

## NATIONAL FEDERAL MILK MARKETING ORDER PRICING FORMULA HEARING

DOCKET NO.: 23-J-0067; AMS-DA-23-0031

Before the Honorable Jill Clifton, Judge

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Carmel, Indiana
November 28, 2023

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Reported by:

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22	
23	(Please note: Appearances for all parties are subject to
24	change daily, and may not be reported or listed on
25	subsequent days' transcripts.)
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1	TUESDAY, NOVEMBER 28, 2023 MORNING SESSION
2	THE COURT: Let's go back on record.
3	We're back on record. It is 2023, November 28th,
4	approximately 8:00 in the morning.
5	I don't think there are any preliminary matters,
6	but if there are, let me know now.
7	No. All right.
8	The witness who was on the stand yesterday may
9	take his seat at the witness chair.
10	Mr. Brinker, would you again state and spell your
11	name?
12	THE WITNESS: Joe Brinker, J-O-E, B-R-I-N-K-E-R.
13	THE COURT: You remain sworn.
14	And, Mr. English, you may resume your
15	cross-examination.
16	MR ENGLISH: Thank you, Your Honor.
17	JOE BRINKER,
18	Having been previously sworn, was examined
19	and testified as follows:
20	(CONTINUED) CROSS-EXAMINATION
21	BY MR. ENGLISH:
22	Q. Chip English for the Milk Innovation Group.
23	Good morning, Mr. Brinker.
24	A. Good morning.
25	Q. I do want to mostly start where I left off, but I
26	want to digress just for one moment.
27	In the intervening time since last you were on the
28	stand last night, have you learned anything more about the



1	University of Wisconsin model?
2	A. No.
3	Q. Did you look at Exhibits 300 or 301, which are the
4	big spreadsheets?
5	A. I did not.
6	Q. Is there anything, before we get started, that you
7	would like to revise from yesterday's testimony?
8	A. There is not.
9	Q. Okay. So we have earlier in this proceeding taken
10	official notice of some documents from USDA with respect
11	to milk production, disposition, and income.
12	(Court Reporter clarification.)
13	MR. ENGLISH: Milk production, disposition, and
14	income.
15	And, Your Honor, I would like to he obviously
16	doesn't have copies with him, I assume. I brought extras
17	for him to look at. These are the not like yesterday,
18	because yesterday Mr. Hoeger had looked at a different
19	time period, but this is the original set for the 2000
20	summary issued in April 2001, and the 2022 summary issued
21	in April 2023, and they have already been taken official
22	notice of, and people may or may not still have copies
23	with them.
24	But may I approach the witness, Your Honor?
25	THE COURT: You may.
26	BY MR. ENGLISH:
27	Q. So, Mr. Brinker, these documents are official
28	publications of the United States Department of



Agriculture, and they provide information with respect to milk production, both the total quantity and the percent that is fluid grade or Grade A.

So I would like to start. And just for clarity, I have provided only one page of each. In the case of 2000, it's page 9, and in the case of 2022, it's page 11. But it's basically the same information, although the formatting is somewhat different. And they use abbreviations for the states in 2000 and the state names in 2022.

But let's start with Missouri for a moment, which is about the middle of the page, "MO" under 2000. And would you confirm with me that the total quantity of milk produced in Missouri at that time was -- these are in million pounds -- 2,229 million pounds.

Can you confirm that, please?

A. Yes.

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- Q. And that 95% was Grade A, correct?
- 19 A. Correct.
- 20 Q. So now let's look at 2022.

21 And the state of Missouri now is 922 million 22 pounds, correct?

- 23 A. Correct.
- Q. Which is down over 1.3, so 1,300 million pounds in
- 25 | 2002, correct?
- 26 A. Correct.
  - Q. Very significant drop, correct?
- 28 A. Yes.



- 1 Q. Okay. And it's at 97% Grade A, correct?
- 2 A. That is correct.
- Q. Okay. So now let's look at Nebraska, two lines
- 4 down, on 2000.
- 5 That number shows 1,239 million pounds, correct?
- 6 A. Yes.
- 7 | O. And 96% Grade A, correct?
- 8 A. Yes.
- 9 Q. And if we look at 2022, it's gone up some to 1,410
- 10 | million pounds, correct?
- 11 A. That is correct.
- 12 Q. And 100% Grade A, correct?
- 13 A. Yes.
- 14 Q. So now let's go back up the page and look at
- 15 | Kansas.
- So Kansas, or KS in 2000, is listed at
- 17 | 1,508 million pounds, correct?
- 18 A. Yes.
- 19 | O. At 99% Grade A, correct?
- 20 A. Yes.
- 21 | Q. And on -- in 2022, Kansas is now 4,130 million
- 22 | pounds, correct?
- 23 A. Correct.
- 24 | O. And 100% Grade A, correct?
- 25 A. Yes.
- 26 Q. So Missouri is down significantly, correct?
- 27 A. Correct.
- 28 Q. Nebraska is up a little bit, correct?



1 Α. Yes. 2. Ο. And Kansas is more than tripled, correct? 3 Α. Correct. 4 THE COURT: More than tripled? 5 MR. ENGLISH: More than tripled. 6 THE COURT: Did you say the second number was 7 4,130? 8 MR. ENGLISH: Yes. THE COURT: Wouldn't it have to be --9 10 MR. ENGLISH: I'm sorry, not quite tripled. 11 You're right, Your Honor. 12 THE COURT: Okay. 13 MR. ENGLISH: Late-night math. 14 A little less than tripled, two and a half times, 15 correct that. Correct? 16 THE WITNESS: Yes. 17 MR. ENGLISH: Thank you, Your Honor. 18 THE WITNESS: Roughly. 19 MR. ENGLISH: Thank you. Roughly. 2.0 BY MR. ENGLISH: 2.1 Do you know where that Kansas growth is Ο. 22 concentrated? 23 I don't know exactly where it's at, but I would --24 I would guess that it's Western Kansas. 25 Ο. Near Wichita? 26 Α. No. 27 Ο. Some of it near Wichita, some of it just south of Wichita, in Gray County? 28



1	A. Not that I'm aware of.
2	Q. So Wichita is in Sedgwick County; is that correct?
3	A. I don't know that for a fact.
4	Q. Do you know if the growth in Kansas is in Gray
5	County and Kearney County?
6	A. I don't know that for a fact.
7	Q. Nonetheless, there is significant growth of milk
8	production in Kansas, correct?
9	A. In the state, correct.
10	MR. ENGLISH: Your Honor, I would like to have a
11	document marked which was it doesn't have any label on
12	it because it comes from Central Order statistics, but we
13	submitted it this morning to USDA as MIG-53.
14	THE COURT: All right. I believe our next number
15	is 357. Yes, it is, Exhibit 357.
16	(Thereafter, Exhibit Number 357 was marked
17	for identification.)
18	THE COURT: And let's go off record while those
19	exhibits are proposed exhibits are distributed.
20	Off the record.
21	(An off-the-record discussion took place.)
22	THE COURT: Let's go back on record.
23	We're back on record at 8:10.
24	Mr. English.
25	MR. ENGLISH: Thank you. Off the record we have
26	marked a document labeled Central Order States as MIG-53,
27	and this exhibit, Your Honor, I'm sorry, I was



THE COURT:

357.

1 MR. ENGLISH: 357.

And we had a conversation off the record with Erin Taylor of USDA confirming for those who did not hear that, or for the purpose of the record, that the website will not reorder them, but MIG-53 will be listed, and then there will be a document provided by USDA that will link -- that shows that's Exhibit 357.

Your Honor, this is an official publication from the Central Order States. You can find it on the website. I'll provide the cite later.

11 BY MR. ENGLISH:

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- Q. But, if I may, Mr. Brinker, have you seen documents like this before from USDA?
- 14 A. I have.
  - Q. Okay. So in looking at this document, and going back now as far as 2000, which confirms the data we just saw from NASS, the milk production increases, would you agree, are in Colorado, Iowa, Kansas, and South Dakota, and a little bit Nebraska?
  - A. Yes.
- Q. And Illinois and Missouri and Oklahoma are down, correct?
  - A. That is correct.
  - Q. So what is the specific reason why National Milk Producers Federation proposes that Wichita goes up \$0.90 over the model?
- 27 THE COURT: Over what?
- 28 MR. ENGLISH: The model results.



THE COURT: The model. Thank you.

THE WITNESS: Again -- again, the model was the baseline, the background, and then National Milk looked at the price alignment between markets, and did our best to maintain those current alignments.

## BY MR. ENGLISH:

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- Q. Is price alignment more important than milk production and population centers?
- A. I don't -- I'm not sure what your -- what your question is.
- Q. So -- so what principles should USDA apply in establishing Class I differentials? And I'm asking, is the preference for price alignment or is it a recognition of where the milk is produced, where it is processed, and where it is sold?
- A. I -- I don't know that any of those are in the model as far as the population centers and where the milk is sold.
- Q. If the model does take into account where milk is produced, where it is processed, and where it is sold, wouldn't that be relevant to your consideration?
- A. Yes. And I believe the model does look at where it is -- it is produced and bottled, if you will.
- Q. So you talk about -- why is price alignment relevant to your consideration?
- A. Well, I would say that the price alignment is -you know, we're -- the market currently has established
  market alignments, price alignments that appears to be



- Q. What's the point of updating the Class I differentials from data from 25 years ago if at the end of the day the current alignments are going to prevail over what the model results are?
  - A. I don't understand the question.
  - Q. Could you repeat it back?

THE COURT: It was brilliant. I'm -- I don't want her to repeat it back. Ask again even if it's not exactly the same.

13 MR. ENGLISH: All right.

## BY MR. ENGLISH:

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- Q. What is the point of updating Class I differentials after 25 years, using new data about where milk production is, where the milk's produced, where it is processed, and where it needs to be sold, if at the end of the day existing price alignments are going to govern over what the model results are?
- A. Well, I -- I would not characterize it existing alignments govern over that. That's just one part of the considerations that were made.
  - Q. So other than price alignment, why are you proposing that Wichita goes up \$0.90 over the model versus Kansas City going zero over the model?
  - A. Again, that would be one of the considerations on price -- price alignment.



1	Q. What are the other considerations?
2	A. Well, the other considerations were would be
3	distance from the market, from the raw milk distance
4	from the market.
5	Q. And wouldn't the documents we just looked at
6	suggest that with milk production down in Illinois and
7	Missouri, and up significantly in Kansas, that milk
8	production is closer to Wichita than it is to Kansas City?
9	A. I don't know that to be the fact.
10	Q. Do you have any evidence to provide to the
11	contrary?
12	A. I do not.
13	MR. ENGLISH: Your Honor, I move admission of
14	Exhibit 357.
15	THE COURT: Is there any objection to the
16	admission into evidence of Exhibit 357?
17	There is none. Exhibit 357 is admitted into
18	evidence.
19	(Thereafter, Exhibit Number 357 was received
20	into evidence.)
21	MS. HANCOCK: Your Honor, it would be helpful if
22	we had the actual source on here, the cite for it.
23	THE COURT: Well, Mr. English said he would
24	provide that later, but this is all from USDA website
25	material.
26	Is that correct, Mr. English?
27	MR. ENGLISH: Yes, it is, I believe there's



somebody nodding his head, but all I can testify about --

1	I will provide the citation, and if we need to wait, I'll
2	put it on hold.
3	THE COURT: You do not need to wait.
4	MR. ENGLISH: Fine.
5	THE COURT: We appreciate your courtesy and
6	showing us where to look, but if this is public data, then
7	I'll accept the exhibit.
8	MR. ENGLISH: I will do so no later than tomorrow
9	morning and maybe even today.
10	THE COURT: Thank you. Did I admit it? I did,
11	didn't I? Okay.
12	MR. ENGLISH: Yes, thank you.
13	THE COURT: Oh, so we will appreciate the courtesy
14	of the citations to the USDA website as to source of this
15	material, but nevertheless, with or without it, I do admit
16	into evidence Exhibit 357, also known as MIG-53.
17	MR. ENGLISH: Thank you, Your Honor.
18	My next document is marked Exhibit MIG-54. It is
19	prepared by MIG and uses sort of the headline that we have
20	tried to use and deleted any reference to National Milk.
21	And it is four selected locations in Order 32. If I could
22	provide that yourself and the witness, copies to USDA, I
23	would like to have that marked as the next exhibit.
24	THE COURT: Yes. Let's go off record while we do
25	that.
26	(Thereafter, Exhibit Number 358 was marked
27	for identification.)
28	THE COURT: Let's go back on record. Back on



1 record at 8:21. 2 Mr. English, while off record I labeled MIG-54 as Exhibit 358. 3 4 MR. ENGLISH: Thank you, Your Honor. So for the benefit of both the witness and the 5 parties, this is yet another chart, in this case, 6 7 extracting Jackson, Missouri, Row 1497; Omaha, Nebraska, 8 Row 1648; Sedgwick, Kansas, Row 941; and Reno, Kansas, 9 that's the county, of Row 942, where there are four pool 10 distributing plants. 11 THE COURT: So there are four distributing --12 MR. ENGLISH: Four plants. There are four --13 THE COURT: Oh, go ahead. 14 MR. ENGLISH: -- pool distributing and supply 15 plants. And the source of most of the information -- all 16 the sources are labeled in the columns, similar to 17 previous documents, although we have done a few different 18 calculations here with the differences and percent 19 changes. 2.0 BY MR. ENGLISH: 2.1 Sir, I continue to struggle with this. Why is Ο. 22 Reno, Kansas, where proprietary operation operated by 23 Kroger, when the model results go up \$0.10 from the 24 current, add -- National Milk proposes adding an 25 additional \$1.05?



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situation where now we are looking at the price alignment

as we move south, and trying to attempt to maintain those

Well, the -- if I remember correctly, this was a

Q. Well, but looking at the four plants that are in your area -- well, let me backtrack.

We just looked at documents for Oklahoma, and Oklahoma is shrinking milk production, correct?

A. Correct.

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- Q. And presumably the model would pick up the fact that the Oklahoma milk production is shrinking, correct?
- A. I don't know if it would or not. I can't speak to the model.
- Q. But you are here talking about why National Milk has proposed numbers that turned out to be different from the model.

How is USDA to make a determination of why your numbers are correct if you can't even testify as to the model?

- A. Again, the model is used as a benchmark. And then for this particular area, I was looking at current relationships and -- and what would be least disruptive to the existing environment.
- Q. Well -- all right. Least disruptive to the existing environment.

But nonetheless, to the extent, you know, Kroger in Kansas may sell east, and Hiland in Kansas City may sell west, currently, yet in the 1997 data that USDA used, that would be \$0.20 higher under the current column, but you make it \$0.50 higher under your proposal, correct?

A. Can you repeat that?



- Q. Comparing the Kansas City location where a cooperative plant is located, to Kroger's proprietary operation in Reno, Kansas, right now, would you agree, that Kansas City is at \$2.00 Class I differential, and Kroger is at \$2.20 Class I differential, correct?
  - A. Correct.

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- Q. And that's a \$0.20 difference, correct?
- A. Currently, yes.
- Q. Yes. But if you go under "Proposal" -- the column "Proposal Number 19 June '23," that is now a \$0.50 difference, correct? In favor of Kansas City, correct?
- A. That is correct.

But I would also point out that the Wichita price alignment is the same as the Kroger plant in Hutchison.

- Q. In order to get there you modified it by the additional \$0.15 over the model, correct? I understand you have made it the same, but you have, nonetheless, added, based upon what the model would do, an additional \$0.15 over Wichita, if you look at the difference column, correct?
- A. Uh-huh.
  - O. From \$0.90 to \$1.05, correct?
- 23 A. Per the model.
  - Q. Sir, what's the point of the model if you are just going to go for price alignment?
  - A. Well, I think it's been established that the model was used as the foundation. You have to start somewhere, and -- and that's the somewhere that we started.



1	Q. Let's look at your map on page 5, as we also look
2	at Exhibit 358.
3	THE COURT: So we're looking at 356, page 5?
4	MR. ENGLISH: Yes. 356, page 5.
5	BY MR. ENGLISH:
6	Q. Given growth of milk let me back up.
7	You agree that milk production has also gone up in
8	Colorado significantly since 2000?
9	A. Yes.
10	Q. So given that milk production growth in Colorado,
11	and given the milk production in Kansas that has gone up,
12	and the fact that Nebraska has gone up slightly, but
13	Missouri and Illinois have gone down, what is the
14	justification for this \$3.30 zone along Interstate 70 from
15	Colorado into Kansas?
16	A. I believe there will be a future witness that
17	would speak to Western Kansas and the Colorado price
18	surface.
19	Q. But you are here to testify about Wichita,
20	correct?
21	A. That is correct.
22	Q. And so you are saying ask somebody else?
23	A. Not about Wichita.
24	Q. Well, isn't Wichita affected by this \$3.30 range?
25	I guess let me back up.
26	When I look at the map, you have Wichita in the
27	\$3.85 zone on the map.



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That is correct.

- Q. Wichita is not farther west in the state than that?
  - A. I would not consider Wichita Western Kansas.
  - Q. So you are saying it's in the \$3.85 zone?
  - A. That is correct.

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- Q. Other than this idea of retaining current price alignment, what is National Milk Producers' justification for the results that appear on Exhibit 354 that leave Kansas City at the model number, which is a 0% increase, versus Sedgwick, Kansas, of 31% increase, and Reno, Kansas, a 38% increase over the model?
- 12 A. Again, we started with the model, and it was an attempt to maintain those price alignments.
  - Q. Any other reason other than price alignments?
- 15 A. That was -- that was a main point of it. Also the
  16 distance from the market for the milk that is actually
  17 physically delivered into those locations.
  - Q. That is raw milk delivered to plants?
- 19 A. Correct.
- Q. And you don't know whether the model takes that into consideration.
- A. Oh, I would assume that it does, but I don't know that for a fact.
  - Q. Well, if you assume that it does, then hasn't the model already accounted for that, and therefore, it's not the reason for your deviation?
  - A. I -- I don't know at what percentage it takes that into consideration.



A. I did not.

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- Q. Other than price alignment, and assuming that the model does take into consideration where milk is produced, where it's processed, and where it's sold, how is the model deficient in recognizing the distinctions that you have now made between Kansas City, Omaha, and Wichita?
  - A. Can you repeat that question?
- Q. Assuming that the model does account for where milk is produced, where it is processed, and where it is sold, other than your arguments for retaining current price alignment, how is the model deficient when it comes to recognizing the distinctions that you have proposed in your testimony to make for the location Kansas City, Omaha, and Wichita?
- A. Well, I -- I don't know that I would characterize the model as being deficient. Again, it was a starting point for the group to -- to work on this project.
- Q. What principles were used then, other than price alignment, for saying, from this starting point we're going to make these changes?
  - A. The main consideration was price alignment.
- Q. Going back to your map on page 5, and looking at the zones, where is the milk production growth? Is it the \$3.00 zone of Kansas? Is it in the \$3.30 zone of Kansas? Where is that milk production growth?



- A. I would guess it to be the \$3.00 zone, but I don't know that to be at fact.
- Q. So, now, you understand the concept of stair-stepping milk?
  - A. I do.

