

**United States Department of Agriculture
Before The Secretary of Agriculture**

In re: [Docket No. 23-J-0067; AMS-DA-23-0031]

Milk in the Northeast and Other Marketing Areas

Hearing beginning August 23, 2023

Testimony Presented By:

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Representing

Dairy Farmers of America

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My name is Richard Christen Kraft, but everyone calls me Chris. I am a dairy farmer from Fort Morgan, Colorado where my wife, my son and I have a dairy farming operation that we started in 1988. We milk 6,000 cows and farm 1,300 acres of corn and alfalfa, which is feed for our cows. We are farmer-owners of Dairy Farmers of America (DFA). I serve on various boards and committees within DFA, including the DFA executive committee of the board. I also am vice president of the Fort Morgan Reservoir and Irrigation Company and president of Jackson Lake Irrigation Company. From 2000 to 2006, I served on the Colorado Water Quality Control Commission. Additionally, I currently serve on the National Milk Producers Federation (NMPF) Board of Directors. I am here today to represent DFA in support of the proposals submitted by NMPF. I also want to specifically address the Class I price surface proposal with respect to Colorado.

The outcome of this hearing will have huge consequences for our dairy industry and especially on the farm. Dairy farmers live on the margin, which is the difference between the price we are paid for our milk (income) and what it costs to produce the milk (expenses) which include the costs for feed, labor, interest, milk hauling, promotion,

supplies, bedding, manure management and environmental costs, repairs and maintenance, utilities, taxes and licenses, insurance, fuel and oil, professional and consulting fees, employee benefits, veterinary, testing and trimming, miscellaneous and the cost of raising heifers. If the number is positive, we use most of that money to upgrade and improve facilities and equipment to make them more efficient, reduce our costs, and pay off loan balances. If it is negative, we have to use savings or borrow money to pay the bills until the number becomes positive again, which often can go on for months at a time.

Our farm's cost of production has exploded in the last few years. I asked our accountant to analyze our cost of production changes going back to 2015 through 2022. Costs remained similar 2015 through 2019 and then shot up from 2019 to 2022 by \$4.49 per hundredweight, which is a 28 percent increase. In Colorado specifically, the cost of water for the cows on the dairy, and to grow their feed, has gone up rapidly as the population in our state has grown and competition for our limited water supplies has increased.

Unfortunately, the Wisconsin price surface model does not recognize the unique circumstances involved in supplying a large Class III cheese plant in Colorado.

Usually, large manufacturing plants are built in places where there is a plentiful milk supply. In the case of Colorado, this was not true. Leprino wanted to build a cheese plant. This new demand opportunity allowed the dairy farmers in Colorado to grow, and to contribute to Colorado's rural economic development.

Colorado is a milk island, and the factors affecting us are not fully recognized in the Wisconsin model.

- Colorado's milk supply and cow numbers have increased considerably since 2005, but this growth occurred to supply a large cheese plant to which we have contract supply obligations.

- With a growing urban population in close proximity to the bulk of Colorado dairies, there have been cost of production increases due to water/irrigated farmland pricing competition.
- Colorado dairies have also faced increased labor costs due to the state's growing urban population on the front range drawing agricultural workers to town in addition to new stringent state agricultural labor laws and minimum wage rules.
- The basis, or transportation cost to move important nutrients into Colorado, from the Midwest has increased considerably in recent years due to elevated supply chain costs. For example, corn basis has increased 25 cents to a 50 cents per bushel for the corn we buy for our farm.
- We have a water district in our county from which we buy water for the cows to drink and cleaning the barn which is costing our farm \$40,000 per month. Our water costs have increased considerably over the last 20 years.

Our dairy farming operation is a tremendous capital investment with low returns on investment. Given the slim margins in which dairy farmers operate, even a small decline in milk price greatly impacts our bottom line. Even the moderate make allowance adjustments being proposed will likely reduce our pay price by a hefty \$0.50 per hundredweight. The initial Wisconsin price surface model would reduce the Colorado pay price another \$0.40 per hundredweight. Given those thin margins, if the factors influencing how much we are paid for our milk reduce our pay price by more than \$0.50 per hundredweight, it will have serious negative consequences on Colorado's milk supply. This would make it almost impossible for new, young, dairy farmers to get started to replace those that leave the industry.

In conclusion, I am here today asking that you please recognize the shortcomings of the price surface model with respect to its treatment of the uniqueness of the Colorado dairy industry. Please give us this consideration so we can continue to produce milk in an economically sustainable manner. As a proud Colorado dairy farmer, I thank you for the opportunity to testify today.