

**United States Department of Agriculture
Before The Secretary of Agriculture**

In re: [Docket No. 23-J-0067; AMS-DA-23-0031]

Milk in the Northeast and Other Marketing Areas

Hearing beginning August 23, 2023

Testimony Presented By:

Tom Bellavance

Representing

Dairy Farmers of America

1405 North 98th St

Kansas City, KS 66111

My name is Tom Bellavance and it is a privilege to sit in front of you today. I am a dairy farmer from Northwestern Vermont where my main farm sits 5 minutes to the east of New York and 5 minutes South of the Canadian border.

I have owned and operated the farm for 23 years and have slowly expanded the farm to include over 1,700 acres of land and a milking herd of 1,000 mature cows. The herd is 90% Holstein and 10% jersey. I am a farmer owner of Dairy Farmers of America (DFA). I currently sit on the DFA Board of Directors, having served for just under a year. I also have served on DFA's Northeast Council since 2019. Prior to St. Albans Cooperative Creamery merging with DFA, I was a Co-Op Director.

I have also had the privilege to have worked for over 40 years as an agricultural lender and consultant serving many Northeast dairy farms. In this role, I have worked with many 3-generation dairy farms, helping with farm transfers. Coupled with being a dairy farmer, this capacity as a lender exposes me to the many challenges that face our dairy farm families.

I appear in front of you today as a dairy farmer, to support the National Milk Producers Federation (NMPF) proposals to update the milk market orders. These proposals are as follows:

1. Limit the make allowance increase to their proposed levels.
2. Return the Class I mover to the higher of.
3. Eliminate the barrel cheese price from the calculation of the Class III protein price.
4. Increase and regularly update the skim component test to determine federal order skim milk price.
5. Implement their national Class I differential and price surface proposal.

I am sure that after many days of testimony, you are aware that 2023 has been a very difficult year for dairy profit margins. The high DMC payments that have recently been paid also show proof of the tight margins. Although these USDA payments are valuable and appreciated, on many farms, these DMC payments don't go nearly far enough to fill the hole. Since December 2022 to June 2023, my milk price has fallen from \$26.38 per hundredweight to \$19.64 per hundredweight. A drop of \$6.74 per hundredweight represents a decrease of 26% in just 7 months.

For this same time period, my farm expenses have increased by an additional 12%. Combining these changes, my net income is off 76%. These changes to expenses come after 2022, which is best described as a very inflationary period on the dairy farm. Below is a small grid to highlight some of these changes.

| | 2021 | 2022 | % change |
|----------------|--------|--------|----------|
| (cost per cwt) | | | |
| Feed | \$6.80 | \$7.90 | 16% |
| Labor | \$2.81 | \$3.57 | 27% |
| Fuel | \$.67 | \$1.23 | 84% |
| Crops | \$1.17 | \$1.79 | 53% |
| Interest | \$1.20 | \$1.54 | 28% |
| Other | \$6.53 | \$8.23 | 26% |

I did cross reference my specific numbers against other farm benchmark information, and I believe these numbers truly represent the current cost structure in the Northeast. The reason I have highlighted these profit margin challenges facing the dairy farmers is that any changes to the milk market orders must take into account what effect these changes will have on the profits of the dairy farmers.

For the reasons noted above, I do not like any change to the make allowance that will lower the milk price paid to dairy farmers. Having said that, I do understand that make allowances are an important aspect in determining Federal Order Class prices and need to be adjusted from time to time. Because of that, I do support the more modest changes proposed

by NMPF. They have indicated that these modest changes will decrease my milk price by \$.50 per hundredweight.

While this proposal will decrease my projected net income per cwt by 25%, the more significant changes proposed by International Dairy Foods Association and other groups would cut my margin by well over 50%. Looking back over a 3, 5, and 10 year period, a \$.50 per cwt change would lower my profit per cow on an annual average by 17% for 3 years, 23% for 5 years, 27% for 10 years. A decrease over \$.50 per cwt puts my farm and many others in an unsustainable position.

I would now like to speak about the Class I mover. In 2019 when the current formula was agreed upon, we were told this would be revenue neutral to our milk prices. This experiment has not been revenue neutral, but according to NMPF the July – December 2020 milk revenue was reduced by just under \$754 million. While some of this loss was eventually aided by USDA payments, these payments covered less than 50% of the loss for that time period. From January 2021 through July 2023, the average of plus was less than its higher of counterpart in 18 of 31 months, resulting in a revenue loss of \$226.5 million. Approximately \$222 million of loss revenue came over the last 12 months. With the Class I milk utilization here in the Northeast at 30%, this lowered my blend price by \$.17 per cwt.

I would also like to touch briefly on the Class I differential and producer price surface proposal. These Class I differentials have for the most part not changed since 2000 and they no longer reflect the increasing cost to deliver raw milk to fluid processing plants. These increasing costs have

mostly fallen back onto the dairy farmers as we have seen our transportation costs increase dramatically over the past few years. For the first 6 months of 2023, my milk hauling fees are up 16% over the same period last year. In my area, NMPF recommends a Class I differential of \$4.64, an increase of \$1.76. This will have an impact of about \$.53 per hundredweight on my blend milk price.

I close by repeating my full support for all of the NMPF proposals. Others from DFA will speak on the value of eliminating the barrel cheese price from the calculation of the Class III protein price as well as increasing and regularly updating the skim component tests to determine federal order skim milk price.

I want to thank you for allowing me to testify today on these important issues. I believe the above proposed changes will make the dairy industry stronger and more viable for the dairy farm families across the country. In closing, I want to share something that former U.S. Senator, Patrick Leahy, told me back in 2007 – “The hardest part of dairy policy is that we can’t get you dairy farmers on the same page”. With the above NMPF proposals, I believe we have a consensus from the dairy producing community.

Thank You.