

Testimony of
California Dairy Campaign (CDC) Board Member Mark McAfee
before the USDA Federal Milk Marketing Order Hearing
October 5th 2023

My name is Mark McAfee. I am a Fresno County California dairyman and Vice President of the CDC and VP of the California Farmers Union.

I strongly support and I would like to associate my comments with the written testimony of Lynne McBride of the CDC and Joaquin Contente of the CDC. Both of their testimonies reflect well-researched solutions to structural problems with current programs, and includes adding Mozzarella to the Class 3 pricing formula. This structural price change alone will return a substantial amount of value to farmers that are currently being paid \$15 CWT when breakeven is at least \$23-27 per CWT depending which reference is used.

I am an elected delegate to the National Farmers Union and have represented California farmers nationally at NFU for more than 10 years. At each and every NFU convention I have attended, dairy farmers from across America have united to put forth major dairy policy through Special Orders of Business and these have included:

1. Match growth of production with growth of demand
2. Provide a sustainable milk price for farmers.
3. Stop the rapid consolidation of processors and loss of dairies.

These policy efforts have largely been ignored by legislators, processors, regulators, and policy makers. Farmers are easy to ignore because they are powerless, detached from the market, and they take whatever the processors choose to give. Dairyman are scared to stand up and protest for fear of processor retribution and loss of milk contracts. Fewer processors mean less competition and fewer places to sell your milk. CME price discovery is also broken and not a fair representation of market prices.

In our current system, dairy farmers are price takers and not price makers. This system is structurally broken as evidenced by the loss of more than 100,000 American dairy farms since 1992. Today we have about 24,000 dairies and we lose another 5-10% this year. The FMMO system was supposed to protect against this problem but has not been effective in that purpose.

In the last two months, two of my neighboring dairies, just two and five miles away, have been put up for sale and have gone out of business. One was milking 3500 cows, the other 2500 cows, and had been in business for 80 years or more and very well managed. When a dairy is

losing money, the next generation finds no reason to continue to labor. What is the point? Where is the excitement and promise? When a dairy loses its next generation, it sells. It is gone.

A Broken Dairy System fails to support our food sources and is a National Food Security Issue

The American milk pricing system is truly out of step with reality. In 1969, the Ford pickup truck cost \$3900 dollars and dairies were getting about \$.80 cents per gallon for their farm gate milk or \$9.30 per CWT . Today that Ford pickup truck costs \$45,000 dollars or even more and the dairyman gets \$1.30 per gallon (\$15 CWT). In an equitable system, dairies should be getting at least 10 times the 1969 values. In 2023, Ford trucks don't cost \$6300 dollars. Dairies could sustain at 4 times the 1969 values, but at 1.6 times the 1969 value, that is futile. That John Deere Loader now costs \$350,000 dollars! This directly effects dairies and is a cause of closure. Dairy closure then results in consolidation and extended distances to ship milk to processors. Dairy closures then effect the local economy with loss of jobs and other negative impacts thought out the food chain.

March 2020 "Stress Test" of our dairy System Scored a FAILURE...Loss of Local Food Sources.

When our food system was stressed in March of 2020, huge dairy processors could not adapt to changing market conditions and told their farmers to dump milk while store shelves were empty. This is a test of our system and our system failed miserably. What are the lessons learned? It was the local, smaller more resilient, processors and their dairyman that fed America. Large processors could not change quickly and with **JUST in Time** efficiencies they had no reserves and were unable to adapt. Employees in the large processing plants become ill and labor was short. As a result, stores had no dairy products on their shelves or were very short for literally months. Processor consolidation makes this worse and subjects our nation and our consumers to a fragile food system that is not resilient or able to adapt to stresses.



March 2020 California empty dairy shelf.

