

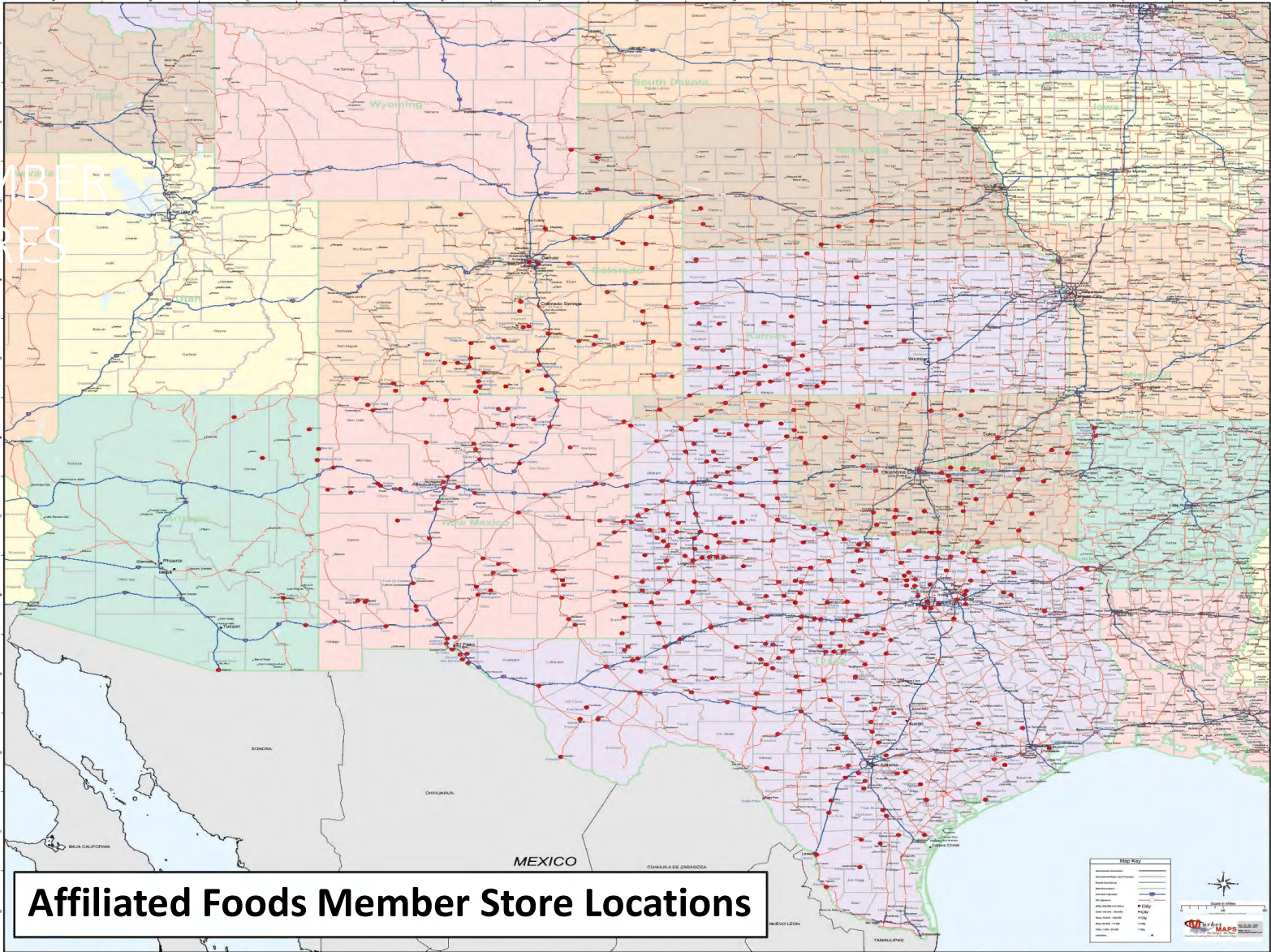


A wholly owned subsidiary of Affiliated Foods of Amarillo

Testimony Regarding Proposal 19
Mike Giles
President and General Manager of Plains Dairy, LLC.
Amarillo Texas

