutrition, and updated management practices. Just for example, my average production over the last three years was 2,131,977 lbs. annually and my protein percent was 3.7% annually. Using the calculation put forth on page 35 of National Milk's petition that the component changes would raise Class I prices by \$0.55, the difference in my pay price would be approximately \$0.40/cwt. considering the 70% utilization of Class I milk in Order 5. This would result in an additional \$8,500 annually to my gross receipts. This would cover half of my fuel costs on the farm for a year.

Now, let's move to Make Allowance. I sell milk today in Order 5, and we are a high Class I utilization market. Order 5 has less manufacturing processors than most Orders. The Make Allowance portion of this hearing is troublesome to me and my fellow producers from a philosophical standpoint. Why are producer pay prices adjusted to guarantee the processor a manufacturing cost floor, basically assuring them a profit? No one is guaranteeing dairy men and women a cost of production floor in our operations. I have not seen any processor contract with the farmer guaranteeing him the cost of production. It is way past time for the processor to get his pay out of the marketplace instead of on the backs of dairy farmers.

The proposed increase of a \$1.25 in the make allowance would be extremely detrimental to producer pay prices. Those calculations have already

been presented in this hearing. I can assure you lowering producer pay prices below what is in existence today will cause a mass exodus of small dairy farms across the nation. We are hanging on by a thread today and a further reduction will be the straw that breaks the camel's back.

Finally, let's talk about location differentials - I am also in favor of raising Class I location differentials to more accurately reflect the changes in the milk markets today compared to 20 years ago. I also believe the Southeast should continue producing milk instead of having finished products imported into our markets. I believe that with some changes in the component values we could have a growth area for milk production and processing. I know this is particularly true for the state of Kentucky where we are very desirous of growing our milk production. Overall, I believe these proposed changes will contribute to the sustainability of local production and the growth of our Southeast dairy industry.

This hearing is about the modernization of the federal milk marketing order system. I have given you my thoughts from an independent producer's perspective. In summary, I support NMPF and the American Farm Bureau positions on the points I discussed. It is imperative that the final result of this hearing does NOT harm producer pay prices.

In closing, I have spent a lifetime as a dairy farmer and been involved in the dairy industry in practically every phase of it. Dairying and cows are my life but as you can see, I am in the sunset of my career. I came today, not so much for myself but for all the young dairymen that have the passion I have always had - to be a successful dairyman. I have always treasured the thought that I produce a product that is good, healthy, and nutritious for my fellow man. Thank you once again for giving me the forum to express my views.