Exhibit MIG/Turner 25A

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

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

CARMEL, INDIANA
JANUARY 2024

TESTIMONY OF TURNER DAIRY FARMS, PART 3 REGARDING NATIONAL HEARING ON FEDERAL MILK MARKETING ORDER PROPOSALS

January 15, 2024

I. BACKGROUND

Hi, my name is Chuck Turner. I've served as the president of Turner Dairy Farms, my family's milk business, for the past 20 years. Turner Dairy Farms is located at 1049 Jefferson Road Pittsburgh, Pennsylvania 15235. Before that I spent 17 years in other management roles at Turner Dairy including Quality Control Manager and Vice President of Production. My grandfather, Charlie Turner, started the dairy in 1930 in Penn Hills, a community east of Pittsburgh. We've just started the process of transitioning ownership and management of the company to the fourth generation of my family. We are a small business as defined by SBA for purposes of FMMO proceedings.

In addition to my role at Turner Dairy, I am also president of Titusville Dairy Products Co., a Class II plant in Northwestern Pennsylvania that Turner Dairy owns and operates with two partners, and I'm a Member of Pittsburgh Special-T Dairy LLC, a fluid milk plant in the city of Pittsburgh that my family purchased in 2017. I earned a BS in Food Science from Penn State and an MBA from the Katz Business School at The University of Pittsburgh. I currently serve on the Executive Committee of the Pennsylvania Association of Milk Dealers, the Board of the Pennsylvania Center for Dairy Excellence and the Fluid Milk Board at the International Dairy Foods Association, where I also serve on the Economic Policy Committee.

Turner Dairy Farms and Pittsburgh Special-T Dairy are fluid milk plants in Allegheny County, Pennsylvania which means both plants are regulated by Federal Order 33. Turner Dairy is in an eastern suburb of Pittsburgh and Special-T is in the City. The milk supply for our plants is about three dozen farms located in counties just east of Pittsburgh, which is important because milk haulers do not need to sit in traffic to get to our plant. We generally transfer milk from Turner Dairy to Special-T. Our relationships with most of these farm families go back many years; some dating back to the 1950s. Having a direct relationship with independent farms is important to our business because the direct connection enables us to best serve the needs of our customers. For example, strict bacterial quality standards result in bottled milk that tastes great and has a long shelf, BST free agreements provide assurance customers look for, and personal relationships with our dairy farm suppliers give customers confidence that we do things right the whole way through the supply chain. We also work with a couple of farms in Ohio whose milk is regularly diverted to a cheese plant as part of our balancing strategy.

We still compete with several fluid milk plants in Western Pennsylvania including a few family-owned plants like ourselves that are regulated by Federal Order 33. Other competitors are in unregulated territory to the east of us in Pennsylvania. We need to pay our dairy farmers premiums above the Federal Order blend to be competitive in the country with these unregulated plants while still offering wholesale prices that are competitive on the street. The pressure on both sides gets tougher every year. More recently, we find ourselves competing with cooperative-owned plants who, although FMMO regulated, are not required to pay their members the regulated minimum milk price like we must pay our independent farmers. The FMMO playing field has never been level in our part of the country, but it seems to be increasingly tilted against us in both directions.

FMMOs impose a heavy regulatory burden on Turner Dairy Farms as a small business. There is the countless investment of time, dollars, and energy understanding, complying, and reporting according to FMMO rules. That is time, money, and effort that could be better spent creating value for our company, the employees who work for us, the farmers who ship milk to us, as well as our business partners and the consumers who drink Turner's Milk. We are fortunate to be able to participate in this hearing process through our relationships with IDFA and MIG. Despite bearing the financial burden of this system, there is no way that our company could afford to participate at this proceeding on our own.

II. OPPOSITION TO OTHER PROPOSALS

A. The following comments are in opposition to Proposals 1 and 2 from NMPF and NAJ, respectively.

The effect of Proposals 1 and 2 for our companies is an increase in the advance Class I skim price that we don't have a way to recover in the marketplace. Unlike cheese and powder manufacturers, fluid milk processors don't benefit from higher yield when incoming milk has higher levels of nonfat solids. Nonfat solids levels in Turner's milk move up and down seasonally and also vary from load to load depending on unique factors on every farm like breed, genetics, stage of lactation, and diet. We have no way to standardize the nonfat solids level.

