

Testimony Outline for the USDA Federal Milk Marketing Hearing
In Support of NMPF Proposal to Update the Federal Milk Marketing Order Class I Surface Map
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Background

Thank you for the opportunity to testify. My name is Blake Gendebien. My family and I own and operate Twin Mill Farms in Northern New York. We are a second-generation dairy that started in 1972, in Lisbon, NY in the fertile St. Lawrence Valley. My wife Carmen and I milk 500 cows and farm 1,200 acres with my mother and father. We employ 11 people. I am a graduate of Penn State with a degree in Ag-Systems Management with a minor in Business. After college, I worked for AGCO Corporation, an agricultural machinery company, and had the opportunity to work in Germany, the Midwest, and Southeast. In 2003, I returned to my family's farm and started expanding the operation from 50 cows to 500. That expansion took almost 15 years to achieve. I currently serve as Vice Chair of Agri-Mark dairy cooperative. I have been on the cooperative's Board of Directors for more than ten years and have held a variety of leadership positions.

Agri-Mark, a dairy cooperative in the Northeast, is owned and operated by over 550 dairy farm families across New England and New York. Our members are pooled in Federal Order 1. The cooperative has been marketing milk for dairy farmers since 1916 and has headquarters in Andover, Massachusetts and Waitsfield, Vermont. Those farm families supply more than 3.2 billion pounds of farm-fresh milk that we use to make our award-winning Cabot branded cheeses, dairy products, and ingredients. Agri-Mark operates three cheese manufacturing facilities located in Cabot, Vermont; Middlebury, Vermont; and Chateaugay, New York. These are pooled supply plants. The cooperative manufactures and markets valuable whey proteins around the world produced at the Middlebury, Vermont facility. Agri-Mark also operates a butter-powder facility in West Springfield, Massachusetts that is a non-pooled supply plant. Additionally, Agri-Mark supplies fresh fluid milk to the region's largest dairy processors.

I am testifying today on behalf of Agri-Mark and our 550 dairy farm families. Agri-Mark is in full support of the National Milk Producers Federation (NMPF) proposal for modernization of the Federal Milk Marketing Orders (FMMO). Today I will speak in support of NMPF Proposal 5: Update the Class I differential pricing surface throughout the United States.

The FMMO Class I pricing surface map was last updated in the 2000 Federal Reform process. Since then, the industry has evolved significantly. All aspects of FMMOs must be reflective of today's realities, and the pricing surface map is no exception. The current differentials are reminiscent of a dairy landscape far different in terms of number and location of farms, processors, and consumers. Additionally, the cost of transporting raw milk has increased significantly. The pricing surface map must be updated to reflect the changes of the last two decades and today's marketplace.

As expert NMPF witnesses have testified, NMPF's Proposal 5 is based on an extensive analysis that utilized a combination of science and art. Modeling results published by the University of Wisconsin were used as the science and were the basis of the recommended values. The art came in with the use of cooperative experts in the field of milk movement. These experts were asked to determine if the model results were consistent with actual milk movements and historical relationships. The model

results were adopted as recommendations if the adoption would help to promote orderly milk marketing, given today's and future plant locations. On limited occasions, the experts identified locations where adoption of the model output would not promote orderly marketing. In these instances, alternative differentials were proposed that differed from the model, but better incentivized milk movement.

In the Northeast region, the model resulted in much higher values at nearly all locations, compared to current Class I differentials. As an Agri-Mark director with knowledge of our cooperative milk movements and costs of milk movement, these results do not surprise me. I am also not surprised by some of the locations where the NMPF proposal differs from the model, specifically in the state of New York.

Since 2000, in the states that Agri-Mark operates in (New England and New York) there has been a shift in milk production out of New England and into New York. Notably, St. Lawrence County (where my farm is located) and neighboring Jefferson County, have witnessed a significant increase in milk supply since 2000. This milk must move east to find a home. However, the existing Class I pricing surface map is not conducive to this movement. The Adirondack mountains create a physical barrier that cannot be overcome by milk haulers. Haulers must travel extensive miles along the northern New York border (all within the same zone) before they can move east, coming at a significant cost that must be dealt with. NMPF's Proposal 5 acknowledges this cost by setting the differentials at these source counties lower than the model results. In doing so, the adoption of the proposal will incentivize appropriate milk movements to northeastern New York and northern and central Vermont.

In summary, we value the critical role of the FMMOs, but also recognize that the dairy industry has evolved significantly over the more than two decades since Federal Order Reform. Amendments, including updating the Class I pricing surface, are needed to modernize FMMOs and resolve the challenges faced by today's dairy industry participants. The time and effort that NMPF and its cooperatives have devoted over the last two years, and USDA's granting of this hearing, are both an acknowledgement of this need. Thank you for the opportunity to testify today.