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
AUGUST 2023

TESTIMONY OF FAIRLIFE, LLC – PART 2
REGARDING NATIONAL HEARING ON
FEDERAL MILK MARKETING ORDER PROPOSALS

September 16, 2023

I. BACKGROUND

A. PERSONAL BACKGROUND

My name is Tim Doelman, CEO of fairlife, llc. I am one of the founders of fairlife and its predecessor companies that started 25 years ago. I have a BS in Dairy Science from California Polytechnic State University in San Luis Obispo, CA. I grew up on a family dairy farm in Washington State and have been involved with most aspects of the dairy industry. I lead fairlife's mission to nourish the modern world through great tasting nutrition.

B. COMPANY BACKGROUND

fairlife markets value added dairy products throughout the US and Canada. We have four plants in the U.S. and one in Canada. Our plants are in Coopersville, MI (Order 33); Dexter, NM (Order 126); Goodyear, AZ (Order 131); and Fair Oaks, IN (Order 33). Our products are sold in all 50 states. The milk we purchase is regulated on Orders 33, 126, and 131. Each plant has Class I, II, and IV utilizations. We purchase 100% of our milk from cooperatives. We employ around 800 people in the U.S. Our corporate headquarters are at 1001 W. Adams St., Chicago, IL.

II. SUPPORT FOR MIG PROPOSALS

I am a member of the Milk Innovation Group ("MIG") and support its proposals at this hearing. I am here today to testify on MIG's Proposal 20.

A. Proposal 20: MIG's Class I Differential

USDA should adopt MIG's Proposal 20 and set the base Class I differential at $0, with the county-level location adjustments unchanged.

1. Grade A Differential.

In my experience, I am unaware of Grade B milk actively produced. Moreover, I am unaware of any FMMO regulated Class II, III or IV operation receiving Grade B milk. With that, I am unsure why Class I buyers should pay a premium for Grade A status above and beyond what a Class II, III, or IV user pays when the Class I price is already taking into account the marketclearing prices from the manufacturing classes. There is no reason to differentiate Class I from Class III and IV in maintaining Grade A status.

2. Balancing.

Balancing costs should be dictated by how a plant operates. At fairlife, we run our facilities 24-7-365. Our goal is to receive milk as evenly as possible, similar to a cheese plant. Running our plant every day of the year requires significant personnel expenditures. Also, at all our facilities, we pay a balancing over-order premium. Hence, I do not believe a balancing charge should be uniformly inserted into the Class I differential when the producer does not always bear those costs.

One reason we run 24-7-365 is that we have a distinctly different operation from a normal fluid milk plant. We have very high capital costs associated with ESL and aseptic production. The high-cost equipment allows for long shelf-life products enabling us to receive milk more evenly compared to a fluid milk plant. Requiring fairlife to pay the pool for balancing costs at some flat fee over-charges us given that we have already invested significant sums in our facilities in order to balance the market by receiving milk every day and being able to hold more inventory. When our actual suppliers bear some portion of the balancing cost, we negotiate that expense and pay them for it via the over-order premium.

3. Incentive to Serve the Class I Market.

There is a belief that incentives are necessary for fluid milk plants to attract milk for Class I use. Whereas at one time in history this may have been true, today, fluid milk represents less the 25% of farm milk utilization. There is an adequate milk supply available for Class I needs. We have not had any issues securing Class I milk.

Additionally, if we were short Class I milk, it would be solved with higher over-order premiums to our supplying farms. Raising Class I prices just means that fairlife would have to pay more money into the pool, which does nothing to attract a specific supply of milk to our plants. Instead, if we are short on supplies, we need to use that money to pay our specific farmers. Those producing and delivering the solution should be compensated for the work. This is what makes markets work. Artificially enhancing prices ultimately results in disorderly marketing of milk.

III. CONCLUSION

Thank you for the opportunity to speak with you today.

DATED this 16th day of September, 2023.

By *_/s/ Tim Doelman_*
TIM DOELMAN