

# Anderson Erickson Dairy



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Standards







# Some of our iconic products....





## MIG/AE Exhibit 17B



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# ANDERSON ERICKSON OPPOSES PROPOSALS 1 AND 2

MIG/AE Exhibit 17B

- USDA must reject proposal that would charge AE for components above the levels actually received by AE
- In Order 32 already pay for components although the only one we can adjust is butterfat
- Cannot change other components or charge customers for them
- No customers have ever requested more protein or nonfat solids in our Class I products

# AE OPPOSES PROPOSALS 13, 16, 17 & 18

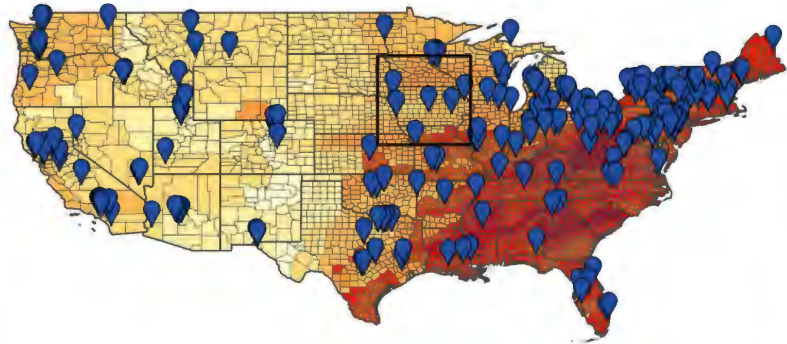
- We need to be able to hedge and oppose any proposal that limits that ability
- For a small business like ours advance pricing is required
- History demonstrates great difficulty in sales without advance pricing
- Please don't burden processors and retailers

# AE OPPOSES PROPOSAL 19

- Proposal 19 increases the class i price surface in all areas and no support for any of these changes has been provided
- These arbitrary changes result in the authors of these changes determining winners and losers in the marketplace
- See Figure 1, Maps and Table 1

