

Jacob Schuelke Crystal Creamery



Exhibit MIG-Crystal – 13A









Class I Utilization in CA

In July 2023, the California Order Utilization was:

- Class I = 10%
- Class II = 3%
- Class III = 44%
- Class IV = 42%

In July 2023, the California Pool Utilization was:

- Class I = 17%
- Class II = 6%
- Class III = 73%
- Class IV = 4%

Class I Prices Can't Compel Pooling

July 2023 CA Milk Pool

California Pool July 2023							
		Lbs	Price				
	1	349,270,582	\$ 19.42	\$ 25.00	\$ 30.00	\$ 35.00	\$ 37.00
	2	111,057,544	\$ 19.12	\$ 19.12	\$ 19.12	\$ 19.12	\$ 19.12
	3	1,468,531,570	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77
	4	87,179,961	\$ 18.26	\$ 18.26	\$ 18.26	\$ 18.26	\$ 18.26
Weighted Average		2,016,039,657	\$ 15.24	\$ 16.20	\$ 17.07	\$ 17.94	\$ 18.28

To achieve this outcome:

- Class I would have to pay an additional **\$61 million** into the pool
- Consumer prices would increase **\$1.57 per gallon**

Class I Prices Need to be Even Higher to Influence All Classes

		California Pool July 2023 With Class IV Fully Pooled						
		Lbs	Price					
1		349,270,582	\$ 19.42	\$ 30.00	\$ 37.00	\$ 40.00	\$ 45.00	\$ 47.50
2		111,057,544	\$ 19.12	\$ 19.12	\$ 19.12	\$ 19.12	\$ 19.12	\$ 19.12
3		1,468,531,570	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77	\$ 13.77
4		1,400,000,000	\$ 18.26	\$ 18.26	\$ 18.26	\$ 18.26	\$ 18.26	\$ 18.26
Weighted Average / Blend		3,328,859,696	\$ 16.43	\$ 17.54	\$ 18.27	\$ 18.59	\$ 19.11	\$ 19.38

So even if Classes III and IV can be incentivized to stay in the pool, even more Class I dollars would be needed to incentivize full class participation.

The “higher of” offers no relief to direct shippers

	Cheese Depool Month			Powder Depool Month			Average	
Class I Mover	Current Formula	Higher Of		Current Formula	Higher Of		Current Formula	Higher Of
Class III	\$ 20.00	\$ 20.00	Class III	\$ 15.00	\$ 15.00		\$ 17.50	\$ 17.50
Class IV	\$ 15.00	\$ 15.00	Class IV	\$ 20.00	\$ 20.00		\$ 17.50	\$ 17.50
Class I	\$ 19.94	\$ 21.70	Class I	\$ 19.94	\$ 21.70		\$ 19.94	\$ 21.70
	Utilization			Utilization				
Class III	0%	0%	Class III	90%	90%		45%	45%
Class IV	90%	90%	Class IV	0%	0%		45%	45%
Class I	10%	10%	Class I	10%	10%		10%	10%
Blend	\$ 15.49	\$ 15.67	Blend	\$ 15.49	\$ 15.67		\$ 15.49	\$ 15.67
Pay Price			Pay Price					
Class III	\$ 20.00	\$ 20.00	Class III	\$ 15.49	\$ 15.67		\$ 17.75	\$ 17.84
Class IV	\$ 15.49	\$ 15.67	Class IV	\$ 20.00	\$ 20.00		\$ 17.75	\$ 17.84
Class I	\$ 15.49	\$ 15.67	Class I	\$ 15.49	\$ 15.67		\$ 15.49	\$ 15.67

Summary

- The Class I market in California is too small (and getting smaller) to impact the pooling decisions by Class III and Class IV each month
- Moving to the higher of will not generate enough revenue to stop depooling, so should not drive pricing formula policy.
- There is enough milk on the market to meet fluid use, what we need is more tools to directly compensate our direct ship farmers.
- With our shrinking pool of dollars we need to directly put more of what we have into the bank accounts of farms who actually supply the Class I market and can not depool – let's innovate, not add burdens to Class I.