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- Q. What is your understanding of that concept?
- A. That you would move milk from -- maybe move milk out of one location -- I'll use an example. So if you have milk in -- in outside of Dallas, you move Dallas farther east, and then milk that's west of Dallas into the Dallas market, until it -- until it fills the hole where you have a need for the milk.
- Q. So assuming that that milk supply in Western Kansas is in a \$3.00 zone, given the fact that you have set up a proposed 3.85 zone in Southeast Kansas and Central Oklahoma, but then it's only \$4.00 when you get to Western Missouri and Southeast Oklahoma, how are you going to move milk to where it may be needed in where it's short in Southeastern Oklahoma and short in Western Missouri, with only a \$0.15 difference between the 3.85 you proposed for Wichita and the \$4.00 that you proposed for areas in Missouri and Oklahoma?
  - A. I'm not sure I understand the question.
    - Q. Do you agree that milk is short in Oklahoma?
- A. Yes.
- Q. Doesn't that milk need to come either from the north or the west, since Missouri and Illinois can't be sources of milk for Oklahoma?



1	A. Yes.
2	Q. Whether that milk comes from the north or from the
3	west, having set up a \$3.85 zone in Central Kansas and
4	Central Oklahoma, how will milk be attracted that
5	additional distance into Southeast Oklahoma or Southwest
6	Missouri when the differential is \$4.00 or a \$0.15
7	difference?
8	A. Well, these are these are the zones that were
9	proposed. And obviously, if the Department needs that
10	there needs to have some further refinement, that would be
11	up to their discretion.
12	Q. You agree that in order to stair-step milk, you
13	need to think about beyond price alignment for current
14	operations, correct?
15	A. That is correct.
16	Q. Thank you.
17	MR. ENGLISH: I have no further questions. I move
18	admission of Exhibit 358.
19	THE COURT: Is there any objection to the
20	admission into evidence of Exhibit 358, also known as
21	Exhibit MIG-54, that's 5-4?
22	There is none. Exhibit 358 is admitted into
23	evidence.
24	(Thereafter, Exhibit Number 358 was received
25	into evidence.)
26	MR. ENGLISH: Thank you, Mr. Brinker.
27	THE COURT: Who next will cross-examine the



witness?

1	I see no one, so I'll invite the Agricultural
2	Marketing Service to ask questions.
3	CROSS-EXAMINATION
4	BY MS. TAYLOR:
5	Q. Good morning.
6	A. Good morning.
7	Q. You caught me off guard this morning.
8	If we could turn to page 3, and the bottom half of
9	the page is where you are talking about the three
10	different cities and how much milk is locally sourced
11	within 150 miles.
12	And and this is just DFA data; is that correct?
13	A. That is correct.
14	Q. Okay. And my first question, when you say fall,
15	what months are you meaning there? Is this one month of
16	data or three months of data?
17	A. Until September.
18	Q. And if this is only DFA data, is there other
19	non-DFA supplies in those areas that the Department should
20	be looking at to get a full picture of milk in that area?
21	A. Not to my knowledge.
22	THE COURT: Ms. Taylor, if I might ask a question
23	that's along those lines.
24	Would you turn to your Exhibit 356 on page 2,
25	Mr. Brinker, and the third paragraph, your oral testimony
26	said "since 2005 the number of dairy farms located," and
27	your written testimony says "the number of DFA farms."



Can dairy farms and DFA farms actually be

considered interchangeable in that geography? 1 2. THE WITNESS: If I misspoke, it should be DFA 3 farms. 4 THE COURT: All right. THE WITNESS: So this is -- my testimony 5 6 specifically is DFA member farms. 7 THE COURT: Throughout your entire exhibit? THE WITNESS: That is correct. 8 9 THE COURT: Thank you. 10 MS. TAYLOR: Thank you, Your Honor. 11 BY MS. TAYLOR: 12 Earlier in your statement you talk some about how 13 milk -- your facts we just discussed about local supplies 14 have decreased. Earlier in your statement you state that 15 milk must move further. 16 And I'm just curious, based on your knowledge, 17 where -- where are the milk production regions that are 18 servicing Wichita, for example, since that has the least 19 amount of the three cities that is locally supplied? 2.0 The -- there is a large percentage of milk that Α. 2.1 moves from Northwest Kansas or even Southwest Nebraska. 22

- Q. And what's the mileage, would you say, a guesstimate on those? I mean, you gave us data for the 150, but --
- A. Correct. I would guess somewhere between 3 and 400 miles.
- Q. In regards to your transportation cost information you put on, also earlier in your statement, you compare



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Have you seen -- if I wanted to plot out those increases over time, is it more consolidated in recent years of where you have seen the most increase? Has it been steady over that time?

- A. I can't answer that. So you are referring to like a trendline, if you will?
  - O. Uh-huh.
- A. I don't know that -- I don't have that information.
- Q. Okay. On page 4 -- and I think you went over this some with Mr. English, but I want to make sure we're clear -- you have a sentence in there, and it says, at the end of the first paragraph, "Considerations were also made in regards to the recommended differentials and the surrounding marketplaces."

So I was wondering, I'm thinking that's what you are talking about when you are talking about price alignment?

- A. Yes.
- Q. And -- and so if I look on your map on the following page, are you talking more price -- and I'll focus on Wichita for the moment -- are you focusing on price alignment more on the Southeastern side as it abuts up to the \$4.00 zone than you are from the Northwestern side?
- A. I think they are all interchangeable, because it -- it would be difficult to just pick one spot in the



country that says, this is where I'm considering it, because it's the domino effect of one market's going to touch another market, is going to touch another market.

So I think in -- in my opinion, you have to take a global view of all those markets as they touch each other.

Q. Okay. And I understand that. And I ask just because there is a big difference -- there's not a big difference between your 4.00 and your 3.85; that's only \$0.15. But then there is a big difference on the alignment side going the other way. And I'm just curious if you see any issues going the other way on that, because there's such a large -- \$0.55 in some instances, \$0.85 in others, difference between zones.

I'm sorry, I think I talked over your answer.

- A. Okay. So repeat your question.
- Q. Sure. I'm just asking, you know, there's only \$0.15 between going from Wichita down towards the Southeast. Yet, going the other way, you know, \$0.85 or \$0.55, I'm just wondering if you considered if there's issues there being there's such a big -- much larger difference in the differentials between those zones.
- A. Yeah. I don't anticipate there would be.

  However, if that's a concern for you, you -- you know, you have the discretion to adjust our proposal.
  - O. That's it from AMS.

MS. TAYLOR: Thank you.

THE COURT: Before we go to redirect, are there any additional questions that are prompted by the



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1	Agricultural Marketing Service questions?
2	I see none.
3	Ms. Hancock.
4	MS. HANCOCK: Thank you, Your Honor.
5	REDIRECT EXAMINATION
6	BY MS. HANCOCK:
7	Q. Thank you, Mr. Brinker, for your time. Just a
8	couple of questions.
9	Yesterday you received a question about the USDSS
10	model from Mr. English, and you said you weren't familiar
11	with it. But in your testimony you actually refer to the
12	Wisconsin model.
13	Were you aware, when you answered his question
14	yesterday, those were one and the same?
15	A. I was not.
16	Q. Now, since he's had an opportunity to continue his
17	examination, has that been made clear to you?
18	A. Yes.
19	Q. Okay. And I just want to maybe go back to just
20	the point of the testimony here that you are providing in
21	Exhibit 356.
22	If I'm summing up your testimony, is it fair to
23	say that the first premise is that you were here to
24	provide testimony about the increased hauling costs that
25	you have firsthand excuse me that you have firsthand
26	observations about in your role and work at DFA?
27	A. Yes.



Q.

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And that they have -- and what you have described

since 2005, have increased on the hauling costs by a total of 151% in that time period?

- A. That is correct.
- Q. And the three areas that you have the most experience with and that you are providing testimony on that you have listed in Table 1 there, Kansas City, Omaha, and Wichita, in total, those three proposed increases are an increase of 67.5%.
  - A. Correct.

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- Q. Okay. And so even with the proposed increases, that doesn't capture the total amount of hauling costs that you have observed in your experience?
- 13 A. That is correct.
  - MS. HANCOCK: Okay. Your Honor, at this time we would move for the admission of Exhibit 356.
    - THE COURT: Is there any objection?
- I see none. Exhibit 356 is admitted into evidence.
- 19 (Thereafter, Exhibit Number 356 was received into evidence.)
  - MS. HANCOCK: Mr. Brinker, is there anything you would like to add that you feel you weren't adequately allowed to make us understand?
- 24 THE WITNESS: There is not.
- THE COURT: All right. Thank you very much.
- 26 Appreciate your testimony. You may step down.
  - MS. HANCOCK: Your Honor, at this time we would call Michael John as our next witness.



1	While he's taking the stand, I would note that our
2	Exhibit NMPF-41 had one minor correction on the bottom of
3	page 6, so your hard copies are reflecting the corrected
4	version, and it's been sent to USDA. So at some point, it
5	will be updated on the website as well.
6	THE COURT: Before we go off record well, maybe
7	we don't have to. I think people already have their
8	copies from yesterday, so we won't go off record.
9	So I'm going to mark Exhibit NMPF-41 as
10	Exhibit 359.
11	(Thereafter, Exhibit Number 359 was marked
12	for identification.)
13	THE COURT: Mr. John, would you state and spell
14	your name?
15	THE WITNESS: Michael John, M-I-C-H-A-E-L,
16	J-O-H-N.
17	THE COURT: Have you previously testified in this
18	proceeding?
19	THE WITNESS: Yes, I have.
20	THE COURT: You remain sworn.
21	THE WITNESS: Thank you.
22	MICHAEL JOHN,
23	Having been previously sworn, was examined
24	and testified as follows:
25	DIRECT EXAMINATION
26	BY MS. HANCOCK:
27	Q. Mr. John, did you prepare Exhibit 359 in support
28	of your testimony today?



- A. Yes, I did.
- Q. Okay. Would you provide us your statement, please?
  - A. Sure.

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My name is Michael John. I am executive vice president of milk marketing for Maryland and Virginia Milk Producers Cooperative, Inc., hereafter I'll say MDVA, located at 13921 Park Center Road, Suite 200, Herndon, Virginia. MDVA is a member of National Milk Producers Federation, which I'll say from now on NMPF, and I serve as a member of the NMPF economic policy committee and a member of the Class I working group.

The Class I working group was assigned the responsibility of developing updates to the current Federal Order Class I differentials and for proposing amendments to the method for computing the Class I mover. The purpose of my testimony is to provide support to NMPF's proposed changes to the Federal Order Class I differentials.

The overwhelming majority of MDVA's milk -- member milk -- is pooled on Federal Order 1 and Federal Order 5.

MDVA's members own and operate three pool distributing plants: Two are located in Federal Order 5 and one is located in Federal Order 1 (Table 1). In addition, MDVA's members own and operate pool supply plants, two pool supply plants: One located in Federal Order 5, as well as one located in Federal Order 1. The majority of MDVA's member milk is received and processed by Class I plants,



including the three plants owned by our members, serving markets in Federal Orders 1 and 5. With most of our milk serving the Class I market, and the remaining percentage of our milk mostly supplying our member-owned pool supply plants, we fully understand and support the need to update and increase the Class I differentials.

The next part of my testimony has the Table 1. It shows MDVA's plants and their location. The first column is the Federal Order that they are located in and the town or city that they are located in, and then the second column shows the type of plant that they are, whether they are a pool distributing plant or pool supply plant.

Subtitle: The Cost of Supplying the Class I Market.

To consistently supply pool distributing plants, whether member-owned or operated by a third party, MDVA's pool supply plants give us the ability to balance fluctuations in processing demand and in raw milk production. Constant ebbs and flows of milk orders placed by customers and their subsequent effects on the movement of milk are a fact of supplying the Class I market. The balancing adds additional cost and requires a steady and reliable source of revenue to serve the market. In part, Class I differentials were instituted to help meet these revenue requirements.

At MDVA, we are constantly moving milk from supply points located in Federal Order 1 to demand points located in Federal Order 5. Fluctuations in



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milk needs and milk movements can vary tremendously depending on the time of the year. An example of a large seasonal variation of milk flowing from Federal Order 1 to Federal Order 5 would be to compare the month of April to the month of September. In a typical year, we move twice as much milk from Federal Order 1 to Federal Order 5 in September versus April. If we look at changes that occur during the week, for example, comparing a Saturday to a Wednesday, we see definite fluctuations in demand between the days of the week.

In addition to the cost associated with servicing the Class I market, the cost of transportation to move the milk has increased as outlined on page 39 of NMPF's hearing request, and in subsequent NMPF testimony, the cost of moving milk has greatly increased from the early 2000s. The proposed increase in Class I differentials is to provide some cost relief to those experiencing increased costs to move milk to Class I plants and to make sure incentives are high enough to attract raw milk to Class I processing plants.

It has been over 15 years since Class I differentials have been increased in Federal Order 5. In the face of enormous transportation cost increases, that means the mechanism -- the mechanism to attract milk from supply points has become less effective. The cost of transportation has increased significantly, and at least a portion of that cost needs to be satisfied through an increase in Class I differentials. To continue to meet



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customer demands for milk, our dairy farmer members must make up the difference in that cost, which comes directly out of their monthly milk checks.

Internally, we have designated a hauling subsidy to cover this cost. The subsidy can fluctuate dramatically from month to month based on the fluctuations in supply and demand and in the cost of transportation, which includes the cost of fuel.

Table 2 below gives some examples of transportation rates since 2008. The rates below are based on what the trucking industry calls running mile rates. If they were calculated on a -- on a loaded mile rate, the rates would be double.

Now we have Table 2, and let me explain Table 2. So we're comparing hauling rates using the same month but different years. So we're comparing January of 2008 versus January of 2023. I have three examples here that we put together. Each example has different roundtrip miles, and each example has different -- could have different origin points and different destination points.

So let's start with the first one, the first scenario, which has roundtrip miles of 171 miles. What we did was we looked at the same origin or the same route. It may have had different farms on it because some farms may have gone out of business, but in essence it's the same route in the same geographical area in 2008 versus 2023, and it went to the same destination, meaning the same pool distributing plant.



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Now, the next column has the average load size. The average load size in 2008 was 47,500 pounds of milk on that load. And what I'm trying to show here is in 2023 you will see that went up to 55,000 pounds. I'm trying to show that we have done what we could do from -- from an industry standpoint to gain efficiencies to move more milk on -- on one truck.

And so the -- you know, unfortunately, we're not like some areas like Michigan, so on the East Coast we get -- our weight limits get limited by regulation, state regulations. So we have been able to increase in this particular load by 7,500 pounds. But even with that work towards efficiency, the total cost went up by \$251.45, and the rate per mile increase went up by \$1.47, or a 56% increase in rate per mile.

The next example is an example of 732 miles roundtrip, or roughly about 360 miles one way. And so this started out with a Federal Order 1 location going to the Federal Order 5 location plant, and, again, the same load going to the same location in 2008 has the same load in 2023 going to the same location in Federal Order 5 in 2023. You can see that we gained a little more efficiency on loads, maybe not as much as we did in Federal Order 1. One might ask why. The reason for that is that many of these trailers are multiuse trailers, they don't just haul milk, they also haul orange juice. You know, they're over-the-road trailers, so they have to haul other products, so they are not necessarily -- can weight them



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out the full weight. They are limited by what their other uses.

But even with that efficiency, we still had a \$765 -- \$765.46 increase, and that caused a rate per mile increase of \$1.04, which gave a rate per mile change of 68% increase.

The last roundtrip scenario is 303 miles, roughly 150 miles one way, going from a Federal Order 5 origin to a Federal Order 5 destination. Again, same location starting point to the same ending point. And -- and we see some efficiency gained there, about 1500 pounds. And then, again, showing a rate increase of \$383.24, and the rate increase of \$1.26, and a rate per mile increase of 64%.

The other thing I would like to say about the cost, these are total costs, so they would be including what we call in the milk marketing world, assembly cost and destination cost. So what do I mean by that?

Assembly cost is whatever it takes to load out that truck. So in Federal Order 1, for example, we have a lot smaller farms, so it may take four to six farms to -- you know, stops, to fill out a tractor-trailer load of milk. And then you have the destination. Once that trailer is full, then the cost of moving that milk to the final destination. So it's -- it's costs that include all costs of hauling milk.

So now I'll continue on with the rest of my testimony.



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Based on the need for changes to the Class I differential to help cover additional cost, I will give examples of how we determine changes in the Class I differentials for our geography. As shared by Jeff Sims in his testimony, NMPF created four regional Class I working groups.

With MDVA located in the Mid-Atlantic region as well as in Southeast, we were involved in two of the four working groups: The Northeast/Mideast region and the Southeast/Southwest region. Both regions started with the results from the University of Wisconsin spatial price model. The model was run using data from two specific months, May of 2021 and October of '21. We averaged the results of these two months and that established a base for the Class I differential analysis.

I'll just say, just to add to that, the reason we -- in our world, the reason we average it is we have a big seasonal difference between May and October. And so by averaging that, we feel like we get a more true result of what it really costs to move that milk.

Our next step was to review the current price relationships between specific locations, and compare those to what the model revealed.

For example, in Federal Order 1, the current
Class I differential relationship between Landover,
Maryland, and Frederick, Maryland, is \$3.00 per
hundredweight at Landover versus \$2.90 per hundredweight
at Frederick, for a difference of \$0.10 per hundredweight.



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Continuing with the two-city example, the model suggests the Class I differentials should be increased to \$4.90 per hundredweight at Landover, Maryland, and only to 4.55 per hundredweight at Frederick, Maryland. This resulting price relationship -- this resulting price relationship then becomes \$0.35 per hundredweight, which is significantly higher from the current price relationship. Recognizing that these two locations are only about 55 miles apart, and recognizing both are in the same competitive market, a \$0.35 per hundredweight difference would create on artificial competitive advantage of one processor over the other.

The Northeast --

THE COURT: Go ahead and finish reading that sentence. I think it adds value.

THE WITNESS: Oh, okay. I missed something there. Okay.

Recognizing that these two locations are only about 55 miles apart, and recognizing both are in the same competitive market, a \$0.35 per hundredweight difference would create an artificial competitive advantage of one processor over another relative to the regulated cost of raw milk. Thank you.

The Northeast working group took this into consideration when proposing revisions to the model's results for NMPF's Class I differential proposal. In another example, when comparing Philadelphia, Pennsylvania, to York, Pennsylvania, the current



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difference is -- differentials -- in differentials is \$0.15 per hundredweight. The model increased Class I differentials for both locations by \$1.65 per hundredweight and \$1.70 per hundredweight, respectively, for a differential difference of \$0.20 per hundredweight, thus, closely preserving the historical price relationship.

The Southeast working group followed the same basic analytics as the Northeast working group when reviewing locations within Federal Order 5. To give an example, the Class I differentials for Mount Crawford, Virginia, and Verona, Virginia, are the same at 2.90 per hundredweight. The model determined a \$0.10 per hundredweight higher difference for Verona, Virginia. These two locations are approximately 15 miles apart and compete in the same markets. We kept the price relationship the same as current by increasing the differentials in both locations by \$1.80 per hundredweight to a new proposed differential of 4.70 per hundredweight.