My understanding is that these proposals would increase our cost of milk by about 70 cents per hundredweight relative to the current skim milk component formula factors. Most of this increased cost would be in our pool obligation so our independent producers would only see a fraction of the benefit.

Over the past few years, consumer preference has switched away from skim and lowfat milk and toward whole milk. This shift has put our plants at a butterfat deficit for several weeks each year. Increasing the value of skim relative to butterfat is counterproductive. We should not be increasing the value of skim milk relative to butterfat when consumers are telling us they want whole milk. We need to buy spot cream at times during the year to meet our demand for eggnog and bottled cream. I have never been able to sell surplus skim which is the alternative way to balance the plant on butterfat when we're short. My grandfather raised hogs so that he had a use for his surplus skim milk – an important line of business we were in for 40 or 50 years. But that is not the world today, and when we neither receive components at the level proposed nor are able to capture increased value from those components even if we do receive them, our plants cannot carry an increased cost from the same.

B. These comments are in opposition to Proposals 13, 17, and 18 which argue for a "Higher of" Base Class I Skim Milk Price.

The "Higher of" Base Class I Skim Milk price was used in Class I pricing in the FMMO system between 2000 and 2018. During that time period we saw several flaws:

- The "Higher of" formula accentuated volatility in fluid milk prices because Class I went up with every spike in cheese, powder or butter markets. Prices in peak months caused demand to drop as consumers experienced sticker shock. Retailers and foodservice customers alike were slow to decrease their sticker and menu prices for milk after a spike for fear of getting burned again, causing a prolonged negative impact on demand.

- The "Higher of" formula would have been devastating to the fluid milk business if it had been in place during 2020-21 on top of all the other challenges we had to face with the pandemic.

- Fluid milk prices were less predictable to processors and our customers because a sudden increase in the price of one commodity could cause the Class I price to "switch horses" between class III and IV without warning. Put another way, the price trend for Class I has been smoother for the past few years than it had been with the "Higher of" formula.

- Because the old base Class I skim milk price could switch between Class III or IV, it was practically impossible to use hedging to reduce price uncertainty. As I mentioned before, I am currently learning to use futures markets and intend to hedge some fluid milk price risk in the next year or so.

C. The following comments are in opposition to proposals 16, 17 and 18 which seek to eliminate advance pricing.

The vast majority of our milk is sold each month before USDA announces class and component prices as late as the 5th of the following month. I'm old enough to remember how things were before advance pricing and can tell you that going back there would be a CATASTROPHE.

I remember the challenges we had before advance pricing. With the dramatic increase in price volatility since the 1990's[1], I don't think the industry would be able to cope. It's my view that we should be doing more advance pricing in the FMMO system, not less!

I've been in this industry for 37 years and have never talked to anyone that was happy with prices being announced after the fact. Again, nobody – not one processor, manufacturer, dairy farmer, cooperative manager – has ever said, in my hearing, that they are satisfied with running their business without knowing what the milk price is until after the fact.

D. The following comments are in opposition to NMPF's proposal 19.

An across the board milk cost increase makes our situation more difficult in several ways:

- Most of the increase will not go to our producers, but rather to the Mideast FMMO pool for redistribution to other producers.

[1] https://www.fsa.usda.gov/Internet/FSA_File/8_andy_price_volat_diac_jun.pdf

- Competition for farm milk in the country-side with the federally unregulated and partially regulated processors to our East will get more difficult because they don't have to pay into the pool and will be paying higher prices directly to their producers.
- Class I sales are going to extend the now 14-year losing streak we're on nationally and which Milk PEP already projects will last for another **6 to 15 years**. Increased milk prices will only hurt sales and make the annual decreases greater and ultimately add years to the losing streak.
- The producers who will see most of the benefits of the increase are large farms who ship to large manufacturing plants like the one that opened a few years ago in St. John Michigan. It doesn't make sense to me that the system would reward the owner of a new coop supply plant that simply draws money from the pool without meaningfully servicing Class I.