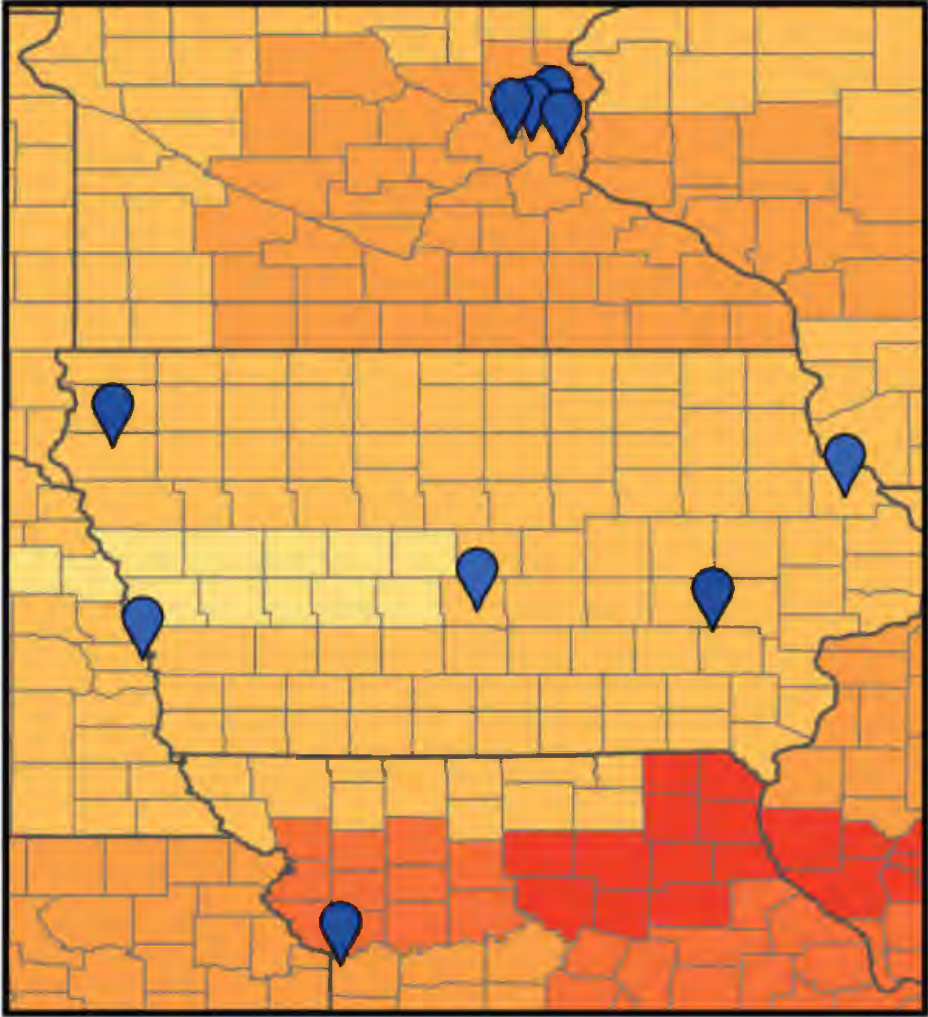


# Figure 1 - Difference (\$) NMPF #19 v Current: IA, MN, MO & NE Detail



**Difference (\$/cwt)**

- \$0.25 - \$0.50
- \$0.51 - \$0.75
- \$0.76 - \$1.00
- \$1.01 - \$1.25
- \$1.26 - \$1.50
- \$1.51 - \$1.75
- \$1.76 - \$2.00
- \$2.01 - \$2.25
- \$2.26 - \$2.50
- \$2.51 - \$2.75



**Table 1**  
**Class I Differential Comparison: Current, USDSS Model, and NMPF Proposal #19**

Fluid Plant, City	County	State	Current	Model Minimum	Model Average	NMPF #19	#19 – Current	#19 – Model Avg.
Prairie Farms, Dubuque	Dubuque	IA	\$1.75	\$3.10	\$3.15	\$3.00	\$1.25	-\$0.15
DFA Dean, Le Mars	Plymouth	IA	\$1.75	\$2.60	\$2.65	\$2.80	\$1.05	\$0.15
A-E, Des Moines	Polk	IA	\$1.80	\$2.70	\$2.80	\$3.00	\$1.20	\$0.20
Farmers, Wellman	Washington	IA	\$1.80	\$2.90	\$3.00	\$3.00	\$1.20	\$0.00
Saputo, White Bear Lake	Anoka	MN	\$1.70	\$2.60	\$2.70	\$3.00	\$1.30	\$0.30
DFA Kemps, Minneapolis	Hennepin	MN	\$1.70	\$2.60	\$2.65	\$3.00	\$1.30	\$0.35
DFA Beverage Solutions, St Paul	Ramsey	MN	\$1.70	\$2.70	\$2.75	\$3.00	\$1.30	\$0.25
PF East Side Jersey, Woodbury	Washington	MN	\$1.70	\$2.80	\$2.85	\$3.00	\$1.30	\$0.15
Hiland, Kansas City	Jackson	MO	\$2.00	\$3.20	\$3.35	\$3.35	\$1.35	\$0.00
Hiland, Omaha	Douglas	NE	\$1.85	\$2.50	\$2.60	\$3.00	\$1.15	\$0.40

Source: Hearing Exhibit 443 (MIG 64C)



# AE OPPOSES PROPOSAL 19

- AE responded to alleged milk supply issues by developing independent milk supply
- Local Iowa dairy farm partners located within 100 miles direct ship to AE
- Increase in Class I differentials will not assist these farmer partners

# AE OPPOSES PROPOSAL 21

- Proposal 21 would increase the Class II differential \$0.86
- Class II is an area where milk processors have had some growth in products. Cottage cheese, sour cream, and to some extent yogurts have increasing popularity with customers.

# AE OPPOSES PROPOSAL 21

- Typical for fully regulated Class I distributing plants to have some Class II processing to utilize the extra cream from the Class I operations – unavoidably pooled
- Major competitors who can depool their Class II only dedicated plants
- Saddling products with additional costs to feed broken system will not fix the problem

## AE SUPPORTS MIG PROPOSAL 20

- Grade a portion of Class I differential ignores market reality - virtually all milk is Grade A
- NASS reports that 100% of Iowa milk is Grade A - Iowa lists 7 Grade B producers of 741 total
- Grade A milk is built into Class III/IV

# AE SUPPORTS MIG PROPOSAL 20

- Balancing should be part of plant negotiation as that challenge is unique to each plant and market
- AE with independent supply balances with a coop and pays for that service through over order premiums
- Not a flat rate and cost is borne by entity serving AE – should not be spread over pool

# AE SUPPORTS MIG PROPOSAL 20

- No need for incentive payment per Dr. Stephenson
- Contrary to coop testimony there is abundant supply of milk available to AE
- Over order premiums can cover any cost without being spread over pool



# CONCLUSION

- Trying to fix system with new market reality
- Saddling shrinking Class I with higher costs is not solution
- Healthy Class I market must be encouraged

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