In a second Federal Order 5 example, the current Class I differentials for Lynchburg, Virginia, and Newport News, Virginia, are the same at \$3.20 per hundredweight. The model determined a \$0.40 per hundredweight higher differential for Newport News, Virginia. Because these two locations serve the same geographical market and both locations draw from farm milk from the same milk sheds, we decided to keep the current price relationships and propose a differential of \$5.00 per hundredweight for both



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Analyzing these price relationships throughout
Federal Order 1 and 5 led the Northeast and Southeast
working groups to follow two guiding principles: Namely,
that Class I differentials needed to increase to cover the
additional cost of servicing fluid milk markets, and to
maintain current price relationships between fluid markets
to avoid as much unnecessary and unwarranted changes in
competitive relationships.

In sum, MDVA supports the proposed price differential changes to update and modernize the differentials to better reflect the market increases and cost of serving the Class I market and of moving milk from supply areas to deficit areas, and to recoup some of the increased costs that have occurred since the last time differentials were updated.

I want to thank USDA for having this hearing, and thank you for the opportunity to speak on behalf of MDVA's dairy farmer members.

## BY MS. HANCOCK:

Q. Thank you, Mr. John. I just have a couple of questions.

In your Exhibit 359 you talk, on page 3, about running mile rates and loaded mile rate.

I'm wondering if you could explain the difference there.

A. Well, a running mile rate would include -- so if -- if a -- if a truck left one destination point and



- then goes -- or one starting point and went to a
  destination, a running mile rate takes in that whole
  circle. It's the empty trailer moving back, so roundtrip
  - Q. Okay. And if there's multiple stops, it's one way just once it starts loading?
    - A. Yes.

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- Q. Okay. And the numbers that you provided were just the loaded mile rates, and you noted that if you included the full running mile rates that would be double?
- A. It was --
  - Q. I'm sorry, did I say that backwards?
- 13 A. Yeah, I think it's the other way around.

versus a loaded mile would just be one way.

- Q. You included in your -- in your -- in your hauling rates that you have included on your Table 2, is that the loaded mile rates?
  - A. That's the running mile rates.
- 18 Q. Okay.
- 19 A. If it had been the loaded mile rates, it would 20 have been doubled.
- Q. And so you have given the more conservative approach?
  - A. Yes.
  - Q. And you, on your -- when you were providing some of the examples on the -- how and why the work on the teams that you performed deviated from the model, and one of the reasons that you talked about was preserving that historic price relationship.



A. Yes.

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- Q. I'm wondering if you can provide us with some insights as to why -- why does that matter to try to preserve that historic price relationship?
- A. Well, for us, number one, you know, I guess I'll have to get more specific in looking at geographical areas.

So if I look at the 95 corridor, for example, the -- just being in this business for almost 40 years now, looking at Philadelphia to D.C., there's not many miles there. And all those plants compete for the same markets.

And so I think the original -- the Class I differentials that we use today are closely aligned, and so I don't know that there's a lot of change in that alignment needs to happen. And that's what we tried to preserve, because we know that those markets, that whole market, for example, from Philadelphia to D.C., all compete for the same -- the same customer base.

Q. And when you receive those model results, you talked about some examples in your testimony.

Were there any other examples that -- that you noted that didn't seem to make sense as it came out of those model results?

A. Yes. So if I -- if I go down to -- I'm looking at kind of my sheet that I've put together here. If I look at the Federal Order 5 area, and you -- and you look at, you know, many cases were lower, quite a bit lower than



what the model suggests. And if you look at where those plants align -- I call it the kind of the triangle of North Carolina -- so you have Asheville out on the west, you kind of have Winston-Salem, High Point in the middle, and then you have Spartanburg, which is just across the line in South Carolina, it kind of makes a triangle. And within that triangle is where all the milk is produced. And also, kind of in the Southern Virginia is where the milk is produced. So from Southern Virginia and then kind of that middle part inside that triangle is where all the milk is produced in Southern Virginia and in North Carolina.

And so for us, that's number one, you know, that that milk's a lot closer to the market. Secondly, it's not -- you can move milk out of Federal Order 1 to North Carolina. To move milk, say for example, out of Federal Order 1 to Atlanta is a whole different story. So in that area, you can get milk to that area, not only out of Federal Order 1 but also out of Federal Order 33, you can get milk to that area. So we just didn't feel like warranting that increase --

THE COURT: I'm sorry, is "that area" Atlanta?

THE WITNESS: That area would be that Central Area of North Carolina.

THE COURT: Okay. Back up.

THE WITNESS: Okay.

THE COURT: So you talked about what doesn't serve Atlanta.



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THE WITNESS: Right.

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THE COURT: Right? And then we -- from then on we're not talking about Atlanta anymore; is that right? I need --

THE WITNESS: Yeah. I'll back up a second. I talk this language all the time, so it's just so easy, but I understand.

THE COURT: It's so easy?

THE WITNESS: For me.

But I'll -- yeah. So it's -- we can move milk out of Federal Order 1 to that Central North Carolina region, even to Spartanburg, which is just across the border from South Carolina.

And so to move milk -- you know, so you have really -- you have that Central North Carolina area, that triangle that I'm talking about, there's -- there's a good bit of milk produced right there. That's where all the milk that is in that Southeast of Federal Order 5 area, that's where it's produced. And, secondly, you can move milk out of Federal Order 1 to that area. And that's why we didn't feel like that Central North Carolina area should go up as much as the model did.

## BY MS. HANCOCK:

- Q. But the model takes into account the locations of plants and farms, doesn't it?
- A. It does, but it doesn't -- it doesn't take in -- the model -- I guess the way I look at the model, the model is a -- is the book work. It's the theory. It's,



you know, putting -- plugging numbers into an algorithm, a big one, and letting it run. Now we got to put boots on the ground.

And that's what our group did, we put the boots on the ground. And we said, this is how the industry really looks. And so we had to tweak it, and that's why we tweaked it there.

- Q. Okay. And so when you say "boots on the ground" you mean your 40 years of experience --
  - A. Yes.

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- 11 Q. -- and the collective knowledge of the teams that 12 were working on this with you?
  - A. Yes.
  - Q. And the strategies that people deploy when they are buying and selling milk?
  - A. Yeah. And I would say if you add my 40 years with -- there was a couple of other 40 years in there, so I am going to say it's probably collectively about 200 years' worth of experience there, so...
  - Q. And things that the model can't take into account when you add the human dynamics into the mix?
    - A. Yes.
    - Q. And -- and other things like having a Federal Order system that governs behaviors and people's buying and purchasing decisions as well?
    - A. That's right.
    - Q. Okay. What about Prince George's County, was that another area that you made a modification to?



- A. Yeah. So Prince George's County, there's a plant in Prince George's County. It's -- it's on the northeast edge of the beltway. It is 28 miles from the plant in Baltimore. And to have a -- and I'm not exactly sure why the model came up with that high of a location adjustment at, I think it had \$4.90, and we -- we said that it needed to be -- needed to align with Baltimore, which also aligned with Philadelphia. So we kept that whole section, what I called the 95 corridor, at 4.70.
- Q. And so there were places -- and so in that example you actually reduced down the proposal that National Milk is making over what the model had forecasted.
  - A. Yes.

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- Q. And so is it fair to say that in -- in the working group's efforts, that sometimes the prices were left the same, sometimes they were increased, and sometimes they were decreased from what the model predicted?
  - A. Yes.
- Q. And at any time, did you hear anybody trying it make any kind of recommendations or decisions that were based on giving themselves a competitive advantage over any of their other competitors?
  - A. No.
- Q. Was anybody trying to give their competitors a disadvantage in making the decisions that -- that were made in order to get to National Milk's proposal?
  - A. No.
  - Q. Okay. And you have plants that service fluid milk



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- A. Yes.
- Q. How many?
- A. Three.
- Q. And your customers, do they have standard requirements for your fluid mark- -- for your fluid markets?
  - A. Yes.
- Q. And do those fluid milk market standards exceed the PMO Grade A standards?
- A. Yes. We have -- and I'll -- it's not just our plants, but also we market a considerable amount of milk to what we call third-party plants, which are not owned by our cooperative. And we have -- well, I'll call it Grade A plus standards. We have -- for example, we have a plant probably for 30 years now. The milk has to be 40 degrees. The standard is 45. If it is 40.56, which rounds up to 41, they will reject the load, and they have rejected a load, and so we had to move that load away.

We have several customers that require us to give them the full quality makeup in somatic cell and PI counts on each farm, on each load that comes into that plant every month. Now, we don't give out names or addresses, we just give a producer number, but they require the quality information for that farm.

And then if -- if a specific farm on that load does not meet what they are looking for, even if the load is okay, but if a specific farm on that load doesn't meet



it, they will say, you cannot bring that milk back into my plant until you do an M-CAP, which is a Mandatory Corrective Action Plan, and there's a whole series of paperwork -- I guess electronic work now -- but paperwork that goes into all that, and we have to justify why that farm was allowed to be back on that load again. So we have a couple customers that do that, and these are all Class I customers.

So, yes, we have -- and then we have some customers that want lab pasteurized counts run, what we call LPCs, in addition to the standard plate counts and somatic cells. We have customers that -- that want a somatic cell under 200,000.

So, yes, there are -- I would say, and I think
Chris mentioned it yesterday, a lot of that is for -everybody's trying to find that longer shelf life, they -especially in high temperature short time, HTST, type of
production, they are trying to find that one extra day of
shelf life.

And so a much lower somatic cell count, much lower, you know, bacteria count, gives them that one extra day which is a lot of money to them. So, you know, I understand it, but -- and we work hard to meet those standards every day.

- Q. Is there a cost associated at the farm level in order to achieve those Grade A plus standards from their end?
  - A. Absolutely. I mean, it's extra work from our



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- field staff. It's a lot more milk testing, you know,
  drawing samples and testing milk, and just working closely
  with the farmer. It could mean they would have to -- for
  on the somatic cell count, they could have to take -- take
  cows out of the herd. They could stop milking those cows,
  you know, whatever. Whatever they need to do, they need
  get there. So, yes, there's definitely cost.
  - We say that cost is somewhere in the neighborhood minimum \$0.60 additional.
- 10 Q. \$0.60 a hundredweight?
- 11 A. \$0.60 a hundredweight, yeah.
- Q. And -- and then also the additional cost associated with the cooler temperature control requirements?
- 15 A. Yes.

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- Q. Okay. And in order for you to achieve your

  Class I fluid milk sales, you have to exceed those Grade A

  standards that are required by your customers?
- 19 A. That's correct.
  - Q. So is it fair to say that that Grade A plus standard is now the market expectation for the fluid milk, in your experience?
  - A. Yes. I mean, I have had customers say to me directly, "If you don't want to do this, I'll find someone who does," so --
  - Q. And then I want to talk for just a second about balancing -- balancing milk.
    - Are you able to balance -- or balancing costs, are



you able to balance those costs of your Class I fluid milk with -- by using cheese plants?

A. No.

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- Q. Why not?
- A. There really isn't any cheese plants in our area. You have to get further north to Pennsylvania to get to cheese plants. So we -- we have our own two plants, as I have testified before in the Make Allowance part of the hearing. We have Laurel, Maryland, and then -- which does make powder, and then Strasburg, Virginia, which is just separates and condenses.
  - Q. And you just mentioned Make Allowances.

If Make Allowances are increased through this, through this hearing, would that put further pressure on servicing the Class I markets if there is not an increase in those differentials?

A. Yes.

MS. HANCOCK: That's all I have, Your Honor.

We would submit him for cross-examination.

THE COURT: Thank you, Ms. Hancock.

Before I invite the first examiner, I need you to go, please, to Table 2 on page 4, Exhibit 359.

Now, that involves the roundtrips. Are the roundtrips the running trips or the loaded trips?

THE WITNESS: These are the running trips.

THE COURT: Roundtrip means running trip.

THE WITNESS: Yes.

THE COURT: Even though one way there's no load,



1	it's empty?
2	THE WITNESS: Exactly right. Yes.
3	THE COURT: Okay. Just checking.
4	THE WITNESS: Basically, that truck has to come
5	back to the to the truck terminal and start getting
6	ready to start its route again.
7	THE COURT: And so at the bottom of page 3 when
8	you say, "If they were calculated on a loaded mile rate,
9	the rates below would be doubled."
10	THE WITNESS: Yes.
11	THE COURT: That's because?
12	THE WITNESS: You are just, instead of instead
13	of doing the rates on a for example, instead of doing
14	the rates take the first one, which would be roughly,
15	let's say 85 miles, you are just lowering the miles. And
16	instead of it's the same dollar amount, but it would be
17	85 miles as opposed to 171 miles.
18	THE COURT: Thank you.
19	THE WITNESS: Uh-huh.
20	THE COURT: All right. Who would first like to
21	cross-examine Mr. John on this topic?
22	MS. TAYLOR: Your Honor, might I suggest a break?
23	It's 9:25.
24	THE COURT: How did that happen?
25	MS. TAYLOR: It's riveting.
26	THE COURT: All right. Do we want 15 minutes?
27	Yes. Okay. So please come back ready to go at
28	9:40



1	We go off record at 9:24.
2	(An off-the-record discussion took place.)
3	THE COURT: Let's go back on record.
4	We're back on record at 9:40.
5	Cross-examination for Mr. John.
6	Mr. English.
7	MR. ENGLISH: Good morning, again, Your Honor.
8	CROSS-EXAMINATION
9	BY MR. ENGLISH:
10	Q. Good morning, Mr. John.
11	My name is Chip English with the Milk Innovation
12	Group. I know you know that.
13	Let me start with what I hope is an easy one, but
14	then I'm easily confused.
15	Before you actually gave your written statement,
16	your counsel pointed out that there was a change in the
17	testimony.
18	A. Yes.
19	Q. And I confess that, you know, I had the one handed
20	out today, I had the one printed out from a long time ago,
21	and I missed it. So I don't want to miss it, and I want
22	to understand what the change or typo is, or whatever was
23	done.
24	A. Sure. So if you go to page 6, and then go to the
25	top of the page, that first paragraph I mistakenly had in
26	my first version which would probably be in my sixth
27	rewrite but anyway, it's my first submittal,



submission -- I had Philadelphia and York at the -- at

- \$0.15, that they went up the same amount, \$1.65. And, actually, one went up \$1.65, one went up \$1.70. So it was \$0.20 difference versus the same \$0.15 difference.
  - Q. Okay. So which is which? Which is -- which went up \$1.65 versus \$1.70?
- A. So York went up \$1.65 -- no, I'm sorry,
  Philadelphia went up \$1.65, and York went up \$1.70.
  - Q. And is that what is actually reflected in National Milk Proposal 19 --
- 10 A. Yes.

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- 11 Q. -- or did that change?
- 12 A. No. No, that's -- I had misread it.
- Q. Thank you. I'll come back to that at an appropriate place, but thank you very much for that clarification.
- 16 A. All right.
- 17 THE COURT: Let me stop you.
- 18 Let's go off record for just a moment.
- 19 (An off-the-record discussion took place.)
- 20 THE COURT: Let's go back on record.
- 21 We're back on record at 9:44.
- 22 BY MR. ENGLISH:
- Q. So given the fact that you have discussed
  Pennsylvania as well as Maryland and Virginia, were you
  then part of two different red pencil crews, both the
  Order 1 and the Southeast?
- A. Yes. And they weren't red pencils, they were colored pencils. If you've seen the map, you know it's



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- Q. Well, other people called it red pencil club.
- A. Yeah, it's not red pencils, it's colored pencils.
- Q. So who -- I think you are the first person to testify for the Northeast.

So who was the "we" for the Order 1 work?

- A. You mean the specific people?
- O. Yes.
- A. Oh, man.
- 10 Q. If you can't remember the people, the companies or 11 co-ops.
- 12 A. Yeah. So there was -- well, two of them are 13 sitting in the back back there. There's --
  - Q. That doesn't help the record.
  - A. So you have folks from Agri-Mark, folks from DFA Northeast, folks from Upstate, Land O'Lakes. Am I missing anybody else? I think that's it -- everybody.
  - Q. And just because you said -- you said that there's two people in the back of the room, you meant Scott Werme from Agri-Mark and Skylar Ryll from DFA, just for clarification?
    - A. Yes.
  - Q. And at the end your testimony you say that there were two guiding principles: One was the Class I differentials needed an increase; and second, that you needed to maintain current price relationships between the fluid markets?
- 28 A. Yes.



- O. Are those two in conflict in some way?
- 2. Α. They could be. You know, the -- if you increase prices -- and I'll give you my personal -- I don't think 3 4 that the regulated price should be the catalyst that creates a disorderly market. And if all of a sudden the 5 model shows a huge increase in the differential that 6 7 creates a disorderly market between two competing 8 facilities, I think that that's a problem. And so that's 9 how they could be in conflict.
  - Q. Well, how can we reconcile, I mean, if after 25 years there's these increased costs, doesn't the attempt to preserve existing price relationships at some point mean that you are not recognizing those additional costs, or that you are over-recognizing them if you go higher than the model was set at?
  - A. Or in some cases we went under where the model was set, right?
  - Q. Yes. So that's what you did.
  - But isn't there a problem with the reconciliation of, boy, we have had these increased costs --
  - A. Yeah.

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- Q. -- but we want, nonetheless, to maintain the same relationships, say, between York and Philadelphia?
  - A. I don't think so, and let me -- let me tell you why. I would say if you go back and check 25 years ago, that the average shelf life of HTST milk was probably more like 16 days, and today they are getting 22 -- 21, 22 days, so now all of a sudden their market has expanded,



and there's fewer plants, and the customers are much bigger that -- that these plants have to deal with. And so I -- I don't think so for those, just for those reasons.

I think the market has expanded to the existing plants. I think technology has allowed even HTST to serve larger markets, and we have to take that into consideration. I have always told my customers, I don't want to be the reason that, you know, I'm causing you hurt or pain, I want to supply you, I want to help you.

- Q. But at some level if you -- if you say, look, the I-95 corridor has this current relationship from Philadelphia down to the south, aren't some of those costs in terms of getting there going to have to be covered either in the raw form or the packaged form? That is to say, if somebody tries to sell into that area where there's a toll across the bridge into New Jersey from Philadelphia, that, as we heard yesterday from Mr. Hoeger, it's more expensive to move packaged milk, right?
  - A. Yes.
  - Q. Okay. So if --
- A. I'll say to some extent. It depends on how it's packaged. If it's traditional crates, I would agree with that. But if it's not traditional crates, I would not agree with that.
  - O. And why is that not the case?
  - A. So you don't have the crates. You don't have to



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worry about bringing the crates back.

- Q. So how much of that is going on along the I-95 corridor?
  - A. There's more than you know.
  - Q. Okay. More than I know is not a very good record.
- A. Well, I can't -- I don't want to give -- I don't want to give out private information.
- Q. All right. And I always, I want to emphasize, I think you know that about me, I've never asked for that, I never want it, so that's fine.

I guess what I'm getting at is, doesn't there have to be a break at some point in the numbers if Class I differentials need to go up, say, in Winchester, Kentucky, because that's what the model suggests, but you keep prices or you lower prices per the model in North Carolina because of your theory, haven't you created a new problem somewhere else?

A. That's -- that's a possibility. I don't know.

You know, I -- I'm looking at it from my geography. I
can't talk about Winchester, Kentucky. I can talk about,
you know, the eastern corridor, that type of thing,
because that's kind of where we live, and that's -- that's
the market we're at. But I can't talk about Kentucky.

So if -- could I do something in -- could we do something in Washington, D.C. that could affect someone in the Mideast? I don't know. Possibly. I don't know. If that's what you are asking.