Plant History and Background

- **Plains Dairy has been in Amarillo since 1934, and in its present location since 1952.**
- **We are a fluid milk plant that runs milk, chocolate milk, buttermilk, eggnog, half and half and heavy cream. We also run various branded fruit drinks, gallon distilled and drinking water, and ready to drink refrigerated fresh brewed teas and juices.**
- **Our parent company is Affiliated Foods of Amarillo, a \$1.7 billion dollar independent wholesale grocery distribution company that is a co-op, and about 88% of our milk ships through a warehouse channel. Affiliated acquired the dairy in 1996. The members of the co-op are independent grocery store owners, mainly in smaller towns or rural settings.**

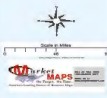


MEMBER STORES

Affiliated Foods Member Store Locations

Map Key

State Boundary	Major Road
County Boundary	Minor Road
City	Water
Water	State Capital
Major Road	County Seat
Minor Road	City
Water	City
State Capital	City
County Seat	City



Plains Dairy Current Operations:

- **Plains Dairy is a single-location independent dairy.**
- **We buy our milk from Lone Star Cooperative. We pay an over-order premium to the co-op. We receive milk 7 days a week and the plant has the opportunity to earn receiving credits.**
- **Our milk supply is all Texas milk, single producer loads and the majority is within one hour to the plant.**
- **We also have a DSD (Direct Store Delivery) operation that operates throughout most of the Texas Panhandle, approximately a 100 mile circle around Amarillo, and we have recently advanced into the Lubbock market, two hours to the south.**

We believe that Plains has a unique position in the industry that this hearing may not have heard from yet.

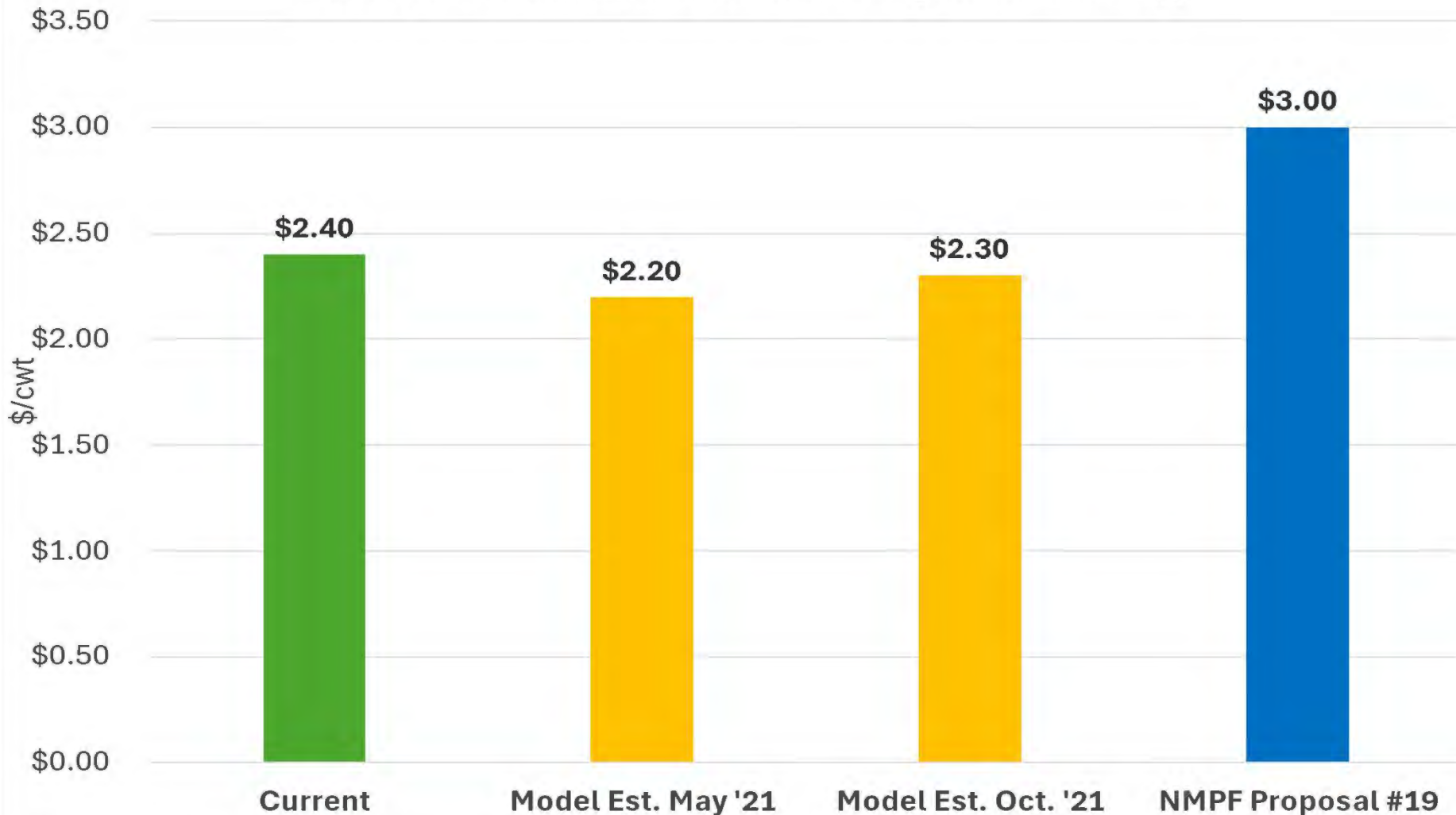
- Plains Dairy LLC is an independent dairy owned by a grocery distributor that sells groceries to its members, which are mainly small town grocery stores, and sometimes these stores are the only store in the town where they are located.**
- The majority of our fresh milk is shipped out through our parent company when it ships other groceries to its membership.**
- Our parent company, Affiliated Foods, also owns a water bottling plant, a meat plant that takes boxed beef to retail packs, and a bread bakery. This is a unique concept in the world of independent wholesalers creates a great model for our grocery membership.**

