MIG/Shamrock Exhibit 23A

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

In re:	7 CFR Parts 1000 *et seq.*
Milk in the Northeast and Other Marketing Areas	Docket No. 23-J-0067; AMS-DA-23-0031

CARMEL, INDIANA
JANUARY 2024

TESTIMONY OF SHAMROCK FOODS COMPANY, PART 2 REGARDING NATIONAL HEARING ON FEDERAL MILK MARKETING ORDER PROPOSALS

January 12, 2024

I. BACKGROUND

A. PERSONAL BACKGROUND

I am Timothy K. Kelly, Senior Vice President, General Manager for Shamrock Foods Company – Dairy Division headquartered in Phoenix, Arizona. Our corporate address is 3900 E Camelback Rd, Suite 300, Phoenix, Arizona 85018. My role with Shamrock includes all Profit and Loss (P&L) responsibilities for the Dairy division. I have been with Shamrock for thirty-one (31) years and have held various roles throughout my career. I personally hold Bachelor of Science and Master of Science degrees, in Agribusiness from Arizona State University. I am currently Chairman of the Milk Processor Education Program (MilkPEP), as well as sit on the Boards of IDFA's Fluid Milk Board and DMI's Innovation Center for U.S. Dairy.

B. COMPANY BACKGROUND

Shamrock Foods Company specializes in the manufacturing and distribution of quality food and food-related products through a family of companies including Shamrock Foods – the 5th largest foodservice distributor, and Shamrock Dairy – one of the largest family held milk companies in the country.

Shamrock Foods Company has two Class I and Class II Fluid Processing Facilities in Phoenix Arizona, and Verona Virginia. Shamrock is uniquely positioned with roots in Dairy Farming. Shamrock Farms Company, a 20,000 head dairy farm located in Stanfield, Arizona, is a separate entity and independently owned by the same family that owns Shamrock Foods Company.

With respect to Shamrock's two plants, our largest facility is in Phoenix (FMMO 131) and has been manufacturing Class I and Class II products since 1955. In 2001, this facility also began producing Extended Shelf Life (ESL) products which are now sold in all 50 states. Shamrock is vertically integrated and sources about 50% of its milk from Shamrock Farms Company with the remainder coming from the United Dairyman of Arizona cooperative (UDA).

Built in 2014, Shamrock's second facility in Verona, Virginia (FMMO 5), is a Class I and Class II fluid plant that manufactures ESL milk and cream based products. All raw milk is sourced from Maryland and Virginia Milk Producers Cooperative Association (MDVA).

II. OPPOSITIONS TO OTHER PROPOSALS

A. Shamrock Opposes Proposals 1 and 2 (NMPF's and National All-Jersey's Milk Component Factor Proposals)

Both of Shamrock Dairy's fluid milk processing facilities are in "Butterfat/Skim" market orders (FMMO 131 and 5). Based off the information submitted by proponents, Shamrock Dairy's Class I cost will increase between $0.60 and $0.75 per cwt in these market orders. But in the first instance, Shamrock does not receive total solids at the levels suggested by NMPF and NAJ. Second, we cannot go to the market and request higher prices based upon total solids that we do not today and likely will not in the future receive. Third, even if Shamrock were receiving higher total solids today than we have historically, that feature of the milk would not allow us to command higher prices at market. So, there is not justification for increasing the cost of milk based on these component factors. Increasing the burden to Class I will increase retail milk pricing to the consumer and thus drive down the demand of fluid milk. As such, Shamrock Foods Company cannot support this proposed change.

B. Shamrock Opposes Proposals 13, 16, 17, and 18 (NMPF's, Edge's, and AFBF's Base Class I Skim Milk Price "Mover" Proposals)

Pricing stability is needed for both farmers and milk processors. From a business perspective, it is extremely difficult to manage pricing volatility when you are receiving your cost after you have priced products to the customer. It typically results in margin compression which in turn reduces your ability to innovate. Over the course of a year, we have lost millions of dollars managing the price volatility. When you look at the new competitive set for fluid milk, all other competing beverage categories assess pricing annually because of greater stability. As mentioned

previously, margin compression only disincentives milk companies to innovate and decreases the overall demand for milk. This is not only detrimental for the consumer and processors, but the farmers as well. USDA should reject any proposal that decreases or destroys retailers' and processors' ability to hedge risk. Additionally, Shamrock agrees that it is important to preserve advanced pricing for Class I given the standard terms of trade with retailers for traditional white jug milk.