Q. Well, that's part of what I'm asking. There's a



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couple of different pieces there. You just mentioned the Mideast, and I know you are not part of the Mideast, but we had testimony as to the Mideast, at least as to Western Pennsylvania, where price alignment wasn't used.

THE COURT: Wasn't used?

## BY MR. ENGLISH:

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Q. So I'm trying to -- was not applied, for instance, for Pittsburgh.

And so I'm trying to understand what would be the consistent principle across groups that USDA should apply?

- A. I think that -- to me, I think the most consistent principle USDA could apply is to keep things -- to keep the markets as orderly as possible, and let competition then, in those markets, play out. That's what I think.
- Q. And is your definition of orderly marketing, then, maintaining current price relationships?
  - A. Yes, I think that's it.
- Q. Unless you simply increase the base of Class I differentials everywhere, aren't you necessarily going to alter price relationships somewhere?
- A. Well, I'll say this. So 23 years ago, and I -I'm not an expert on the Panhandle of Texas, for example.
  But 23 years ago, did we have a lot of milk in the
  Panhandle of Texas? Probably not. All of a sudden that
  milk showed up. Now all of a sudden we got milk in the
  Dakotas where milk wasn't at before. So just the sense
  that milk shifts and moves creates challenges.
  - So, you know, I -- I think there's other factors



- 1 other than differentials. I mean, there's just -- you
- 2 know, when -- for example, I'm old enough to remember, you
- 3 know, Federal Order Reform in 2000, and what was -- what
- 4 | my understanding was that Federal Order Reform was
- 5 | differentials were to be adjusted periodically, and now
- 6 | here we are 20-some years.
- 7 Q. And in Federal Order Reform, isn't the case that
- 8 | what were then current price relationships were altered?
- 9 A. Yes.
- 10 Q. So you brought up the fact that the idea that,
- 11 okay, there's been new milk production in the Panhandle of
- 12 Texas.
- By and large that's not the case much east of the
- 14 | Mississippi, correct?
- 15 A. That's right.
- 16 Q. So the reality is, we're short of milk east of the
- 17 | Mississippi, correct?
- 18 A. Well, I would say that in --
- 19 O. In the Southeast, I'm sorry.
- 20 A. Yeah, in the Southeast, I would agree with that.
- 21 | Because Pennsylvania has been flat. It's been about
- 22 | 10 million -- 10 billion pounds of milk a year forever.
- 23 | O. Are we moving milk out of Order 1 into Order 5, as
- 24 | you talked about could happen?
- 25 A. Yes.
- Q. Okay. Do we move milk out of Order 5 down to
- 27 | Order 7?
- 28 A. No, not as much. No. Very little. At least our



experience has been very little. I -- for example, we only go as far south as Atlanta. And Atlanta is just hard to get to. And so you're basically -- to move milk out of -- even out of 5 to 7, when there's so many locations within Federal Order 5 where that milk's needed, it's pretty hard to pull it out of 5 to take it down to 7 because it's needed there in 5.

- Q. Well, isn't that the concept of stair-stepping milk? You move milk from where it is to the next location and down? That's what Mr. Hoeger testified about yesterday.
- A. Yeah, we -- we do some of that. But it's also, you have to look at each situation separately. For example, if I'm taking -- ultimately I have to take milk out of a location where there is milk. So I always use -- not because I grew up there, but I think it's a good center point, is Chambersburg, Pennsylvania. That's what I use, Franklin County, Pennsylvania. And depending on the hauler, depending on the rate and all that, it might be better to move that load the whole way to North Carolina versus taking it down to somewhere mid-Virginia and then rolling something out of mid-Virginia on down to North Carolina.

You have to look at each case separately to determine whether, what is the right, you know, cost scenario.

Q. Do you know about milk moving from Chambersburg, Pennsylvania, to North Carolina?



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- A. Absolutely.
- Q. So if the model suggested, before National Milk proposed altering it, higher values for North Carolina, wouldn't that further compensate for those movements of milk from Chambersburg, Pennsylvania, to North Carolina?
  - A. If we went by the model you are saying?
  - O. Yes.

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- A. If we used the model numbers?
- O. Yes.
- A. Yes, that would create more dollars there, no question about it.
  - Q. And that would, therefore, incentivize more milk being moved, or at least be reimbursed, for milk moved from Chambersburg to North Carolina, correct?
  - A. It could. It could.
  - Q. But -- but if you lower it by, say, 40 to \$0.55 a hundredweight, or in the case of the anchor city of Asheville by \$0.30, to the extent the model was suggesting an encouragement of milk from Chambersburg to North Carolina, you have actually gone the other way, correct?
  - A. Well, I think, again, as I shared with Nicole, is, if you look at where the milk is produced today, at least a large quantity of the milk that's left in the Federal Order 5 area, is in that Southern Virginia to mid-North Carolina region. And, yeah, could we have gone with the model? I guess the thought process was, is if -- if there wasn't a need to do it, why do it? You know, just to be quite honest about it.



I mean, there's -- there's milk there. We have already proven we can move -- move milk from the Federal Order 1 to that Carolina region, and there's milk there. So why -- you know, why have the extra dollars?

- Q. So while it is not a Final Decision yet, there -there is a pending decision from USDA with respect to new
  proposals for increased monies in the Southeast for
  transportation credits, correct?
  - A. Uh-huh.

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- Q. And that includes -- I'm sorry, "uh-huh" doesn't -- for the court reporter, doesn't help.
  - A. Yes, I'm sorry.
  - O. And that includes Order 5, correct?
- 14 A. That's correct.
- 15 | O. That includes North Carolina, correct?
- 16 A. Correct.
  - Q. Did anybody testify at that proceeding about transportation credits, look, North Carolina is different, we don't need milk because it's already there?
    - A. Yeah, but you are mixing apples with oranges.
      - Q. How am I mixing apples with oranges?
  - A. Transportation credits, at least the ones from out of the region into the region, are only available certain times of the year. And like I said, we -- we take -- we take milk -- twice as much milk when it's needed, when transportation credits are in their glory, so to speak, in the fall of the year, we take twice as much milk down, so that's when we need the transportation credits. We don't



1	need them as much in the the spring of the year,
2	because there's milk there.
3	So to me, transportation credits do exactly what
4	they are supposed to do, is to help out in that short
5	season to move that milk. So they are not available all
6	year round, and that's that's the idea.
7	Q. So yesterday I discussed a little bit the idea of
8	reserve supply.
9	Are you familiar with the concept of reserve
10	supply
11	A. Yeah.
12	Q as USDA applies to Class Class I?
13	A. Uh-huh.
14	Q. Sorry, yes?
15	A. Yes. Sorry. I'm getting too comfortable with
16	him.
17	Q. Well, we've had a lot of conversations.
18	Do you agree that USDA believes that adequate
19	reserve supply is 25 to 30% for the market?
20	A. I don't know. I'd have to do my own math and do
21	my own
22	Q. Do you believe that North Carolina has enough milk
23	for its reserve supply?
24	A. No, it does not.
25	Q. And shouldn't Class I differentials address that?
26	A. I think they do. So here's just what I looked at
27	on if we look at all the plants, and I listed out all



the plants and just kind of did my own little analysis

here, but if you look at the plants in Virginia, North Carolina, and the Spartanburg plant in South Carolina, I mean, we have gone up from \$1.80 to -- anywhere from \$1.80 to \$2.00. So we did. We did increase the differentials quite substantially.

Because if you go up into Federal Order 1, we're looking at \$1.65 to \$1.70. But it just didn't make a lot of sense to just go -- like, I mean, you are talking about numbers now that would have us be up in the \$2.30s to \$2.40 range increase. And we looked at it, and we said, you know, an increase of \$1.80, \$2.00 makes sense, not 2.40.

- Q. So isn't the case that from Day 1 of this hearing all we've heard about is milk is short in the Southeast?
- A. Uh-huh.

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- Q. I'm sorry, yes?
- A. Yes. Yes.
  - Q. So, again, I'm struggling when I look at some of these numbers. You know, for instance, Jones County, North Carolina, line number 1909, the model would have it at 6.15, and you propose 5.60, or a \$0.55 drop. I don't know of any decreases in the United States that are -- that deviate that much from the model on the downside.

Why -- why -- why, given the fact that milk is short in the Southeast, is North Carolina unique in that respect?

A. Well, I think to me, I'll just say, I think you are making the assumption that the model is the end-all of



- everything. And Chuck even testified in his testimony,

  it's a guideline, it's not -- it's not the end-all number.

  We have to add common sense to -- you know, to the theory.

  And what we were doing is adding common sense to the

  theory.
  - If I'm a Class I processor in North Carolina, I'd probably be pretty happy.
    - Q. I understand.
      I guess you were here yesterday, right?
    - A. For part of the day, yeah.
  - Q. But there's -- so Minneapolis, Hennepin County,
    National Milk proposes raising \$0.35, even though there's,
    like, a Class I utilization of 6% of the Order, Order 30.
  - How is common sense served to increase the Class I differential for those maybe unhappy Class I plants in Minneapolis where there's tons of milk, and down in the Southeast where we have heard nothing but "we need milk, we need milk," we're going to lower it in some counties by \$0.55? I'm trying to understand what the common sense is.
  - A. We're not lowering it.
    - Q. Well, lowering it from the model --
  - A. Okay. Okay. But we're still increasing it quite a bit. We're increasing it from -- to 1.80 to 2 bucks.
  - Q. What is the specific shortfall in the model that says in North Carolina it's wrong by 40 to \$0.50?
  - A. There is no shortfall in the model. The model is the model. It's just like any other model. You adjust



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1	it. I'm sure you have had examples in your own life where
2	you've had models and it wasn't reality.
3	THE COURT: Now, that's not fair.
4	THE WITNESS: Chip and I know each other too well.
5	BY MR. ENGLISH:
6	Q. So if I I can shortcut some of this.
7	If I were to look at North Carolina for Guilford,
8	where Dairy Farmers of America has a plant, where the
9	model would say 5.60 and the National Milk proposal is
10	5.20, and then Davidson, North Carolina, where I believe
11	there is a plant, and the model says 5.75, and the
12	proposal is 5.20, one of the reasons is that you are going
13	to keep those two at the same level because they are both
14	at 3.40 today, correct?
15	A. Yes.
16	THE COURT: Because they are both what?
17	MR. ENGLISH: At 3.40 \$3.40. Correct? And he
18	said yes.
19	THE WITNESS: Yes.
20	BY MR. ENGLISH:
21	Q. So like other witnesses, you have talked about the
22	cost of hauling.
23	Do you agree that the University of Wisconsin
24	model includes hauling in its analysis?
25	A. It covers yes. It covers the cost of I
26	don't know if it covers all the cost but it covers



Q.

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So other than to support the general proposition

probably a good portion of the cost.

that Class I differentials need to go up, what is the point of the hauling discussion in your chart relative to any modifications to the model that you have made?

- A. I guess it's just trying to support the model. The example that I used, I think if I -- if I'm answering your question correctly, the example -- or the three examples, three scenarios that I used are to support the fact that these are some actual cost examples. And to me, I would hope that that would support the -- the -- you know, the increase that the model is demonstrating.
- 11 Q. I think you have been here for other parts of this 12 proceeding.

13 Are you familiar with Exhibits 300 and 301, which 14 are the spreadsheets?

- A. That's the big long --
- O. Yes.
- A. Yes.

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- Q. Okay. Had you seen those before we introduced them?
- 20 A. No.
  - Q. Do you know who the author was?
- 22 A. You mean, as far as the National Milk spreadsheet?
- 23 O. Yes.
- A. Oh, yeah, yeah, I have seen that. I mean, I have them on digital form. I don't have it in the big long spreadsheet.
  - Q. And you had them in digital form prior to the time that the Milk Innovation Group submitted them?



- A. Well, we had it on a National Milk spreadsheet, yeah.
  - Q. Okay. That's what I mean.
  - A. Yeah.

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- Q. So you had them prior to the hearing?
- 6 A. Yes. Yeah.
  - Q. Okay. Do you know who the author is?
  - A. I don't know who exactly put it together. I just -- National Milk put it together. But, you know, I don't know which staff person, if that's what you are asking.
  - Q. Okay. There is a column -- I mean, I can show them to you, but I'm trying to speed things up a bit.

There's a column on Exhibit 300, which was the original you made, called Column R, that seems to have volume numbers in it.

Do you know about that column?

- A. No.
- Q. Let's talk about some specific differentials. And since you -- we have talked about the correction. Let's talk about York versus Philadelphia. And I think what you just told me a few moments ago is that the change in the testimony, just because you -- yeah, whatever, it's the correction --
  - A. Yeah.
- Q. -- testimony, was that the current difference between York and Philadelphia is \$0.15, and in order to achieve your preserving historic price relationship, you



1 made an alteration, correct? 2. Α. Yes. And that alteration was to decrease Philadelphia; 3 Ο. 4 is that correct? No, it was to increase the difference between York 5 Α. 6 and Philadelphia by \$0.05. 7 Ο. That was the model. That's what the model did, 8 correct? 9 Let me check here. Too many numbers, I can't Α. 10 remember them all. 11 THE COURT: Which page should we look at while we 12 listen to this? Is this page 6? I think this is page 6, 13 right? 14 MS. TAYLOR: Yeah. THE WITNESS: That's correct. That is correct. 15 16 BY MR. ENGLISH: 17 Ο. What's correct, that you --18 That the model showed \$0.20 as well. Α. 19 Okay. And that's where you ended up? Ο. 20 Α. Yes. 2.1 So in that case, you are not disagreeing with the Ο. 22 model? 23 Α. No. THE COURT: Actually, the answer to that was yes. 24 25 Yes, we are not disagreeing with the model. 26 Would you go back to that, if you want? 27 MR. ENGLISH: Sure. 28 BY MR. ENGLISH:



- Q. In essence, your whole discussion about York and Philadelphia is, in the end, that the numbers in National Milk's 19 are the same as the model and you are not making adjustments; is that correct?
- A. The end numbers are not the same, but the relative difference between Philadelphia and York are the same.
  - Q. So what change did you make to both?
- A. Okay. So we took both up by -- let me see here.

  Okay. We took -- we took York up by -- and it was

  York; is that correct, that you were asking about?
- O. Yes.

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- A. We took York up by \$1.70. We took Philadelphia up by \$1.65. So you were correct there, which was we didn't take Philadelphia up quite as much.
- 15 Q. Okay.
  - A. That's right. You are right.
- Q. Okay. So let's backtrack now. I think the record is, at best, confused.
- 19 A. Sorry about that.
  - Q. That's okay. There are a lot of numbers.
- 21 A. Yeah.
  - O. Let me see if I can correct it.
  - You have proposed adjusting the model results so that you are not taking Philadelphia up as much as York would take it up, and that's basically \$0.05, correct?
  - A. Right.
    - Q. And the rationale for that, then, is to maintain the current price relationship between York and



## 1 | Philadelphia, correct?

- A. Yes. And then also, taking a look at Philadelphia as it relates to Baltimore and Washington and all that, that 95 corridor, to try to make sure -- so it's not only kind of looking at it east to west, but also looking at it north to south, too, you know, that whole, like I was saying earlier, that whole 95 corridor.
  - Q. So the bottom line, there's two different pieces to that. There's west to east, York to Philadelphia, correct?
- 11 A. Yes.
- Q. And then there's north to south, Philadelphia
- 13 | down --

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- 14 A. To D.C.
- 15 | Q. -- to D.C., correct?
- 16 A. Yes.
- Q. And you are proposing, I believe, Philadelphia to be 4.70, correct?
- 19 A. Yes.
- 20 | Q. Baltimore to be 4.70, correct?
- 21 A. Yes.
- 22 Q. And Laurel over to Landover, Maryland, would be
- 23 | 4.70, correct?
- A. Yes. That takes Philadelphia down by a nickel, in the current price relationship even, because currently Baltimore is at \$3.00, Philadelphia is at 3.05, and Landover is at \$3.00.
- 28 Q. Where does the milk from Philadelphia come from?



- A. The milk from Philadelphia comes from that Lancaster County area.
- Q. In the same place where the York milk comes from, Lancaster?
- A. Yes. And the same place from Landover milk comes from.
- Q. So doesn't the milk to Landover have to move farther than the milk in Lancaster that goes to either York or Philadelphia?
- A. Not necessarily to Philadelphia. Again, as I mentioned in earlier testimony, the miles might be a little bit longer, but, you know, you got traffic both ways. So, you know, it's -- it's relatively the same whether you want to go into the city of Philadelphia or the city of D.C., there's not a whole lot of difference there. The biggest difference is with York. I mean, obviously York's closer.
  - Q. It's a relatively less urban center, correct?
  - A. Yes.
- Q. Okay. So we both live around that area, there's other people in the room who live around that area, and I must say I'm struggling some in comparing Frederick and Baltimore to Laurel.
- Even if it's only 28 miles from Baltimore to the plant in Laurel, those are very difficult miles to drive, are they not?
  - A. That whole 95 is difficult to drive.
  - Q. I mean, if you have to go down those 28 miles from



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Baltimore to D.C. to Laurel, you are either going to have to go down Interstate 95 or you are going to go down the Baltimore/Washington Parkway, correct?

- A. Right. That's correct.
- Q. And there aren't many times a day that's a great stretch of road, is it?
- A. That's why our trucks unload at 3:00 in the morning.
- Q. And, similarly, if you are coming from Frederick,
  Maryland -- I happened to look before I got up here -- you
  know, this morning those 51 miles were more like an hour
  and 20 minutes from Frederick to Laurel, correct?
  - A. That's correct. Yeah, I have done that.
- Q. So it may be just 55 miles from Frederick to
  Laurel, but, again, those are 55 really heavily travelled
  miles, correct?
  - A. You mean Landover, not Laurel.
    - Q. I'm sorry, I'm sorry, Frederick to Landover.
- 19 A. Okay. Yeah.
- 20 Q. I'm sorry, yes. Thank you.
- 21 A. Uh-huh.

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- Q. That's correct. Yes?
  - A. Yes. What I was looking at was, I understand bringing in the raw milk, but, you know, in my role, I also have to look at the customer's view, packaged milk. And the packaged milk from all those three locations, all compete for the same market. And so, you know, part of my job in sales with my customers is to try to meet my



customer needs. And so that's -- that's a big part of my job, or I don't have a customer.

So, you know, if I look at -- that's why I'm looking at it from that direction as well. I mean, I can't just look at it from one perspective. I have to look at it from the other perspective, too.

Q. I understand that. And listen, I appreciate a customer-centric perspective.

But I come back to my question from earlier, which is that by necessarily maintaining those price relationships between Philadelphia, Baltimore, and D.C., and Frederick, aren't you creating an issue farther north and west where by definition you can't be maintaining the price relationship? At some point you can't. Isn't that correct?

- A. No, I don't think so. I think we did a pretty good job at, as we moved west, at really feathering in, you know, the cost and the location of the milk. I mean, even York itself has gotten a lot harder to get around anymore these days, and I live 70 miles from York. So it -- not even that far, probably 40 miles away from York -- so it's a lot harder to get around York these days. I mean, everything has sprawled out. It's a lot more difficult.
- Q. But relatively it's harder in D.C., Baltimore, and Philadelphia than it is in York, isn't it?
  - A. Yes.
  - Q. So similarly, let's now turn to what's proposed



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for Lynchburg, Virginia, and Newport News.