Local brands filled the shelves in a few areas (Raw Farm)



Empty dairy shelves in March 2020

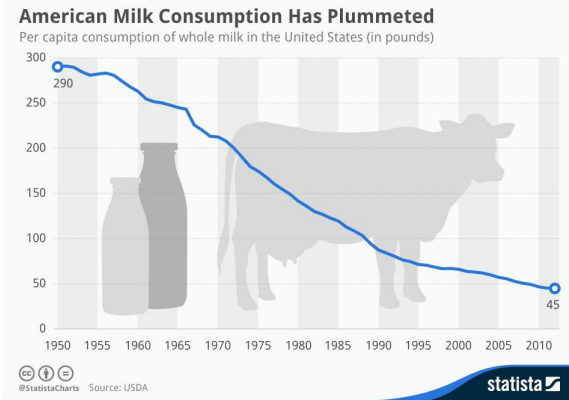
American dairies contribute to research and promotion dollars...YET no one listens to the research findings! The research is disruptive and inconvenient

For the last 12 years, I have attended the International Milk Genomics Consortium conferences held all over the world. It has taken me to Cork Ireland, Aarhus Demark twice, Quebec, Sydney Australia, and UC Davis in California. When I attend, I am almost always the only farmer in the room filled with PhD researchers that present their work on milk genomics and all the bio-actives found in the first food of life, mammals' milk. Yes, there are a few processors present as well. The tragedy of the IMGCC is that farmers help fund this fascinating and incredibly valuable research, but none of the processors do anything to incorporate the research into products that would bring forward to consumers the discoveries found in milk. Instead of engaging the science of the gut microbiome and the bio-actives found in milk, processors focus on extension of shelf life by raising the temperature of the pasteurization step and destroying the bio-actives that the scientists have discovered are truly valuable to the gut micro biome and the immune system and health. One scientist from LMU Germany this year presented evidence that ultra-high temp processing damages milk so badly that it is oxidized and probably a danger to consumers and especially children. I had talks with members of the National Dairy Council that

attended the IMGIC in Cork Ireland and they are NOT focusing on less processed or alternatives to heat but rather new “higher heat” longer shelf life products with cartoons on the labels and maybe using some of these bio actives (as extracted from milk) in some new highly processed product. Several of the IMGIC presenters clearly said...”bio actives don’t work the same when removed from the whole milk matrix”. My own CMAB processors conference just weeks ago mirrored the same future pathway: Longer shelf life with cute cartoons on the packaging. Feeding children highly oxidized, denatured, shelf stable ESL , don’t taste good, hard to digest, allergenic, enzyme depleted, nonfat, hyper processed products? It is no wonder pasteurized milk sales are in persistent decline. This processor direction is the exact opposite pathway of what the science says. We invest in research and research has answers but we don’t listen or engage these discoveries to make better products that consumers would buy, enjoy and benefit from. What a huge waste. There is nothing being done in America to bring more value to farmers. Processors are not working for the consumer or the farmers they are working for themselves. If processors were working for consumers they would innovate and create gut friendly immune system building delicious dairy products of great value. These products do exist but they require change, innovation, leadership and investment. If processors cared for farmers they would pay them and reward them for their cooperation with the production of these gut friendly high value products.

Instead, processors don’t listen to the science and continue to ride the decline in fluid milk sales and come to the FMMO for a “make allowance subsidy” so they don’t have to innovate or adapt or change. Providing processors with a make allowance increase is a subsidy and endorsement for more of the status quo disaster.

