

I'm Doug Chapin, I own and operate a dairy farm in Central Michigan with my wife and son. Our dairy farm is a Centennial Farm and my son represents the 5th generation. We milk 700 Holsteins with a great team of employees. I also serve as the Board Chairman of Michigan Milk Producers Association. MMPA is a dairy farmer owned cooperative and also a dairy processor serving over 1000 dairy farmers in the Great Lakes Region. MMPA markets Milk in all 4 Classes of milk and also is a processor in all 4 Classes. I've represented MMPA on the NMPF Board of Directors and also served on the NMPF Economic Policy Committee that vetted and made recommendations to the full board on FMMO changes.

I support proposal 13 that was submitted by the National Milk Producers Federation. This proposal returns us to the higher of class 3 or 4 for our Class 1 skim milk price mover. This proposal returns us to the program which we operated under until 2018. The current structure, which uses the average of 3 and 4 plus 74 cents has fallen short and financially damaged dairy farms across the country. The average plus 74 cents puts a ceiling on the benefit of class 1 pricing but gives no floor and has left myself and fellow producers vulnerable. The adoption of the current class 1 mover has cost dairy producers over 1 billion dollars since 2018.

In 2020, during the pandemic, we saw the spread between Class 3 and 4 exceed \$10. Leaving producers extremely under compensated. This was right on the heels of a couple of months of devastating milk prices as producers and processors were sorting out the pandemic challenges. I know producers and processors had to adjust to a drastically different market and working environment. I know that the current average of rules were put in place to help processors hedge their milk costs. However, I believe that it makes it more difficult for producers to protect their milk. MMPA operates in Federal Order 33 or the Mideast order. My market is basically 30% Class 1, 45% Class 3, 15% Class 4 and 10% Class 2. I had milk contracted at over \$24/cwt in July of 2020. I have always been fine with losing on a contract because the payment would be in the milk check, however; I not only lost on the contract but there was a large negative basis to the 30% of milk in Class 1. Our PPD exceeded negative \$8 dollars. I don't know of any tools accessible to the average dairyman that can address class 1 pricing today. The best tool would be the higher of mover so that producers know that they won't have to risk a negative basis in Class 1 pricing.

I know that the pandemic was seen as a black swan event. That the volatility caused by the pandemic was unique and not repeatable. However, the spread between class 3 and class 4 has exceeded \$1.48 three other times. In fact, the spread between classes has been over \$1.48 for much of this year and has cost dairy farmers over 60 million dollars in the first 8 months of 23. It has cost MMPA member, producers over 4.1 million dollars in the last year. The change to the average plus 74 cents has cost my family over \$22,000 in the last year. Today, with margins at historic lows. Producers need that value to operate.

As Chairman for Michigan Milk Producers Association, I received many concerns and questions from our dairy producers, on the class 1 mover. The frustration I heard in their voices was real and well founded by what they were witnessing in the market place and in their own business. The change to the average of 3&4 plus 74 cents was so visibly damaging to producers that the government responded with help by enacting the Pandemic Market Volatility Assistance Program. I appreciated this response. However, it didn't cover all the milk and fell short of the full impact. I think the need of this program highlights the need to return to the higher of class 1 mover. The sentiment and discontentment with the current class 1 mover by our MMPA members were echoed throughout NMPF's membership. In my

roll on NMPF's Economic Policy Committee I heard producers and co-op leaders from around the country state the damage caused by the current program. The task force developed a couple plans to present to the committee. One plan was a complicated rolling average that over an extended period of time would make producers whole. The committee wanted nothing to do with complex plans that delayed the value of class 1 milk getting into producers milk checks. It is in times like right now. When we have tight margins and are losing value on class 1 because the spread between 3&4 is over 1.48. Today is when our farmers need that value, for their businesses and families.

In closing, I'd like to put emphasis on the 1 billion of dollars that producers have lost since the current mover was put in place in 2018. Our members voted unanimously that the FMMO hearings had to resolve the deficiencies of the legislated 2018 change. I personally believe that this is the issue that drove this hearing to occur. Producers have been clear to me. They have been unfairly harmed by the current mover and continue to be. I haven't had one producer request any other action on the mover other than returning to the higher of. We were told that the change to the current program had the goal of holding producers harmless. It missed it's target. It provided a cap on the upside and no protection on the downside. I'm representing 1000 dairymen and a co-op that bottles Class 1 milk when I say that I support Proposal 13 and returning to the higher of Class 1 mover.

Thank you