Where does Newport News get its milk?

A. They both -- both Lynchburg, Virginia, and Newport News get their milk from the same location, which is that Harrisonburg area is where they get their milk from, Harrisonburg, Virginia, area, which is kind of right down off of 81.

Now, both of these plants, too, I'll just -- and you probably already know this, but just to remind you, that Newport News -- I get the opportunity, I'll put it that way, of -- or Maryland and Virginia gets the opportunity of living in two state orders, in addition to Federal Orders, and so we get the opportunity to be in Pennsylvania Milk Marketing Board and we get the opportunity to be in the Virginia Milk Commission.

And half of Newport News is regulated -- or half the Newport News, yes, is -- the milk going in there is regulated under the Virginia Milk Commission, meaning that half of the sales out of Newport News are in Virginia Milk Commission area. So if you just look at that milk alone, that's much higher than the Federal Order milk as far as cost goes. So -- and Lynchburg is probably almost 50% regulated by the Virginia Milk Commission.

So even though they are Federal Order plants because of the -- they meet the qualification on their sales, they are still very highly regulated by the Virginia Milk Commission.

Q. Which, of course, could be voted out tomorrow,



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- A. We have been saying that for 40 years, Chip.
- Q. I understand that.

But what -- what role should the existence of that have with respect to setting Class I differentials by USDA?

- A. I'm just saying it adds another dynamic to those plants, but it doesn't have any role specifically in Class I differentials.
- Q. Okay. So wouldn't it be fair to say that
  Harrisonburg, Virginia, and the Shenandoah Valley is an
  easier drive to Lynchburg than it is to Newport News?
- A. Well, I would say in the year 2000 it was the same way; wouldn't you say?
  - O. I --
  - A. I mean, they wanted to keep the differentials the same in the year 2000.
    - Q. Well, maybe the model said that then but --
- 19 A. I don't know.
  - Q. -- but I guess the question is, we're looking at what the model results are today, and you are going to keep -- you are going to raise both, but essentially raise Lynchburg more, Lynchburg is a proprietary plant, right?
    - A. Yes.
      - Q. And Newport News is your plant, correct?
- 26 A. That's correct.
  - Q. And regardless of whether anybody talked about it in your meetings, your proposal is to end up with the



plant in Lynchburg owned by a proprietary operator to be the same as Newport News, correct?

A. Yes.

- Q. Okay. I guess one thing I would say that's different from 2000 is, hasn't the traffic increased in the peninsula of Newport News even more since 2000?
  - A. Well, traffic in Lynchburg has increased, too.

    THE COURT: Answer his question before you add on.

    THE WITNESS: Okay. Okay.

THE COURT: So would you ask it again?

THE WITNESS: I would assume so. I mean, I -- I don't make that drive a lot.

# BY MR. ENGLISH:

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- Q. Well, you don't make that drive a lot because it's not a lot of fun, is it?
  - A. No, it's -- I just don't get over there.
  - Q. Well, it's hard to get in and out of the peninsula, isn't it?
- A. I don't know. I don't get over there, so I can't tell you.
- Q. I was going to say since 1860, even Civil War generals had trouble getting out of Newport News, right?

I am struggling with this principle of, we're going to keep the relationship the same, and you look at Lynchburg over in South Central Virginia, and you look at Newport News in Southeast Virginia, and I just can't conceive of the cost for serving those two markets as being the same.



A. Those -- those two markets serve -- geographically, serve the same market.

Now, there used to be two more plants, right?

There was Richmond and then there was Portsmouth south of Newport News. There was two more plants over there.

They've closed down since -- both of those have closed down. They were all in the same price range, you know.

So I guess my -- my thought is that, again, trying -- and if you look at the map, we flattened out that -- just like I said earlier, we flattened out that -- once you got into kind of the mid to southern -- more like Southern Virginia and Northern North Carolina, you will see that whole -- that whole area is flat. It's not just Virginia, it's -- it's that North Carolina area as well. I mean, they all kind of go together.

So that starts at Lynchburg as you go north to south, and goes over to Newport News, and it comes down to the center of all of North Carolina, and in that little bit of South Carolina, and it just kind of flattens there a little bit because of what I have already shared, because of where the milk lies.

And so that's -- that's when we looked at that.

That's kind of what we came away with. And so we feel like it's -- it's very reasonable to -- to maintain that relationship there.

Q. So with those two plants -- Richmond was one of them.

Where was the other one you said?



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- A. Portsmouth.
- Q. Portsmouth. So the two plants in Richmond and Portsmouth. By definition, the fact that those two plants are gone since the model was run the last time in 1997 would have been taken into consideration by the model, correct?
  - A. Say that again?
  - Q. The fact that those plants no longer exist would be accounted for in the model, correct?
- 10 A. Yes.

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- Q. Okay. And that would suggest that there may be less milk in raw form needs to be moved down to the peninsula, correct? Because there's only one plant now, correct?
- 15 A. Yeah, there's less milk.
- 16 Q. In raw form.
- 17 A. Right.
  - Q. But packaged milk, more milk needs to move, correct?
- 20 A. Yes.
- Q. Wouldn't it make sense to encourage that packaged milk to move by saying, for plants that are moving it in from, say, Lynchburg will have a difference between Lynchburg and Newport News to help make sure that milk moves in packaged form?
  - A. I see your argument. And I guess we'll have to ultimately let the Department decide. But I -- you know, we look at them as the same -- the same area, just like



they were back in 2000.

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- Q. So let me come back -- so I guess the other thing is, when you say you flattened it, by definition, if you have raised Lynchburg higher than the model and you have taken the triangle in North Carolina down from the model, haven't you impacted the competitive relationship between Lynchburg and North Carolina?
- A. Well, we raised them both the same amount, \$1.80, right?
- Q. But by doing so, you haven't encouraged milk from Lynchburg to move south, have you?
  - A. I haven't encouraged -- I'm not sure I --
- Q. Well, by definition, if the model said one thing, which is that Lynchburg should be lower than North Carolina, and you have instead said, we're going to take them both up by \$1.80, to the extent the model was suggesting, hey, look, we need milk from Lynchburg to move south, you have taken away that incentive, correct?
- A. Well, I guess the milk -- I don't -- I don't know that there needs to be an incentive there, I guess, to move that milk, a different incentive than what there already is in the model, I guess -- or in the National Milk proposal. Because, as I said earlier, when you get to that Lynchburg to North Carolina, that middle of North Carolina is where all the milk is. It's -- it's -- that's the second group of milk. So you have a group of milk up in Harrisonburg, and then you have a second group of milk that's south of Lynchburg to the middle of North Carolina.



- Q. And notwithstanding --
- A. And that's where that milk goes. It's always gone there.
  - Q. But notwithstanding all of that, you have to move milk from Chambersburg, Pennsylvania, to North Carolina, correct?
  - A. Yes.

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- Q. So given your preserving price relationship arguments, why not preserve the price relationship that Kroger in Winchester, Kentucky, has selling south and east? Instead, you -- National Milk proposes taking Kroger up \$2.00 in Winchester, Kentucky, and the plants in High Point up \$1.60, correct?
- A. I don't know about -- I didn't -- I wasn't in charge of -- of that. I wasn't in that group of Winchester, Kentucky, so I can't comment on that.
- Q. Doesn't that go to my point that -- if somebody at National Milk's proposed Winchester, Kentucky, for \$2.00 --
- 20 (Court Reporter clarification.)
- 21 BY MR. ENGLISH:
- Q. Assume for a moment National Milk's Proposal 19
  proposes moving Winchester, Kentucky up by \$2.00 a
  hundredweight --
  - A. Okay.
- Q. -- which is where the Kroger plant is located -THE COURT: Which is what?
- 28 BY MR. ENGLISH:



- Q. -- where the Kroger plant is located, and at the same time, because you are reducing prices in North Carolina, you are taking that up less than \$2.00, I think it's \$1.60 at High Point; is that right?
  - A. In North Carolina?
  - O. Yes.
- A. North Carolina we -- it was either \$1.80 to 2 bucks.
  - Q. Okay. So \$1.80. It's \$1.80.
- 10 A. Yeah.

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- Q. Nonetheless, you are taking Kroger Winchester -National Milk's proposing taking Kroger Winchester up more
  than High Point.
  - Isn't that an example where you have not preserved the price relationship somewhere?
  - A. Well, again, I can't comment on -- on the Winchester, Kentucky. I don't know enough of that area to be able to comment on it.
  - Q. I guess that may be my ultimate question is, did any of the groups get together afterward and say, oh, look, we better consult about this because down in North Carolina we used price relationship, but we didn't do that in Winchester, Kentucky, and, therefore, we have created a problem?
  - A. Did we have groups that got together and talked to each other? Yeah. But did we talk about your specific? I don't -- I don't know. I wasn't in all the discussions. You know, we -- we -- you know, like, for us, our furthest



western plant is Asheville that we serve in North

Carolina. You know, I think Jeff already testified, I

don't know the geography, but like Asheville, for example,

the reason it didn't go up higher -- or it went up

higher -- let's see, what do I want to say here? Let me

get my right numbers here.

The model had it 5.70, and we went -- we went up there, but not as much as the model, but went up more than say, like -- we didn't keep it the same as the middle of North Carolina is the geography. It's a lot harder to get to Asheville. You have got to go, you know, up -- I have made that drive many times -- and it's just not an easy drive. It's not easy to get haulers that want to go up there.

And so that's why we felt like -- and it's a little -- just a little south. If you look at the map, it's just a little south of the High Point and Winston-Salem plants, and so, you know, those two reasons is why we -- why we -- we kept some dollars there and didn't -- and didn't take the full -- didn't reduce it as much as we had reduced the others on the increase.

- Q. So you agree it's harder to get to Asheville, correct?
  - A. Yeah.
- Q. And, therefore, you made a slight adjustment to the current price relationship, correct?
- A. Yeah. And I don't know if that's -- that might be the reason for Winchester, Kentucky, or not. I don't



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- 1 know. I have never been there. I don't know.
  - Q. But you did make an adjustment -- or you made a lesser adjustment to Asheville because of considering the difficulty in driving in Asheville, correct?
    - A. Uh-huh.

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THE COURT: That was a yes?

THE WITNESS: Yes. I'm sorry.

#### BY MR. ENGLISH:

- Q. But when it came to Lynchburg versus Newport News, you did not make an adjustment because of the difficulty of getting to Newport News, did you?
- A. It's not a difficulty. The road's straight. The road is flat. It's a timing issue.
  - O. Well, isn't that a cost? Timing issue a cost?
- A. Well, we have been doing it for such a long time.

  Again, we just, we start receiving at 2, 3 o'clock in the
- 17 | morning. It's not a topography issue.
- 18 Q. I understand. It's a traffic issue, correct?
- 19 A. They have traffic issues even in Asheville, too.
- 20 Q. But it's also a distance issue because it's
- 21 | farther from Harrisburg to Newport News than it is to
- 22 Lynchburg, isn't it? Fewer miles to Lynchburg from
- 23 | Harrisburg?
- 24 A. From Harrisburg to Lynchburg?
- 25 Q. Yes, than it is to Newport.
- 26 A. Yes. But not from Lancaster to Newport News. We
- 27 | don't take Harrisburg milk to Newport News, we take
- 28 | Lancaster milk to Newport News.



- Q. I thought you testified earlier that both Newport
  News and Lynchburg get their milk from the same location,
  Harrisonburg.
  - A. Harrisonburg, Virginia.
- Q. Yeah, Harrisonburg. I'm sorry, I meant Harrisonburg.
  - A. Oh, oh, oh. I thought you meant Harrisburg --
  - Q. I may have misspoke. I apologize. Harrisonburg.
- 9 A. Yes.
- 10 Q. It's a shorter distance from Harrisonburg to
  11 Lynchburg than it is from Harrisonburg to Newport News,
- 12 | correct?

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- 13 A. Yes.
- Q. And both those plants get the milk from that location, correct?
- 16 A. Yes.
- MR. ENGLISH: Thank you. I have no further questions.
- 19 THE COURT: Mr. Miltner.
- 20 | CROSS-EXAMINATION
- 21 BY MR. MILTNER:
- 22 Q. Good morning, Mr. John.
- 23 A. Good morning.
- Q. My name is Ryan Miltner. I represent Select Milk Producers.
- I'm going to do my best not to re-plow ground that
- 27 Mr. English covered. Bear with me as I perhaps pause
- 28 | between points here.



So if I could summarize your testimony, you have spent a lot of time discussing how competitive relationships were managed as National Milk developed a Class I price surface.

Is that a fair summary?

A. That's fair.

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Q. And part of that consideration is the distance between plants and milk supplies.

Is that also accurate?

- A. That's fair, yes.
- Q. You also, in your testimony, provided some information about hauling costs. I have heard kicked around this rule of thumb for our current economic situation that perhaps \$5.00 a loaded mile is a fair hauling rate on a per hundredweight basis.

Is that -- is that consistent with your experience at Maryland and Virginia?

- A. That would be consistent with -- and that would be a loaded mile?
  - Q. Yes.
- A. Yes. So that would be as you move longer distances and have a -- what I'll call a -- we call them one-stop load where the farm produces enough milk to make a whole tractor-trailer load, and you are running long distance, I would agree with that.

Short distances, it's like anything, you have more farms to make a load. Usually in our

Pennsylvania/Maryland area, you have more farms to make a



- load, and so you have more fixed costs and you are running shorter miles, so you can't flatten out your fixed cost as much. So that number would be higher.
  - Q. Okay. But as a -- perhaps as a lowest hauling rate, \$5.00 per loaded mile would be a good base rate?
    - A. Yes.

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- Q. So if we had 500 hundredweights on a full tanker, it's about a penny per hundredweight per mile, or more --
  - A. Yes.
  - O. -- to move milk?
- 11 A. Yes.
  - Q. And so as you presented several different price relationships, and Mr. English went through a number of them with you, I wanted to look at some of those, and the haul rates in particular, or the haul cost.
  - A. Okay.
    - Q. If I look at Landover to Frederick with a 55-mile distance between them, if the model was showing a \$0.35 difference between those two points, and it were at least a penny a mile to move milk, that spread that the model encompassed would not cover the haul cost between those two points, would it?
      - A. That's correct.
- Q. And if I look at Philadelphia to York, that's about 100 miles between those two points, correct?
  - A. Yeah. I think that's about right.
    - Q. And so if the model is showing \$0.20 between them, again, that -- the haul is not reflected in that spread,



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- A. That's correct.
- Q. And we have two more that I wanted to look at, Mount Crawford, Virginia, to Verona, again, 15 miles between the two and \$0.10 in the model.

Again, does the transportation cost get encompassed in that spread, in your opinion?

- A. Right. Yeah. And I would agree that -- that -- and that's I guess my other argument was, is that trying to maintain, that's where I -- I'm trying to balance two things between haul costs and customer needs and customers, what they -- what their market is, what they serve.
- Q. And then the last one, the Lynchburg to Newport News, there's 200 miles between those two points roughly, correct?
  - A. That's correct.
- Q. And the model had \$0.50 -- I believe \$0.50 spread between those two points, correct?
- A. You said Lynchburg, right?
- 21 Q. Yes.
  - A. Yes.
    - O. Okay. So 200 miles and a \$0.50 spread.

Again, same as the other three city pairings or
four county pairings, the haul cost exceeds the spread for
the model output, correct?

- A. That's correct.
- Q. Now, Mr. English also asked you some questions



about what is encompassed in the model, and we have plenty of testimony from the folks that developed the model that explained that in greater detail, so I don't want to belabor that.

But in addition to the distance between points, the model takes into account where the milk is located, correct?

A. Yes.

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- Q. And it takes into account where the plants are located, correct?
- A. Yes.
- Q. But does the model, to your knowledge, take into account where the milk is affiliated in terms of whether it's cooperative, affiliated, or independent milk?
  - A. No, it does not.
- Q. And as far as the plants go, does it take into account who is supplying those plants under a contractual arrangement?
- 19 A. No, it does not.
- Q. So the model is taking into account multiple factors -- or let me rephrase that.

There are business realities that your cooperative experiences that are not encompassed in the model,

- 24 | correct?
  - A. That's correct. I mean, one very easy one for me is schools. So schools start up in August/September, and they let out May/June. The model doesn't do anything with schools. And you might have a 10, 15% increase in



- Q. You also testified about certain customers' specifications that Maryland and Virginia has to consider when supplying milk, correct?
  - A. Correct.

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- Q. The model doesn't take into account any of those specific demands when it establishes these price relationships, does it?
  - A. That's correct. That's correct.
- Q. Now, as a cooperative -- and I don't think

  Maryland and Virginia is unique in this respect -- you

  have a network of milk supply to optimize, don't you?
  - A. That's correct. Yeah.
  - Q. You also have a series or a number of contractual relationships with your own customers that you have to manage, correct?
- 19 A. That's correct.
  - Q. Now, if you could explain for us just briefly what that entails in terms of matching up your milk supply with your plants and what the geography of those relationships entail.
  - A. So plants, you mean both the plants that we own and plants that -- third-party customers that I supply?
    - Q. Yes, please.
  - A. Okay. So we serve mostly Class I plants or fluid plants. They may do a little Class II work, but it's



mostly Class I plants. So we don't supply -- very little to the cheese market, and if they are, they are very small facilities.

So other than that, other than -- and I just wanted to back up to give a broader scope of it -- other than servicing those Class I plants, we balance all the milk at our two ingredient plants, which I have talked about earlier. So there's really -- if I divide our customers into two pieces, two specific types of customers, one is traditional HTST, high temperature short time customers, and the second one is ultra-pasteurized customers. So we have those two type of customers.

So many of the HTST plants don't take -- don't run seven days a week, so that's one of the challenges.

They -- they will -- they -- some of them run five days a week, some will run six days a week, but very few of them run seven days a week, which means there's a challenge on -- they don't take the same amount of loads every single day of the week. Many of them also take more volume on Wednesday -- let's say Tuesday, Wednesday, Thursday, and less on a Friday, Saturday, Sunday, so there's that balancing.

Then if we move over to the ultra-pasteurized plants, all the ultra-pasteurized plants that we serve also run non-milk beverages. So we not only have to balance that plant from a milk standpoint and what they -- what their orders are, but if they have a major customer that -- that's a non-milk customer that comes to them and



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So does that kind of answer your question?

- Q. It does, and let me delve into a little further.
- I mean, Maryland and Virginia has competitors when it comes to the procurement of milk from the farm, doesn't it?
  - A. Absolutely, yeah.
- Q. Okay. And who are some of those competitors that you have in the areas where you operate?
  - A. Well, I'd say the -- the major competitors are going to be, obviously, DFA and Land O'Lakes, and then we have -- there's many smaller cooperatives and independents on top of that.
  - Q. Now, each of those entities competing with Maryland and Virginia for milk procurement, are those same entities competing with Maryland and Virginia to supply plants and customers?
    - A. That's true.
  - Q. So is it the case that Maryland and Virginia might have a contract to supply a fluid plant, but the closest farms to that plant would be obligated to provide their milk to one of your competitors because they are a member of another cooperative?
    - A. That is true. That is true.



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- Q. And in that case, would the milk that is closest to the plant necessarily be delivered to the plant?
  - A. Not necessarily.

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- Q. Some cases it would be, correct? There would be an arrangement to -- to optimize some efficiencies, but --
- A. Yes. And I'll give you another example that complicates things a little more.

