



**Farmer Testimony**  
**Issue Focus: Proposal Number 7, Make Allowance Update**

Testimony Presented By:

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Good afternoon, my name is Simon Vander Woude. My wife and I own and operate three dairies in Merced County, CA. We do have partners on two of those dairies: one being a manager, and on the other: two of our children. These are family operated dairies! I also happen to be the current chairman of California Dairies Inc., vice-chair of National Milk Producers Federation, as well as serving on the board of the U.S. Dairy Export Council.

I am either a first-generation dairyman or a third-generation dairyman depending on your definition. Both of my grandparents were in the dairy business in San Diego after immigrating from Holland after World War II. My parents started their own operation in San Diego which is where I grew up on a dairy. My wife and I had the opportunity to start our own dairy in 1994 in San Marcos (San Diego County). We moved to Merced in 2001 and have continued to grow our operations, which is now enabling us to bring some of our kids into the dairy business as well which has been a true blessing.

How would you define a dairy operator? Someone who puts in long hours doing physical labor, caring for cattle and crops. Or would you think of us as data analysts? I think we are a bit of both! Most of us love the physical outdoor work, but also love the data analysis: provided by milk meters, health monitoring systems, genomics, yield data and the list goes on.

I would like to talk about the proposed make allowance adjustments proposed by NMPF in this hearing. As a board of our member-owned cooperative, we are responsible for the financial health of our cooperative business. CDI's plant network has historically processed about 25 percent of all milk in California (24.8 percent in 2022) and about 5 percent of all milk in the U.S. (4.6 percent in 2022). We do see seasonal ebbs and flows in milk volumes to our plants, but these plants are essential to the orderly marketing of milk within California.

As a dairy owner and operator, I fully acknowledge that raising the make allowance will impact my on-farm income as it will lower my milk price. As a board member of our cooperative, I have seen the impact of what I consider to be a broken pricing structure. How can we operate a pricing structure that changes on a monthly basis for the output side of the equation, while not changing for 15 years a portion of the input side of the equation? My business has seen drastic changes in the cost of operations over the past 15 years, and I can attest to the fact that our cooperative-owned plants have seen many of those costs increase as well. In 2009, my cost to produce 100 pounds of milk was close to \$9.50, today that cost is closer to \$19.00. Doubled! The feed part of that equation carries the bulk of that increase, but my non-feed costs have nearly doubled over that time due to higher labor costs, equipment costs, service costs, etc. How can we expect processing plants to not have seen that same pressure?

That said, we fully acknowledge that raising the make allowance too much in one hearing WILL have detrimental effect to on-farm income, and may push many dairies out of the business as margins are squeezed every year. We have had to become much more efficient through genetics, feeding efficiency, farming efficiency, energy efficiency, etc. which all lead to a better sustainability story and outcome. Most of our cooperative-owned plants have also become much more efficient as well, but not enough to cover the costs associated with a make allowance that has not been adjusted for 15 years.

I would respectfully request that USDA move forward with the proposal submitted by NMPF, and we hope and pray that a future audited reporting process will provide the hard data needed to possibly change these again in the future. As we have operated in the California pricing system for most of my career, we saw the value of data in having discussions regarding what it costs to balance milk in California and ultimately process that milk into stable dairy products that can be stored and sold into domestic and export markets. This request from NMPF is a big step towards rectifying the pricing formula for the perishable product we produce on our dairies every day of the year, while understanding that we don't have enough defensible data today to fully adjust the costs or yields of the make allowance portion of our pricing structure.

Thank you for the opportunity to present in this hearing.