*Plains Dairy does not support
Proposition 19*

Plains Dairy opposes Proposal 19 for several reasons:

- Proposal 19 is inconsistent with the USDSS study and the remarkable growth in milk supply in the Texas Panhandle over the last 20 years.**
- We are very close to our milk supply, with the majority of our milk coming to us from less than 100 miles.**
- For the 2021 University of Wisconsin USDSS modeling our differential came in at \$2.20/cwt for May 2021 and \$2.30/cwt for October 2021.**
- Our current differential is \$2.40/cwt and NMPF's proposal is \$3.00/cwt.**
- There is a difference of \$0.80/cwt from the USDSS May '21 model estimate of \$2.20. This is about \$0.07/gallon.**
- We are certain that increasing the differential could further affect our volume and business and the competitiveness of our member's stores.**

Class I Differential Amarillo, Texas (Potter County)



Source: Exhibit 443 MIG 64C Fluid Plant County Comparison.xlsx)

Plains Dairy opposes proposition 19 for several reasons:

Data-driven decision making vs. need:

- It is my opinion, that it seems when changes to the FMMO are needed by producers, the first thought is to raise the price of Class I milk.**
- This is despite declining per capita consumption for many years, to the point that current fluid milk utilization of the US milk supply is no greater than total US dairy exports, about 17-18%.**
- We all know that cheese production is “driving the bus” in dairy utilization, and Plains Dairy is opposed to the concept of raising Class I is the best first answer.**
- We believe the industry needs a financially sound solution that is best for the long-term sustainability for all parts of the industry.**

Declining Fluid Milk Consumption inconsistent with higher Differentials

- **I have talked about milk consumption declining, and the latest data shows milk volume down around 1.9% nationally, but this depends on grocery format.**
- **Mass merchandisers like Walmart supercenters, Costco, Sams, are up about 1%, while drug stores, C-stores, and traditional grocery are all down.**
- **Our membership is almost totally made up of traditional grocery, with some C-stores, mostly in a small town or rural setting. Traditional stores milk sales are down 4-5%, with C-stores down over 10%.**
- **Consumers are running out of money and switching to value formats and driving further from home to access them.**
- **Dr. Capps from Texas A&M University testified in December on his most recent elasticity study. He found that milk price elasticity is more elastic than earlier studies, with every 1% increase in price resulting in a more than 1% decrease in sales volume. This is a drastic change compared to pre-Covid.**
- **For example, a 20¢ per gallon wholesale increase to these stores could raise retails as much as 35¢ per gallon, further affecting milk volume.**