As I -- as I -- one of my examples about the Virginia Milk Commission. The Virginia Milk Commission assigns whose milk goes into whose plant. And so, for example, most of the Virginia Milk Commission milk that goes into Newport News is not our milk, it's somebody else's milk that owns Virginia base, so that creates more complication.

- Q. And is that -- is that reality reflected in the model, to your knowledge?
  - A. No. No.
- Q. You also talked about daily and weekly balancing of plants just a minute ago. To your knowledge, is the daily fluctuation demand from individual plants encompassed in the model?
  - A. No.
- Q. Does Maryland and Virginia use receiving credits or other tools to help offset those costs?
- A. We do in some areas. Some areas the competitive nature doesn't allow us to do that.
- Q. You mentioned the competitive nature, and that kind of, I think, is going to help tie up my questioning



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If I look at the end of your statement, it's the first paragraph on page 7 in the second sentence, and it reads: "Namely, that the Class I differentials needed to increase to cover the additional costs of servicing fluid milk markets and to maintain current price relationships between fluid milk markets to avoid, as much as possible, unnecessary or unwarranted changes in competitive relationships."

You have two different concepts in there, as I read that. You talk about current price relationships and competitive relationships.

Now, when you refer to current price relationships, you are talking about the differentials that are in the current Class I surface, correct?

- A. Correct.
- Q. So that comes from regulation as it stands today, correct?
- A. Correct.
- Q. But when you talk about competitive relationships, those are the results of the business decisions and economic realities that Maryland and Virginia faces, isn't it?
  - A. Yes.
- Q. Those competitive relationships have to do with who your customers are, correct?
  - A. Correct.
  - Q. To a lesser extent, who your members are, correct?



A. Correct.

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- Q. And it is those realities that -- that in Maryland and Virginia's opinion, and National Milk's, require deviation from the model as a straight output?
  - A. That's correct. That's correct.

MR. MILTNER: I think that's all I have. Thank you very much.

THE WITNESS: Thank you.

THE COURT: Dr. Cryan.

DR. CRYAN: Thank you, Your Honor.

11 | CROSS-EXAMINATION

### 12 BY DR. CRYAN:

Q. I'm Roger Cryan with the American Farm Bureau Federation. I want to follow up a little bit on some of the things Mr. Miltner was talking about regarding the limitations of the model with respect to the local circumstances.

Do you understand the model assumes -essentially, it's an engineering solution, a one -- like
one -- one giant hand directing all milk to be sent in all
the most efficient channels possible to minimize the cost
of shipping; is that right?

- A. That's correct. Yeah.
- Q. So it doesn't really account for competition. We believe in competition in this country.
  - A. Right.
- Q. And this is -- this is a solution of one company ran everything and somehow managed to be efficient.



But this doesn't account for competition, right?

- A. That's correct.
- Q. And it's typical for nearby competing plants not to allocate their market according to where the most efficient, you know, movement of milk is, but to compete within a larger market; is that correct?
  - A. Yes, that's correct.
  - Q. And so those -- those markets naturally overlap.
  - A. Yes.

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- Q. And that -- would you say that's fundamentally why so many of the analyses presented in defense of this -- of these adjustments are trying to align milk markets where there's -- where there's a substantial competition, a substantial overlapping competition?
- A. Yeah, that's what we tried to do based on our years of experience.
- Q. Okay. And that reflects a difference between the actual competitive market and the sort of efficient engineering allocation of the model.
- A. Yes.
- Q. Okay. And would you agree that essentially -this is to restate just one more time -- the model
  essentially represents the absolute minimal, the absolute
  minimum differential among locations that would be
  required in the most efficient way to -- to move milk
  across the country?
  - A. Yeah.
  - Q. Okay. Which is -- which is going to be a



- principle that would necessarily be a bit lower than -- a bit less expensive than, you know, the actual messy world?
  - A. Yes. Yes. Absolutely.
  - Q. Okay.

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- DR. CRYAN: That's it. That's all I've got.
- 6 Thank you very much. Thank you.
- 7 CROSS-EXAMINATION
- 8 BY MR. LAMERS:
  - Q. Good morning, Mr. John.
- 10 A. Good morning.
- 11 Q. Mark Lamers representing Lamers Dairy. We have a
- 12 | small fluid milk plant in Wisconsin. Just a couple of
- 13 | quick questions.
- 14 A. Sure.
- 15 Q. I'm not real familiar with the model, not being
- 16 | present for all the testimony that was here, but do you
- 17 | know with the suggested Class I differentials, was that
- 18 | reconciled with the actual costs associated? Is that how
- 19 | that number was arrived?
- 20 | A. The -- the --
- 21 Q. Dollars generated in the pool.
- 22 A. Are you talking about the model, the -- how the
- 23 | model was -- the spatial model was developed?
- 24 | O. Yes. National Milk Producers' proposal for
- 25 | increasing Class I differential, were those
- 26 differentials -- they generate a certain amount of money
- 27 | into the pool, correct?
- 28 A. Yes.



- Q. And was that dollar amount reconciled with the costs associated with serving in the Class I market?
- I would say that -- that -- I don't -- I don't 3 4 know the answer directly to your question. What I would say is that -- that the -- and I don't know if I'm not 5 understanding your question -- but what I'd say the model 6 7 reflected, what Roger was just saying earlier, is it tried 8 to reflect the -- in a perfect world, the movement of 9 milk -- or anything, I quess, it could be anything 10 really -- but in this case, the movement of milk from, you 11 know, supply points to destination points.
- 12 Q. Okay. In looking back at your Table 2, I did some 13 quick math.
  - A. Okay.

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- Q. And looking at the roundtrip, 171 miles, with the difference in cost on that, if my math is correct, it looks like about \$0.46 a hundredweight.
- A. That would be correct.
- Q. And then for Northeast Order 1, they have a proposed increase of \$1.76?
- 21 A. Yes.
  - Q. Okay. So looking at those numbers for the amount of Class I milk in the pool for Federal Order 1, when you take out that \$0.46, that leaves about \$1.30 for any additional costs?
- 26 A. Yes.
  - Q. And my question was, that \$1.30 generates about \$8 million into the pool.



Is that number ever reconciled when composing these Class I differentials, as to that's the actual cost of what it takes to service that market?

- A. So I can't speak to, you know, everybody else, but, you know, as my discussion with Nicole earlier, and as I have shared with others about our increased costs to serve Class I, that, to me, is both in what I'll call Grade A plus milk to the Class I market, and then also supplying -- or also balancing, the extra balancing needs, would easily make up that difference, if that's what you are asking about making up that difference between the 40-some cents and the, say, \$1.65.
- Q. Yeah. I guess I have a hard time personally reconciling that number in my mind, operating a fluid plant like I do, that that amount of money would be justified for this.
- A. It is -- I will agree with you, it's big dollars. It's hard to imagine, but when we sit down and look at the actual, do the actual math on what it costs to balance, what it costs to service customers, the -- you know, all the costs have gone up. The extra testing, the extra manpower that we have to have in order to serve Class I. Let alone, and I didn't even get into all the sustainability efforts today that are just a requirement to serve. And that's probably not just Class I, that's probably everywhere, but in our case, we serve Class I. Just the requirement, you know, you have to be FARM certified. And that's not just animal care now, it's



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	employee welfare, it is environmental care, it's, you
	know, what's your greenhouse gas emissions, and how are
	you going to reduce that and become net zero. I mean,
	it's on and on, all those things like that. And I didn't
	even get into all that, adds a ton of cost to servicing
l	the marketplace.

- Q. And that all should fall back on the Class I consumer?
- A. Well, should it fall on the dairy farmer? I mean, I don't think it should fall on -- I don't think it should all fall on the dairy farmer. That's what I'm here to testify about.
- Q. Well, just one other question. You had mentioned earlier two plants closing.

Do you know if they were cooperative-owned plants or proprietary plants?

- A. They were both proprietary-owned plants.
- O. Thank you.
- 19 A. Uh-huh.

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- 20 THE COURT: Thank you, Mr. Lamers.
- 21 Mr. Rosenbaum.

## 22 CROSS-EXAMINATION

- 23 BY MR. ROSENBAUM:
  - Q. Steve Rosenbaum for the International Dairy Foods
    Association.
- Just to follow up on the questioning there. You mentioned the FARM program, correct?
  - A. Yes.



- Q. That's a program that relates to animal care and things of that nature, correct?
  - A. That's one aspect. It now has three modules to it.
    - Q. And -- but there's -- that -- that's not a Class I-oriented program, correct?
- A. No, it's not. And I said that. It's not.

  It's -- you know, in our market, because that's what we serve, it is. But, yes.
  - Q. I mean, you are pretty unique in that respect, correct? That you are serving such a large portion of Class I milk, correct?
  - A. Probably, yeah.
  - Q. It'd be irrational for the USDA to accept your particular unique circumstance as the philosophy that should be adopted nationwide; is that fair?
    - A. I have been told I have been unique before.
    - Q. Well, do you agree with my statement?
- 19 A. Yes.

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- 20 Q. Okay.
- 21 MR. ROSENBAUM: That's all I have. Thank you.
- THE COURT: Are there other questions before we take a break and then we'll come back to the Agricultural Marketing Service?
  - All right. So when we return, we'll go with the Agricultural Marketing Service questions. Please be back, ready to go at 11:15.
    - We go off record at 11:00.



1	(An off-the-record discussion took place.)
2	THE COURT: Let's go back on record.
3	We're back on record. It's 11:16.
4	Questions for the witness from the Agricultural
5	Marketing Service?
6	CROSS-EXAMINATION
7	BY MS. TAYLOR:
8	Q. Good morning.
9	A. Good morning.
10	Q. Okay. I want to start on page 3. And I just want
11	to ask just a few I want to make sure everything's
12	crystal clear on the record.
13	In the middle of that first big paragraph you have
14	a sentence that says, "In the face of enormous
15	transportation cost increases, that means the mechanism to
16	attract milk from supply points has become less
17	effective."
18	And I just want to make sure you are clear on
19	on the record, of what you were referring to as "the
20	mechanism."
21	A. Okay. The mechanism would be the Class I
22	differential.
23	Q. Okay.
24	A. Yes.
25	Q. And then in the second paragraph there you are
26	talking about your internal hauling subsidy to cover these
27	additional transportation costs.
28	I was wondering if you could talk a little bit



more about how that works for Maryland and Virginia?

- A. Sure. So -- so with each month we have to look at what we deduct off of our members. I mean, that's right on their statement. Most of the times it does not cover the full cost of moving that milk, because it's in arrears of what -- we project what we think is going to happen in the month and -- but the month never goes the way we figure it's going to go. And so we always have extra costs afterwards, and so that becomes an additional cost that we basically spread that over all of our membership as a -- as a -- call it a subsidy, that additional cost out of there. It's not -- not their regular hauling rate, per se, but it becomes a cost that had to -- had to be paid to move that milk in that given month.
- 15 | Q. Right.

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- So just so we're clear, then, your members have a hauling rate that they are charged?
- 18 | A. Yes.
  - Q. And that is what you are saying could change monthly?
  - A. No, that -- that's -- that stays.
- 22 | 0. So that's flat?
- 23 A. Yeah.
  - Q. In addition, there's a hauling --
- 25 A. We call it a subsidy.
- 26 | Q. -- subsidy or --
- A. Of what actually -- what -- you know, like, for example, we never know if we're going to move -- in my



conversation with Chip, we never know when we're going to move the milk from Franklin County to North Carolina, for example. And that cost has to be -- any cost that isn't recovered through the differentials or through transportation credits, for example, there's always additional cost left over. That is not part of, say, the local haul rate that a producer pays, so that has to be -- that has to be paid somehow.

- O. And that's a deduct off the checks --
- 10 A. Yes.

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- 11 | O. -- to the members?
- 12 A. Yes.
- 13 \ Q. And is that rate -- is that spread evenly?
- 14 A. Yes.
- 15 | 0. On a hundredweight basis?
- 16 A. Yes.
  - Q. On your Table 1, the three routes -- yeah, the three routes you picked as examples, how did you pick these routes?
    - A. Well, first of all, we wanted to make sure that -- and I hope I'm getting to the answer to your question -- but, first of all, we wanted to make sure we had routes that were around in 2008 and also around in 2023 so we could look at the same routes. We wanted to keep it as consistent as possible so that we were actually comparing apples to apples.
    - We looked at kind of a traditional route. I can honestly say that that -- that Federal Order 1 to Federal



Order 5 is moving milk from Franklin County, Pennsylvania, to -- to North Carolina, since we talked about that so much.

And the Federal Order 1 to Federal Order 1 is basically just -- where it's a route that's been around for a long time and it's well-established.

- Q. Okay. And the mileage on these, are they representative of the typical miles per load in those --
  - A. Yes.

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- O. -- those routes?
- A. Especially -- the Federal Order 1, that's, you know, a route to the -- from the farm to a plant is going to be -- if you just take half of that, the distance is going to be right around 85 miles. That's normal for us. We don't have -- we don't have -- some of our largest volume is moving milk into Maryland out of Pennsylvania, so that's what, you know, drives some of that up, and then moving it from West Pennsylvania to Eastern Pennsylvania, that drives that miles up a little bit.

The -- one of the things I didn't do that I probably could have done on the Federal Order 5 to Federal Order 5, which is, again, looking at 303 roundtrip, or say 150 one way, I could have looked at, okay, how -- you know, what was that average local haul, say, back in 2008 compared to what the average local haul is today? I know it's more because there's less farms and there's less plants. So the farm, the milk that's left has to travel further. And I -- you know, that would have been a good



- analysis to look at, I just didn't do that, but I know that to be true.
  - Q. And you talked about how the costs are included, both assembly and destination costs.

And so I think it's -- it's typical in these orders, but I want to make sure it's clear, that these routes have multiple -- all of them probably have multiple stops in the route. It's not a one farm --

- A. With the exception of the middle scenario there, which is --
- 11 Q. That is one farm?
- 12 A. Yeah, that would be one farm.
- Q. Okay. And does Maryland and Virginia own its own fleet of trucks?
- 15 A. No.

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- 16 O. No.
- So -- so when you talked about increasing the average load size --
- 19 A. Yes.
- Q. -- that's increasing what's allowed on the road,
  but then it's up to the hauler to make sure they have a
  truck that would be --
  - A. Absolutely. Yes. So that's not an easy task -(Court Reporter clarification.)
- THE WITNESS: So is it my turn?
- 26 BY MS. TAYLOR:
  - O. I think so.
- 28 A. Okay. Sorry about that.



So, yes, we have about 30, 32 contract milk haulers, and we do not own our trucks or trailers. So this is all a negotiation to try to get them to buy larger trailers and to, you know, move milk more efficiently and that type of thing. It's -- you know, it's a little harder convincing somebody sometimes to buy brand new when they have got a fully depreciated trailer that works just as well, you know. And so I'd like to -- probably if we had our own trailers, we would have that even better than that, but we -- we don't. So...

Q. Okay. All right. Turning to page 5. In your bottom example of Landover and Frederick. I think the model results came back that there would be \$0.35 difference between the two locations where currently there's only a \$0.10 difference. And you talk in that last sentence on the page that the \$0.35 difference would create an artificial competitive advantage of one processor over another.

And I was wondering if you could expand on what you mean by "artificial competitive advantage."

A. Sure. I guess I go back to my economic classes but -- when I say that. So \$0.35 per hundredweight is, what, 2.5, maybe \$0.03 per gallon difference, and if they are competing for the same marketplace, and they are, the -- we're using the Federal Order -- I'll just say it that way. If this would get adopted, if the model would get adopted as the Federal Order price, we would be using the Federal Order as a vehicle to create a competitive



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- Q. And when you say "artificial" -- excuse me, they compete in the same marketplace, you are talking about on the sales side?
  - A. Yes. Yes.

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- Q. So we have talked a lot about the milk shed side.

  I just want to --
- 12 A. Yes. I'm sorry. I'm talking about the sales 13 side.
- Q. Okay. Let's see. On your last page -- well, two questions.

One, there was some discussion of the transportation credit provisions down in the Southeast area. And I have asked questions of other witnesses on that, but I wanted to ask another question that I don't think that's come up.

The way it's set up, current ones, and the way that the proposed ones, I have no idea if they would be -- continue to be recommended or adopted, but let's say if they are, but as proposed, do they net out any differential gain? Does it account for the fact that there's maybe a gain in differentials in moving some of that milk?

A. So as I've looked at it, and looking at



especially, again, using our example of Franklin County to 1 2. North Carolina, or you could even look at it from Lancaster to North Carolina, with the new differentials, 3 because in the math equation, to do a transportation 4 credit calculation you have to subtract off the difference 5 between the differentials, the differential at the supply 6 7 point and the differential at the destination point. 8 by increasing the curve and making a greater difference in 9 dollar amount between the differential at the supply and 10 the destination, which is what National Milk's proposal 11 is, that actually lowers the transportation credit.

So they -- they kind of, I don't know what the right terminology is there, but it does -- it does, I think, take that into consideration. So...

- Q. Thank you.
  - A. Uh-huh.

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- Q. And then just a big picture thing. As I have read your testimony and heard the cross and look at, you know, particularly the guiding principles that you listed on the last page, right? What I think I heard was, generally right now milk is going where it needs to go?
- A. Yes.
- Q. But that's not because necessarily all the costs are covered through the Federal Order program?
  - A. That's correct.
- Q. And so your principle was to -- or the National Milk principle, as you understood it, is to increase the differentials to reflect some of that additional cost in



your mind?

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- A. Yes.
- Q. And -- and to the best extent possible, maintain these current pricing relationships, but that wasn't -- I'm trying to think of the word. You used the caveat, "as much as possible."
  - A. Yes.
- Q. I guess that's what I'm trying to point out. So generally things are working, but you did need to tweak some things in that.

And what I heard -- because there was some cross on it, too -- was, yes, milk is going where it needs to go, but that doesn't mean it's doing it because the Federal Order differentials are making that happen?

- A. That's right. That's right.
- Q. Okay.
- A. It helps to have a good year like 2022 in milk prices, but to -- because of the subsidy that I was talking about earlier. It makes the subsidy seem smaller, but it's really not, you know, as we know.
  - Q. Okay.
    - MS. TAYLOR: That's it for AMS. Thank you.
- 23 THE WITNESS: Thank you.

THE COURT: Mr. John, was there anything else that you wanted to clarify or expand on so that there's a good understanding of what you presented with today's testimony?

THE WITNESS: Not at this time.



1 THE COURT: Thank you so much. 2. Ms. Hancock. MS. HANCOCK: Thank you, Your Honor. 3 4 REDIRECT EXAMINATION BY MS. HANCOCK: 5 Mr. John, just a couple of brief follow-ups. 6 Ο. 7 We talked earlier about the costs in -- of the -procuring milk related to the additional requirements 8 9 beyond the Grade A standards. 10 Α. Yes. 11 Ο. And then we talked about balance, also the work 12 that you do in balancing the milk that you have. And I 13 forgot to ask you about the costs that were associated 14 with balancing that milk. 15 Did you calculate that by any chance? 16 Α. Yes. Yes, we did. We said that that was another 17 \$0.60. 18 Okay. On top of the other costs that we have Ο. 19 already discussed? 2.0 So if you add the two, the two Grade A plus Α. Yes. 2.1 and the extra balancing, we would say that those added 22 together would be a minimum of \$1.20. 23 Okay. And can you just give me some understanding 2.4 about what is included in that \$0.60 cost? On the balancing side? 25 Α. 26 Q. On the balancing side. 27 Α. So, again, you have your normal -- you have your 28 normal balancing -- what we call normal, maybe it's not



normal to anybody else -- but you have seasonal balancing with schools. And schools are not just, you know, in season. You also have, then, holidays, and the push and pull on the flow of milk that that creates in the holidays.