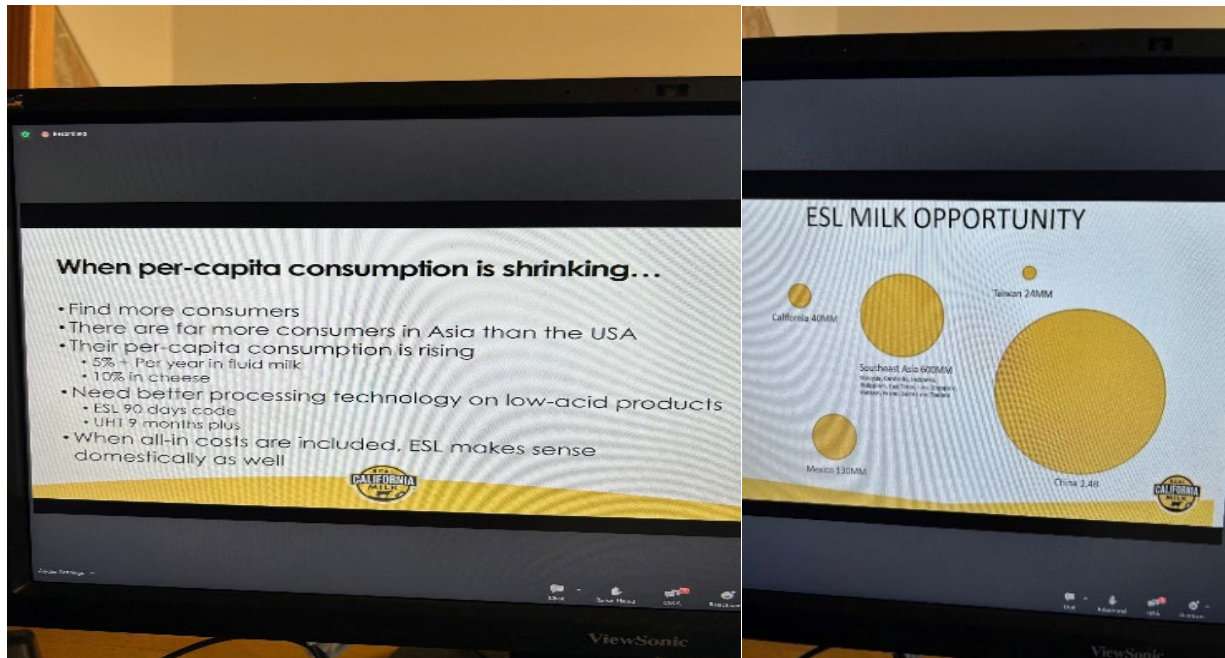
It is far past time to innovate and adapt. It is far past time to start serving consumers with bioactive less processed (differently processed) gut micro biome rebuilding dairy products. It is time for processors to pay farmers for milk in way that rewards farmers and sustainably assures that local milk supplies stay available. Have we not learned from lessons under the 2020 Stress test or are we going to just ignore them, so we repeat them. Next time to an even more severe extent? It is time to listen to the science and make products that truly bring value to people: Not the processors. Let’s bring value to the farmers and the consumers of America. Processors will do very well if they serve farmers and most importantly, they start serving consumers.



Do we want more of this same decline? Science says we don't need to.

Marketing Survey Data or Trends Being Ignored by Processors

CMAB processors conference just last month revealed super important market surveys. The survey data said that consumers want “less processed, gut friendly, easy to digest, probiotic, delicious dairy products”. The processors response is raising the temperature of the processing step to increase shelf life, put SUGAR INTO IT and add a cute or funny cartoon on a smaller bottle. The exact opposite of the science and the consumer market survey data. This hurts farmers. This hurts consumers. . Processors are instead looking to export these gut unfriendly and not so good tasting ESL products to other countries while ignoring the needs of the 330 million consumers here at home. Processors acknowledge that ESL product demand is shrinking with lower and lower consumer dollar voting. Yet, the processors don't fix why these products are in decline! This is processor greed. Instead of innovating, processors want a make an increased allowance subsidy to support their decline in product demand.



Failure to Educate about dairy products.

Dairy check off dollars have been shifted away from marketing and education towards dairy environmental issues. This means that those with the biggest manure lagoon pits get the most free money! This hurts everyone and leaves the consumer with little direction or educational information. The IMGC is rich with new very exciting information about the health-giving virtues of milk and dairy products, but that information goes nowhere. It's an investment with no return. Unfortunately, the FDA and NCIMS is processor centric and strongly inhibits innovation and refuses to allow NIH grants for alternatives to heat pasteurization while other countries are working on several alternatives (including HPP, UV, Ultrafiltration or even PCR rapid pathogen

testing of whole raw dairy products, or low pH fermented raw dairy products) to high temperature heat to assure milk safety. The dairy system in America is riding a dinosaur and it must innovate, or the trend lines point directly to its own destiny while eating and consolidating its multigeneration dairies all the way.

The five things that can be done today to innovate and start fixing the American dairy system.

1. Listen to the consumers! Market data points the way to growth and success.
2. Listen to science and innovate! Processors “make allowances” assure more of the same.
3. Fairly pay the farmers to “match growth in supply with growth in demand”.
4. Teach about dairy products using influencers on social platforms, but...first you need to create the innovative gut friendly delicious bioactive products that influencers would be excited about.
5. Add Mozzarella to the class 3 pricing formula.