C. Shamrock Opposes Proposals 19 and 21 (NMPF's Class I Differential and AFBF's Class II Differential)

If Proposal 19 is adopted, our Class I differentials will increase. In FMMO 131, Phoenix, Arizona (Maricopa County) would go from $2.35 to $3.00 per cwt, a 28% increase. In Verona, Virginia (Augusta County), the differential would increase from $2.90 to $4.70 per cwt (62%). At present, Shamrock Dairy pays increasing amounts for Over Order Premiums (OOP). The suppliers justify the OOP as needed to cover increases in fuel, balancing and marketing of raw milk supply. Class I differential increases cover the same costs we already pay for in the OOP. There's no need to add to the differential – which cannot be adjusted without a hearing – when the costs are being captured through co-op specific contract negotiations for OOP.

The relative increase of the Class I differentials for Shamrock's plants is also highly questionable. Table 1 below compares NMPF's proposal 19 to both the current Class I differentials and the model estimates for counties in Arizona and Virginia with fluid milk plants. It is troubling that NMPF has proposed to increase the Class I differential by $0.65 over the current level in Maricopa County, Arizona where the USDSS model estimates are nearly equal to the current Class I differential. Then in Augusta County, Virginia, NMPF's proposal 19 is equal to the model average. This divergence in different regions is perplexing. Shamrock Foods Company urges USDA to reject proposal 19.

Table 1
Class I Differential Comparison for Arizona and Virginia Counties with Fluid Milk Plants ($/cwt)

Fluid Plant(s)	County	State	Current	Model Minimum	Model Average	NMPF #19	#19 – Current	#19 – Model Avg.
Danzeisen, fairlife, Kroger, Safeway, Shamrock	Maricopa	AZ	$2.35	$2.30	$2.40	$3.00	$0.65	$0.60
GH, Sarah Farms	Yuma	AZ	$2.10	$2.10	$2.15	$2.90	$0.80	$0.75
Shamrock	Augusta	VA	$2.90	$4.50	$4.70	$4.70	$1.80	$0.00
Homestead	Caroline	VA	$3.10	$4.90	$5.10	$5.00	$1.90	-$0.10
Kroger Westover	Lynchburg City	VA	$3.20	$4.80	$5.05	$5.00	$1.80	-$0.05
MD-VA Marva Maid	Newport News City	VA	$3.20	$5.30	$5.55	$5.00	$1.80	-$0.55
Danone	Rockingham	VA	$2.90	$4.40	$4.60	$4.70	$1.80	$0.10
HP Hood	Winchester CIty	VA	$2.80	$4.30	$4.50	$4.50	$1.70	$0.00
Source: Hearing Exhibit 443 (MIG 64C)								

We are also opposed to AFBF's proposal 21, which would increase the Class II differential from $0.70 to $1.56 per cwt. This would be a substantial and significant increase. Shamrock's Class II utilization occurs in our fully-regulated pool distributing plants. An increase in the Class II differential would increase our producer settlement fund pool obligations. Our Class II utilization is mostly fluid creams. Many of these products have FDA standards of identity that mandate the product be made with the fluid milk and cream. We cannot formulate our way around Class II differential increase. Increasing the Class II differential will increase retail pricing to the consumer and thus drive down the demand. As such, Shamrock Foods Company cannot support proposal 21.

III. CONCLUSION

Shamrock Foods Company appreciates the opportunity to testify on this important subject. The Federal Milk Marketing Order system is complex and not easy to manage. Dairy Farmers and Milk Processors would benefit from a simpler and more stable system. As I stated earlier, I have been actively involved in the dairy industry for three decades. I sit on multiple industry boards and have close relationships with many cooperative and NMPF leaders as well as dairy farmer board members. During my time in this industry, I have seen that when we work together, we can accomplish great things. The entire dairy industry would benefit from a concerted effort towards the collective good. Operating in silos is counterproductive and will result in an increased price with the burden on the consumer and to the detriment of the entire industry. Price increases will stifle margins, limit innovation, and drive more milk to Class IV which will reduce the blended price to farmers. What we need to do is join together with shared solutions that grow demand for Class I fluid milk and make our industry stronger for the future.

DATED this 12th day of January, 2024.

By */s/ Timothy K. Kelly*
TIMOTHY K. KELLY