You also have, as I have stated earlier, you have different differences in the days of the week. You will have a higher draw, especially on a Tuesday, Wednesday, Thursday, than you would over the weekend. You have Class I plants that don't receive milk evenly all seven days of the week.

And then, as I shared earlier with ultra-pasteurized plants that we serve, and we serve quite a few, they are all -- they all have nondairy in their plants, and that creates additional challenges as they deal with those customers. Some can be very demanding, and that can -- that can change pretty much on a weekly basis with us, where maybe they take 20 loads a day this week, and next week they are down to 15 loads a day, and just because of the requirements that nondairy customers put on them.

O. Okay. Thank you for that.

And then one more follow-up. You -- in talking with Mr. English, you were talking about price alignments and looking to create some relativities as you were looking at the map. And he asked you if that was the definition of orderly marketing, and I think that you responded that yes, that -- that was.



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Do you recall that?

A. Yes.

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- Q. I'm just wondering if you could elaborate on that a little bit. Because what I'm trying to figure out is, are you saying that -- that that is the only way in which you believe that an orderly market condition could occur is if you created the same alignments that currently exist with -- with whatever is being proposed to the USDA now?
- A. No. No. And I think you have to look at -- you have to look at the -- you know, the whole picture, not just one aspect of it.

And, again, like I was sharing earlier, if we look at the -- specifically with differentials, if you look at the increase in differentials in Federal Order 1, our group was right in the \$1.60 or \$1.65 to \$1.70 range pretty much. And when we went down to Order 5, we tried to keep that range of increase about the same again, so that we didn't have too much of a big gap between, really, the Federal Order 1 area and the Federal Order 5 area, creating some kind of a weird market situation. So that's why we -- the group worked on trying to keep that in that \$1.80 to \$2.00 range.

So that's another aspect to try and keep things -trying to keep that increase, you know, reasonable between
what I'll call between geographical regions. So that's -that's outside of even looking from a customer standpoint
and all that.

So there's other aspects that went into it to try



1	to keep things as orderly as we possibly could. So
2	Q. Okay. Thank you for that clarification.
3	MS. HANCOCK: Your Honor, at this time we would
4	move to admit Exhibit 359 into evidence.
5	THE COURT: Is there any objection?
6	There is none. Exhibit 359, also marked as
7	NMPF-41, is admitted into evidence.
8	(Thereafter, Exhibit Number 359 was received
9	into evidence.)
10	THE COURT: Thank you so much, Mr. John. You may
11	step down.
12	A document's being distributed. Let's go off
13	record.
14	(An off-the-record discussion took place.)
15	THE COURT: Let's go back on record.
16	We're back on record at 11:39.
17	MS. HANCOCK: Thank you, Your Honor. We have
18	Skylar Ryll as our next witness.
19	THE COURT: Thank you.
20	MS. HANCOCK: And we have I believe that we
21	have six exhibits that we'll mark in support of her
22	testimony, the first one being Exhibit NMPF-42.
23	THE COURT: 42, so that will be Exhibit 360.
24	(Thereafter, Exhibit Number 360 was marked
25	for identification.)
26	MS. HANCOCK: And then we have Exhibit 42A,
27	National Milk Producers Federation-42A.
28	THE COURT: All right. That will be 361,



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1
     Exhibit 361.
 2.
             (Thereafter, Exhibit Number 361 was marked
             for identification.)
 3
             MS. HANCOCK: Then we have Exhibit NMPF-42B, like
 4
           That's Exhibit 362?
 5
    boy.
             THE COURT: Yes.
 6
 7
             (Thereafter, Exhibit Number 362 was marked
             for identification.)
 8
             MS. HANCOCK: Exhibit NMPF-42C, like cat, we'll do
 9
10
     363.
11
             THE COURT: Yes.
12
             (Thereafter, Exhibit Number 363 was marked
13
             for identification.)
14
             MS. HANCOCK: Exhibit NMPF-42D, as in David, we'll
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     do Exhibit 364.
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             (Thereafter, Exhibit Number 364 was marked
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             for identification.)
             MS. HANCOCK: And then finally, Exhibit NMPF-42E,
18
19
     as in Edward, we'll do Exhibit 365.
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             (Thereafter, Exhibit Number 365 was marked
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             for identification.)
22
             THE COURT: All right. Good.
23
             Would you state and spell your name?
24
             THE WITNESS: Skylar Ryll, S-K-Y-L-A-R, R-Y-L-L.
25
             THE COURT: Have you previously testified in this
26
    proceeding?
27
             THE WITNESS: No.
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             THE COURT: I'd like to swear you in.
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1	SKYLAR RYLL,
2	Being first duly sworn, was examined and
3	testified as follows:
4	DIRECT EXAMINATION
5	BY MS. HANCOCK:
6	Q. Good morning, Ms. Ryll. Did you prepare exhibit
7	NMPF-42 that we have marked as Exhibit 360 as your written
8	testimony that you are prepared to give today?
9	A. I did.
10	Q. And then we have marked your attachments for as
11	Exhibits 361, 362, 363, 364, and 365.
12	You will be talking about those exhibits
13	throughout the course of your testimony; is that right?
14	A. Correct.
15	Q. Would you provide your statement in Exhibit 360,
16	please.
17	THE COURT: But before you begin, let's go off
18	record just a moment.
19	(An off-the-record discussion took place.)
20	THE COURT: We're back on record at 11:42, and I
21	have before me the documents that were just identified and
22	marked.
23	And you may proceed.
24	THE WITNESS: Thank you for having me today and
25	having this hearing. I am Skylar Ryll, the assistant vice
26	president of milk marketing operations for Dairy Farmers
27	of America's Northeast area based in East Syracuse, New
28	York, and have been employed with the cooperative for over



13 years.

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During this time I have been focused on milk marketing, transportation, analytics, and overall operations of DFA in two specific geographic regions: The Western area covering California and Nevada, and the Northeast area covering 13 states from Maryland to Maine.

I earned my bachelor of science from Cornell
University, majoring in animal science with a focus on
agribusiness, and I also hold a master of business
administration from Syracuse University. Prior to college
I showed registered dairy cattle around New England and
worked on a dairy farm in New Hampshire.

DFA is a global milk marketing cooperative that includes membership and operations within the Northeast region of the United States.

MS. HANCOCK: I'm going to interrupt just a moment. If you just would read just a little bit slower just so --

THE WITNESS: Sorry.

MS. HANCOCK: -- we can make sure we save our court reporter.

THE COURT: And also, would you just twist the mic a little -- no, the base of it a little, so it's pointed more toward where your mouth is. I think that would be perfect.

THE WITNESS: During 2022, DFA had 2,437 farmer-owners within its Northeast area and marketed approximately 12.3 billion pounds annually, with the



majority pooled on Federal Order 1. Roughly 20% of our farmer-owner milk is picked up and delivered across the region by DFA's transportation fleet, DFA Northeast Logistics. Additionally, DFA owns and operates 14 dairy manufacturing facilities within the Northeast area that receive raw milk to make a variety of products, including, but not limited to, HTST and ESL fluid milk, and milk products, cream, condensed skim, nonfat dry milk, and whole milk powder.

The facilities operate as pool distributing plants, pool supply unit plants, pool supply system plants, and partially-regulated plants within Federal Order 1. This facility count does not include DFA's facilities located in Sharpsville and New Wilmington, Pennsylvania, as they are outside of DFA's Northeast area which does not include the western portion of Pennsylvania, as it is part of DFA's Mideast Area. Additionally, there are several other plants that operate within the Northeast that do not receive raw milk but do receive milk components to make coffee beverages, ice cream, and specialty concentrates.

Today I am testifying in support of Proposal 19 as submitted by NMPF as included in the hearing announcement. The proposal requests updates to the Class I differential pricing surface based upon changing dynamics relative to the increased cost of hauling milk, location changes of farms and fluid milk processing, and overall increases in cost of production.



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My colleague, Jeff Sims, provided a recap of the process that was used to determine the appropriate Class I differentials to include within the proposal. The process utilized work done by Dr. Mark Stephenson and Dr. Chuck Nicholson from the University of Wisconsin, assessing milk from supply points to processing plants and then moving finished dairy products to demand points known as the USDSS model. This work was then assessed by many national and regional milk marketing experts from around the country, like me, who then applied practical knowledge about milk movements to determine the ultimate differentials that were proposed.

In the following testimony I will provide additional commentary about how the Northeast region of stakeholders determined the appropriate differentials within our region and share key contributing factors that signify an adjustment is necessary.

The Northeast stakeholders is comprised of representatives from Agri-Mark Dairy Cooperative, DFA, Land O'Lakes, Inc., Maryland and Virginia Milk Producers Cooperative Association, Inc., and Upstate Niagara Cooperative, Inc.

In addition to my own testimony, other milk marketing experts from some of these cooperatives will be providing testimony supporting the proposal for specific regions in milk movements within the Northeast.

Additional testimony supporting the Northeast region will be provided by Scott Werme from Agri-Mark Dairy



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Cooperative and Mike John from Maryland and Virginia, who you just heard from.

Many dynamics have impacted the need to update the Class I differential pricing surface across the country, and the changes within the Northeastern states provide some clear examples of these systemic shifts within the industry since 2000.

Milk production has changed across all states within the Northeast since 2000. States that represent the Northeast are the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Virginia. According to the USDA, all but one of the states within the Northeast decreased milk production from 2000 to 2022, as shown in Table 1 and Map 1.

The decreases seen across the 11 states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Rhode Island, Vermont, and Virginia amounted to 3.043 billion pounds per year of milk from 2000 to 2022. Growth in milk production in New York more than compensated for the combined loss in these states with growth of 3.739 billion pounds per year from 2000 to 2022. Overall milk production grew by 696 million pounds, or 2.2%, from 2000 to 2022, led by the growth within the state of New York.

It is important to note that along with significant changes in milk production across the Northeast states, there was also a transformation in the



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resident population in each state impacting the number of potential dairy consumers and changing the landscape for how farm milk and processed packaged milk is moved to meet consumer demand.

Total resident population across the area grew by almost 6.1 million people, or 9.1%, from 2000 to 2022, as seen in Table 2 below. The states with the most population growth from 2000 to 2022 were Maryland, New Jersey, Pennsylvania, and Virginia. These four states correlate with some of the highest milk production declines seen within the Northeast region with declines of 509 million pounds, 157 million pounds, 1,207 million pounds, and 476 million pounds, respectively. This indicates that milk production is decreasing in regions where the resident population is increasing in the Northeast.

In addition to the noted changes in resident population, it's also important to look at how the per capita consumption of milk beverages, along with milk production, has changed by Northeastern states. The U.S. per capita sales of fluid milk products averaged approximately 197 pounds in the year 2000. By the year 2022, this volume decreased 67 pounds to approximately 30 pounds per person.

THE COURT: Let me stop you there. Approximately what?

THE WITNESS: 130 pounds per person.

THE COURT: All right. And while I have you



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stopped, above, the three sentences -- or two sentences that you just read on page 5 is Table 2. Would you just tell us what table that is by its title and its source?

THE WITNESS: So the Table 2 is Resident

Population in Northeast States, and the source is the

United States Census Bureau.

THE COURT: Thank you. You may resume.

THE WITNESS: These figures were calculated by dividing the sum of the total -- or the monthly total fluid milk products from the USDA AMS' estimated fluid milk sales page by the sum of U.S. Census Bureau resident population for each U.S. state and Washington D.C. for the years 2000 and 2022.

Although there has been an overall decline in consumption per person, some states have seen a rapid increase in the percentage of milk that needs to be brought in from out of state to meet consumer demand for milk beverage due to changes in resident population and milk production. This has resulted in increased transportation costs to bring milk supplies to these milk deficit regions for processing, and ultimately for consumer consumption.

To show these trends, DFA has estimated the total pounds of milk beverage required to meet demand per state by taking the state population multiplied by the calculated national per capita milk beverage demand, as state level data is not currently available for milk beverage demand. After milk beverage demand by state has



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been estimated, it is then divided by the state milk production to determine the beverage demand compared to milk production.

Table 3 demonstrates these calculations for 2000 and 2022 in the Northeastern states and included in Appendix 1 is a complete listing of the states in which this calculation was performed. The data shows how the percentage of beverage demand in each state has changed relative to milk production.

As you can see, during both 2000 and 2022, the five Northeast states of Rhode Island, New Jersey, Massachusetts, Delaware, and Connecticut required more milk for consumer demand than is produced within the state, making them milk deficit states. However, four of these five states saw rapid increases in their reliance on out-of-state milk production to satisfy estimated consumer demand from 2000 to 2022. In fact, most Northeast states increased their beverage demand compared to milk production percentage from 2000 to 2022. And by looking at the full list within Appendix 1, some of the states within the Northeast are some of the most milk deficit states in the U.S., matching or exceeding the deficit of most of the Southeastern states.

Along with shifts in milk production and resident population within the Northeast, changes in the manufacturing footprint for both Class I and manufacturing classes of milk from 2000 to 2022 have also occurred.

When comparing the Federal Order 1 monthly statistical



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report for the months of December 2001 and December 2022, the number of pool distributing plants operating within Federal Order 1 decreased from the total of 63 to 49 due to industry consolidation and plant closures.

Additionally, there has been a shift in the geographic region in which milk has been processed. This can be seen by reviewing Federal Order 1 data representing receipts of producer milk by plant location differential at which priced.

Below, in Table 4, is data derived from the same Federal Order 1 monthly statistical reports as noted above for the months of December 2001 and December 2022, and it shows the milk processed within each differential range by class. The data demonstrates a significant decrease in Class I milk processed within the \$3.00 and above zones. The decrease, amounting to approximately 284 million pounds of milk from December 2001 to December 2022, can mostly be attributed to the loss of production capacity in the representative zones, along with decreases in Class I utilization as a percentage of the market total.

Examples of lost Class I production capacity within the \$3.00 and above zones include the closures of Sunnydale Farms in Brooklyn, New York, during 2005; Tuscan Dairy in Union, New Jersey, during 2005; Farmland Dairies in Wallington, New Jersey, during 2013; Elmhurst Dairy in Jamaica, New York, during 2001 -- or, sorry, excuse me -- 2016; and Readington Farms in Whitehouse, New Jersey, during 2022.



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THE COURT: Now, that's Whitehouse Station?
THE WITNESS: Correct.

THE COURT: And would you spell Readington?

THE WITNESS: R-E-A-D-I-N-G-T-O-N.

THE COURT: Thank you.

THE WITNESS: These areas are representative of generally more urban areas along the eastern side of the Northeast region.

Along with the changes in the locations in which Class I milk is processed, there have also been some significant changes in volumes and regions where other manufacturing classes of milk are processed. When looking at Class II demand across Federal Order 1 in December of 2001, processing volumes are relatively evenly distributed across all the zones within the order. When looking at the same utilization during December 2022, not only has the overall demand for Class II milk increased in the region, but there has also been a considerable increase of volume processed within the \$2.55 and below zones, increasing by approximately 175 million pounds from December 2001 to December 2022.

Additionally, growth in Class III volumes in Federal Order 1 from December 2001 to December 2022, increasing by approximately 48 million pounds, is apparent. The growth has primarily attributed -- was primarily attributed to regions in zones \$2.70 and below representing fewer urban areas in the Northeast geography.

It is evident there have been significant changes



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in the way milk must be moved within the Northeast region to service the demand within each zone. As the relative volume of Class I processing has decreased in the \$3.00 and above zones, but with some demand still existing within those zones, and as growth in Class II and III has primarily been in \$2.70 and below zones --

THE COURT: So \$2.70 and below zones.

THE WITNESS: Yep.

THE COURT: Okay.

THE WITNESS: -- local milk supplies are being utilized to fulfill Class II and III demand, while Class I milk supplies must travel further today at a higher cost per mile than before.

Though it is likely there is less mileage associated with servicing plants where the primary growth has occurred for Class II and III due to proximity to milk supply, there has been higher costs associated with transportation than there were in 2000 for a variety of reasons.

In summary, the Northeast milk market has changed in significant ways since 2000. Any changes with the Class I price surface should be taking the changes that have been explained with milk production, resident population, and the manufacturing footprint into consideration.

THE COURT: Ms. Ryll, let me interrupt you for just a moment. You have just completed page 8, and it's 12 noon.



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Do we break for lunch now or do we let her keep 1 2. working? So Mr. English would prefer to we go to 12:30, if 3 4 possible. Would that work with everyone? 5 Ms. Ryll, this is a remarkable production, and you are presenting it beautifully, so they want another half 6 7 hour. You may proceed. THE WITNESS: Thank you. I appreciate that. 8 All 9 right. 10 As a cooperative with investment in hauling assets 11 since 2002, DFA has tracked costs associated with 12 maintaining a fleet for the purpose of transporting raw 13 milk from the farm to the processing location. 14 costs include the purchase of physical assets, including 15 trucks, trailers, and tires, as well as the cost 16 associated with labor, insurance, and fuel. 17 Table 5 shows the hauling costs that DFA has 18 experienced since 2002. When looking at DFA specific 19 transportation assets located in the New England region 20 since 2003, the cost to purchase a day cab truck has 2.1 increased \$84,287, or 104%, and the cost to purchase a 22 7500-gallon, two-compartment trailer has increased 23 \$112,286 per trailer, or 224%. 24 THE COURT: So what is that dollar amount per 25 trailer? 26 THE WITNESS: \$112,586. 27 THE COURT: Thank you.



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THE WITNESS: To maintain an adequate pool of

drivers and to keep up with changes in minimum wage across the country, labor rates have needed to increase roughly \$17.50 per hour, or 104%, since 2005.

THE COURT: What percent?

THE WITNESS: 140. Thank you.

THE COURT: Thank you.

THE WITNESS: Additionally, the equipment has escalated in price, and insurance companies have assessed the industry -- industry's risk differently. The cost to insure a fleet has also increased dramatically. This cost has increased approximately 39% from 2005 to 2023.

Lastly, fuel cost remains a key contributor to the cost associated with the transportation fleet. From 2002 to 2022, the yearly average price per gallon of fuel in the New England and Central Atlantic regions in which DFA operates in have increased by \$3.87 and \$3.95 per gallon, respectively.

In addition to costs associated with owning and managing a fleet, to manage -- and managing a fleet to transport milk from the farm to the processing plant, there are other factors that contribute to increased costs.

One factor, as highlighted within Farm Credit
East's February 2023 publication titled "Challenges in
Northeast Milk Transportation," is weight limits between
states. Today, there are not consistent laws within the
Northeast states that allow for the same weights to be
carried on trucks and trailers. As the report cites,



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truck technology has significantly improved in recent years and today's trucks can safely carry more weight than in the past.

However, many laws have not kept pace with these improvements. With some Northeast states not allowing for heavier loads to take advantage of the new technology with or without a permit, efficiency of milk movement across the region is impacted. As many loads travel across state lines, not being able to take advantage of increased weight capacities decreases efficiencies in the supply chain and increases costs.