Proposal 19 would double the Class I differential for our plants in Allegheny County, Pennsylvania taking it from $2.10 per hundredweight to $4.20. This large increase in cost (adding about 18 cents per gallon) would negatively impact demand for milk at a time when our industry has seen sales declines for 14 consecutive years. The cost increase is not warranted as we can already source all the milk we need. In fact, most years our producers increase their production more than we can increase our bottled milk sales. Increasing milk prices will mean there will be fewer – not more – homes for milk. Increasing the milk price will also cause producers to make more milk generally without benefiting the dairy farmers who ship milk to Class I. Most of the increased cost that I expect for our company would go to the producer settlement fund administered by the Market Administrator of Federal Order 33 and not to the dairy farmers that produce milk for Turner Dairy. This increased pool obligation would make our company less able to compete in the country for good dairy farmers relative to unregulated competitors to our East. As I indicated earlier in my testimony, Turner Dairy is in the East suburbs of Pittsburgh and our milk supply is necessarily in the counties East of Pittsburgh. The $4.20 Class I differential proposed by NMPF would furthermore make us less able to compete for bottled milk business in Pittsburgh relative to our competitor Northwest of the city whose proposed differential is $4.00. Currently this plant has the same Class I differential as our plants, so Turner Dairy would be disadvantaged by 20 cents per hundredweight.

Interestingly, the plant in Mercer County, PA that would see the lowest increase in Western Pennsylvania is a member of NMPF. What's really troubling about this competitively is that the data in the original model NMPF received showed that Allegheny County, where our plants are located, should have a Class I differential 10 cents per hundredweight lower than the NMPF member plant we compete with in Pittsburgh. But in proposal 19, Allegheny County has a Class I differential 20 cents higher than Mercer County. In other words, NMPF has put forth a proposal whereby they unilaterally changed the applicable prices to make my plant significantly less competitive than a nearby NMPF members' plant. Such unfair adjustments undermine the reliability and integrity of NMPF's proposal as a whole, and the adoption of this proposal would be, to be frank, outrageous.

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

Fluid Plant(s), City	County	State	Current	Model Minimum	Model Average	NMPF #19	#19 – Current	#19 – Model Min.
United, Martins Ferry	Belmont	OH	$2.00	$3.90	$4.10	$4.40	$2.40	$0.50
MI Superior, Canton	Stark	OH	$2.00	**$3.90**	$4.00	**$3.70**	$1.70	**-$0.20**
Schneiders **Special-T Turner, Pittsburgh**	Allegheny	PA	$2.10	**$4.00**	$4.15	**$4.20**	$2.10	**$0.20**
Marburger, Evans City	Butler	PA	$2.10	$4.10	$4.20	$4.20	$2.10	$0.10
Galliker, Johnstown Vale Wood, Loretto	Cambria	PA	$2.30	$4.00	$4.15	$4.40	$2.10	$0.40
United, Uniontown	Fayette	PA	$2.30	$4.10	$4.25	$4.40	$2.10	$0.30
DFA Dean, Sharpsville	Mercer	PA	$2.10	**$4.10**	$4.20	**$4.00**	$1.90	**-$0.10**

Source: Hearing Exhibit 443 (MIG 64C)

E. The following comments are in opposition to Proposal 21 from American Farm Bureau to increase the Class II differential.

If the Class II differential is increased, Titusville Dairy, the Class II plant, would reevaluate the relative costs of skim from producer milk and NFDM with the possible result that we would increase use of NFDM and decrease the amount of producer milk sourced in Northwestern Pennsylvania. This is not an outcome we would like or want but the reality is that we ship ice cream mix and cottage cheese across the country and need to be competitive with other manufacturers. Again, changing prices in a way that does not align with market realities harms not only the entire dairy community, but also our customers. And it will ultimately result in less opportunity for both producers and processors.

III. CONCLUSION

In conclusion I urge USDA to reject proposals 1, 2, 13, 16, 17, 18, 19, and 21. Thank you for the opportunity to testify before you today.

DATED this 15th day of January, 2024.

By *\/s\/ Chuck Turner*
CHUCK TURNER