All of these factors lead to an increased cost per hundredweight paid by dairy farmers in the region to transport milk from the farm to the processing location.

According to a 2000 dairy farm management business summary of New York State from Cornell University, the average cost of hauling and co-op dues charged across 74 farms in New York State was \$0.59 per hundredweight in 2000.

15 years later, the same publication refreshed their data for the year 2015 with 132 farms in New York State, and the average cost of hauling and co-op dues increased to \$0.80 per hundredweight. This represented a 35% increase.

The 2021 Dairy Farm Business Summary published by Farm Credit East stated that the average trucking marketing cost per hundredweight was \$1.29 per hundredweight across all farms within the summary.

Assuming these costs from 2000 to 2001 correlate with similar factors included --



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THE COURT: Let me stop you and have you start that sentence again, please.

THE WITNESS: Assuming these costs from 2000 to 2021 correlate with similar factors included, this would represent an average increase in costs of \$0.70 per hundredweight in transportation costs paid by dairy farmers in the Northeast region.

THE COURT: Now, we're on page 10, and we have completed two-thirds of that page. I'm going to stop and take us off record just for two minutes to stretch.

So we're off record at 12:07.

(An off-the-record discussion took place.)

THE COURT: Let's go back on record.

We're back on record at 12:09. We're now beginning a new category near the bottom of page 10.

THE WITNESS: All the factors stated previously impacted how the Northeast working group established the proposed Class I differential pricing surface within our region. To begin the process, the group utilized the University of Wisconsin model and took the average of the model's output for May and October 2021 to smooth any variability in the model's results that would have represented high transportation costs for a specific month or changes in supply and consumption between the spring and fall months.

When using the average between the two outputs, the average increase in differential values across the Northeast was \$1.78 per hundredweight compared to the



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current Class I differentials. The next step in the process was to compare the average values from the model to the current county differentials to see any counties that needed to be adjusted from the model average based on the anchor city of Winchester, Virginia, actual milk movements, historical zone differences, or any potential for disorderly marketing based on current or future plant locations.

An anchor city refers to a city that was selected during the initial process, as described by Jeff Sims, to establish the relative level from which regional subgroups could branch out and discuss increasing or decreasing the USDSS-generated Class I differential values using knowledge of local challenges and specifics. The Northeast working group used the closest in proximity anchor city, Winchester, Virginia, as the model average value of \$4.50 per hundredweight, for the county in which it is located, Frederick County, Virginia, which is \$1.70 higher than the current differential of \$2.80 per hundredweight, to determine the proposed differentials for the remainder of the region.

By utilizing Winchester, Virginia, as the anchor city, the Northeast working group moved through the remainder of the region by looking at historical differential relationships from the anchor city, along with how the model's results related in the surrounding counties to the anchor city.

Ultimately, the group proposed differentials for



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all counties within our region that were very much in line with the May and October '21 model average, resulting in an average differential higher than the model suggested by \$0.01 per hundredweight. Only 24 out of 274 counties within our proposal for the Northeast represented values higher than the October 2021 model, which included higher costs than May 2021. This variance is primarily due to historical milk movements in these counties, and most will be explained in further detail within this testimony and within others that are providing additional supporting testimony.

For context surrounding why Winchester, Virginia, was important to use as an anchor city, and how its values are then used as a basis for the remainder of the Northeast region, it is important to understand the city's relationship with the Southeast Milk markets and then with the Northeast milk markets.

Winchester, Virginia, represents the southern edge of the Northeast milk marketing area and abuts to the Southern milk marketing areas. Because of its proximity to both areas, it is important for the milk that is being delivered to Winchester, Virginia, to be priced appropriately as to not give an advantage or disadvantage to one order or another.

If values have not -- had not been competitive for deliveries into Winchester, Virginia, compared to further south delivery points, milk could deliver direct to Federal Order 5 plants from Federal Order 1 to gain higher



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differentials and potentially leave Federal Order 1 plants unfilled, resulting in disorderly milk marketing.

This practical application of making Winchester, Virginia, relatively comparable to the Southeast region is then extrapolated to the remainder of the Northeast to ensure that Federal Order 1 milk -- Federal Order 1 milk maintains deliveries in the Federal Order 1 plants to support the infrastructure investments within the region without providing a disproportionate advantage to move milk to other Federal Orders.

Below, within Table 6, are select counties throughout the Northeast region that have important manufacturing facilities that operate within Federal Order 1 and/or surrounding orders. When looking at the data within the table for these select 49 counties, the average difference between the proposed differentials and the average of the study is approximately \$0.03 per hundredweight. This signifies that the proposed differentials align very well with the average of the University of Wisconsin's model.

THE COURT: Now, you have just completed page 12.

THE WITNESS: Yep.

THE COURT: Tell me what's on page 13.

THE WITNESS: So page 13 is Table 6 with the proposed differentials compared to the study results for select counties within the Northeast regions. So essentially it's a comparison of the current differentials with the study results, our proposed differentials, and



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then the difference between the proposals and the averages.

THE COURT: Thank you.

THE WITNESS: And then on the next page is Map 2, which represents the differentials that were proposed for the entire Northeast region, including those that were representative of in Table 6. So Map 2 is just a picture, if you will, of those differentials on Table 6, plus surrounding counties.

There were some instances where the group chose to utilize their expertise on milk movements and historical relationships with milk sheds to smooth out county differentials to reduce negative impacts to dairy farmers in Class I processing facilities. This would also help prevent disorderly milk marketing and support meeting Class I demand on a routine basis.

Some of the these instances include, but are not limited to: The differentials within the state of Maine, including the county containing Class I processing facilities, Cumberland County; certain portions of Maryland; certain portions of New Jersey; certain portions of New York, including counties comprising the western, central, and northern portions of the state; certain portions of Pennsylvania; and certain portions of Vermont.

Within our proposal there are specific regions within New York that move away from the current differential pattern, including in Western and Central New York. In general, the proposal suggests flatter



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differentials in Western New York and more alignment with Western Pennsylvania differentials. This proposal adjusts the differentials for changes in manufacturing assets, Class I utilization, and milk movement dynamics in the region that have occurred since 2000.

At the time of Federal Order Reform, the New York counties of Erie and Genesee had significant manufacturing plant capacity with some Class I facilities that serviced the Buffalo and Rochester markets. Since then, there's been significant expansion in Class I processing in both counties with more expansion that has been recently announced by Empire State Development in Genesee County. Some of this expansion can be seen in Table 4 above, which demonstrates the changes in Class I receipts by plant location differential. In a class whose pounds continue to decline in Federal Order 1, Table 4 shows an increase of close to 50 million pounds per month of Class I milk being pooled at location differentials of \$2.35 and below, which would primarily include the New York counties of Erie and Genesee.

In addition to the Class I investment that has already occurred in Western New York, a recent announcement by New York State's Governor Hochul announced plans for a new 5-million-pounds-per-day dairy beverage facility with some assumed Class I production in Monroe County, New York, to be completed in the coming years. This plant is reportedly the largest in the Northeast and will impact the demand for milk significantly in the



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coming years.

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The Western New York marketplace has attracted other manufacturing investments with more to be completed soon. Since 2000, there has been Class II investment in Genesee County. There is also a significant expansion in Class III manufacturing underway just south of there in Cattaraugus County in the coming year.

THE COURT: Would you spell Cattaraugus, please?
THE WITNESS: Sure can. C-A-T-T-A-R-A-U-G-U-S.

The Cattaraugus County manufacturing facility will replace assets that are currently operating within Allegany County, and according to the press release, the new facility will double the milk consumption of the existing plant.

Although these counties are next to each other and the facilities will be less than 20 miles apart, in today's differential structure, the counties would fall in different zones. Within our proposal, Allegany and Cattaraugus Counties have been requested to be at the same zone differential due to this transition and ultimately be at the same level as the remainder of Western New York and Western Pennsylvania under the new proposed flattened structure. This aligns considering that the milk supply region for both delivery points will be the same, if not extended, given the size and scope of the new Cattaraugus County facility.

Regardless of the outcome of this hearing, it is requested that a modification be made to align



differentials between Allegany and Cattaraugus County to reduce any disorderly marketing of milk within Western New York that would negatively impact farms.

THE COURT: May I interrupt? We're on page 16, and I'm looking at the top of the page. I see two different spellings for Allegany. There's an H in the one you most recently read, and I don't see it earlier on at the top of the page.

THE WITNESS: I'm not sure of the proper spelling.

THE COURT: Okay. I think it's got an H, but I

don't -- I'm getting nods yes. An H does belong in there.

So the most recent word you read is correctly spelled.

Okay. Good. Thank you.

So now you are going on to a new paragraph. You may proceed.

THE WITNESS: The way that the milk supply moves to facilitate the demand within Western New York has changed as the demand has changed. Previously, milk had traditionally moved from east to west to fill demand across New York State. Today, due to the investments in milk supply/demand dynamics, milk is moving different directions in Western New York to fill demand. While some is staying local or making those same west-to-east movements to fill demand in Central New York, on any given day, milk is also moving from more eastern counties, for example, Livingston and Ontario, to fill demand in Genesee and Erie Counties.

Additionally, milk moves routinely north to south



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from the Western New York counties of Cattaraugus,
Chautauqua, Allegany, Steuben, and Wyoming to fill demand
in Western Pennsylvania. These milk movements indicate
that milk sheds are overlapping from multiple different
demand points for Western New York produced milk. Thus, a
flattened zone differential structure would create less
challenges when moving milk to meet demand.

It is important to take into consideration all of these factors when looking at the Class I and producer price surface in Western New York. Under Federal Order Reform, it was necessary to have a lower price in the Buffalo region (Erie County) to remain competitive with Class I plants in Western Pennsylvania that had a lower price. As Western Pennsylvania's differentials increase with the current proposal, it makes sense to create a flatter, common \$4.00 zone in all Western New York and Western Pennsylvania. This also eliminates the difference between the Buffalo region (Erie County) and Rochester (Monroe County) markets. This creates a level playing field from milk costs from the common supply area moving in different directions.

Another item for consideration surrounding the Western New York differentials and the request to flatten them compared to Western Pennsylvania is the need to align blend prices. Due to the overlapping milk sheds competing for farm milk between these two regions, alignment is necessary to not cause uneconomic milk movement in unequal raw product cost for processors. This is a difficult job



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to do when taking into consideration the different Federal Orders, 1 and 33, and the differing utilizations in pricing. Today, plants in Western Pennsylvania are in the \$2.10 zone, but further east in Western New York the current differential reaches as high as \$2.30.

Historically, the uniform price difference between -- when comparing the producer price differentials, PPDs, has shown that over time the PPDs have often been higher in Order 33. This is due to a variety of factors, including higher average Class I utilization in that order and relative values of Class II, III, and IV prices. The difference between the Federal Order 1 and Federal Order 33 uniform blends at a \$2 zone has averaged a negative \$0.21 per hundredweight over the period between 2010 and July 2023.

To underscore the need for a flattened zone and aligned blend prices between Order 1 and Order 33, milk from Western New York counties is already servicing Order 33, as demonstrated in the maps included in USDA Exhibit 58 for Federal Order 1 and Federal Order 33.

There is potential for misalignment between the orders if Western New York's final differentials relative to Western Pennsylvania's are lower than the proposed. The working group gave careful consideration to blend price alignment between Western Pennsylvania and Western New York in an effort to not impact current market dynamics between handlers and producers who face different pooling access and producer prices between the orders.



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The milk marketed in the non-Federal Order area between Order 1 and Order 33 has acted as a buffer, but state regulation, whether by New York or Pennsylvania, is very limited in the ability to solve potential misalignment. Therefore, concern must be to provide pricing which does not exacerbate the situation.

Moving east from Western New York to Central New York, Onondaga and Madison Counties have been proposed at \$0.20 higher than the average model results and \$0.20 higher than the flattened zone in Western New York.

THE COURT: May I interrupt? Would you spell Onondaga.

THE WITNESS: Sure can. O-N-O-N-D-A-G-A.

THE COURT: Thank you.

THE WITNESS: Yeah.

This is to enhance the current relationship that these counties have with Suffolk County, Massachusetts, as well as other regions of New York. Currently, there is a \$0.75 spread between the counties, while in the proposal there would be a \$0.90 spread. The cost to transport from Central New York to other regions, including New England and New Jersey, continues to escalate and the proposal reflects this increased cost. It was important to ensure that sufficient zone is available to ensure these milk movements going forward to fulfill demand with adequate supply.

Another item relative to Central New York is a relationship between Oneida and Madison Counties. The



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average model result suggested two different differentials for these two counties, while the proposal requests these counties to maintain the same differential as they have today. Within these counties there are three primary manufacturing facilities: One, a pool distributing plant; one, a pool supply unit plant; and one, a pool supply plant. Two of the three facilities are operated by the same organization and are often looked at as a unit for milk marketing purposes. As such, it would create disorderly marketing if these plants were separated by zones, as they are utilizing milk from the same supply areas, and milk is often swapped between the two to maintain an adequate operating supply.

Moving south from New York, the proposed differentials for the state of New Jersey address some transportation-related challenges associated with servicing the New Jersey market. As demonstrated within Table 3 above, New Jersey largely relies on out-of-state milk production to fulfill consumer demand and typically brings in milk supplies from surrounding regions like New York and Pennsylvania to meet that need.

To transport milk into New Jersey from surrounding states, there are cost factors that must be taken into consideration. These factors include additional bridge tolls when exiting the state and returning to New York or Pennsylvania and decreased payload of trailers. An example of a toll for a five-axle trailer crossing from Burlington, New Jersey, to Bristol, Pennsylvania, is \$30



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per trip, or approximately \$0.06 per hundredweight on a 50,000-pound load of milk.

In addition to the tolls, there is a reduced payload capacity of trailers traveling into New Jersey by at least 15,000 pounds due to road weight restrictions within the state. The reduction in payload reduces overall efficiencies for hauling companies and, therefore, increases costs while delivering into New Jersey.

Today, milk movement from Lancaster County,
Pennsylvania, to Philadelphia County, Pennsylvania,
maintain the same zone differential as milk movements from
Lancaster County, Pennsylvania, to Burlington County, New
Jersey. However, as just described, there is additional
costs to service the New Jersey destination.

To acknowledge the cost factors at play to service New Jersey from Southeast Pennsylvania, the working group built in a \$0.10 per hundredweight difference between Southeastern Pennsylvania counties compared to Southern New Jersey, instead of maintaining the same spread as the current differentials.

To provide further detail and perspective on some of the other regions previously mentioned, representatives from Agri-Mark Dairy Cooperative and Maryland and Virginia Milk Producers Cooperative Association will provide testimony with further detail on specific reasons for these movements away from the model results to better align with the practical challenges of marketing milk in the areas. Agri-Mark will provide specific testimony to



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the state of Maine, Northern Vermont, and Northern New 1 2. Additionally, Maryland and Virginia, which they already provided, will provide testimony specific to 3 4 certain portions of Pennsylvania, Maryland, and how the 5 Northeast would work to align with the Mideast region to smooth differentials where our regions intersected. 6 7 Thank you for your time today. 8 THE COURT: Wow. THE WITNESS: That's how I feel. 9 10 THE COURT: That was magnificent. 11 THE WITNESS: Thank you. 12 THE COURT: Let me see what time it is. 13 And timing, does anyone object to our breaking for 14 lunch? 15 Please be back at 1:35. No. 16 We go off record at 12:33. 17 (Whereupon, the lunch recess was taken.) 18 19 ---000---2.0 2.1 22 23 24 25 26 27 28



1	TUESDAY, NOVEMBER 28, 2023 AFTERNOON SESSION
2	THE COURT: Let's go back on record.
3	We're back on record at 1:35.
4	Ms. Hancock.
5	MS. HANCOCK: Thank you, Your Honor.
6	BY MS. HANCOCK:
7	Q. Ms. Ryll, if you would take a look at your
8	testimony in Exhibit 360, I want to make sure that we have
9	cross-referenced the additional exhibits that you have.
10	So if we could turn to page 7 of your testimony,
11	and you have a Table 4 there that references December of
12	2001 and December of 2022, Receipts of Producer Milk By
13	Plant Location Differential at which Priced.
14	Do you see that?
15	A. Correct. Yes.
16	Q. Does that correspond Table 4, does that
17	correspond to Exhibits 361 and 362?
18	A. It does.
19	Q. And so 361 and 362, that's the source of the data
20	that you used to create those tables?
21	A. Correct.
22	Q. If we turn to page turn to page 15.
23	You have a section here under that heading titled
24	"Western/Central New York and New Jersey changes," where
25	you talk about different changes in that in that
26	region.
27	Is that a fair characterization of that section?
28	A. Yes, it is.



Q. And the first one that or one of the ones that
you have talked about begins about halfway into that
paragraph where you say, "Since then there's been
significant expansion in Class I processing in both
counties, with more expansion that's been recently
announced by Empire State Development in Genesee County."
Do you see that?

A. I do.

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- Q. And is that supported by what you have in Exhibit 363?
- 11 | A. Yes, it is.
- Q. And then, in that same paragraph, if we go on, you reference a recent announcement by New York State's

  Governor -- how do you pronounce it?
- 15 A. Hochul.
- Q. Hochul. Announced plans for a new 5 million pounds per dairy (sic) beverage facility.
- 18 Is that what you have referenced in Exhibit 364?
- 19 | A. It is.
- 20 Q. So 363 was the Hood expansion?
- 21 A. Correct.
- 22 Q. And 364, this is the Fairlife expansion?
- 23 A. Correct.
- Q. Okay. And then if you go to the next paragraph,
  you also talk about a Class III manufacturing facility
  that's being expanded in Cattaraugus County?
  - A. Cattaraugus.
- 28 Q. Cattaraugus.



Is that -- is that what you have included as Exhibit 365 to your testimony?

- A. That's correct.
- O. That's for Great Lakes Cheese?
- A. Correct.

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Q. And how many -- well, tell me about the fluid milk markets that you supply. We talked about, with some other witnesses, some of the -- of the quality standards that were required by their customers.

Do you have similar experiences where for your fluid milk that you also have quality standards that are set by your consumers -- or your customers?

- A. We do.
- O. And can you tell me what those are?
- A. Most of them are focused around temperature and PI, where they are looking for, I guess, higher standards than what would be within the regular PMO standards.
  - Q. And Mr. John called them Grade A plus.

    Is that how you refer to them as well?
  - A. Yes, that's one representation. I don't know if I have ever put a term to it. But, yes.
  - Q. Okay. Is it fair to say that the quality standards for temperature and PI are something in excess of the PMO's Grade A standards?
    - A. Yes, I would agree with that.
- Q. So -- and that's what your customers require in order for you to sell them fluid milk?
  - A. Some of them do, correct.



- Q. Do you know what percentage of your fluid milk customers require something in excess of Grade A?
  - A. I don't.

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- Q. Is it an increasing number with time?
- A. I would say it's probably become more common practice to have greater standards than the PMO would suggest. So I don't know if it's increasing or decreasing, but it's just more common.
- Q. And does that then become the standard by which you have to procure your milk from your dairy farmers?
- A. It is definitely one of the standards that we're looking for.
- Q. Okay. And then does that come at a higher cost for the dairy farmers to be able to produce at that higher level as well?
- A. It does. When you think about things like temperature and PI, a lot of that is controllable with on-farm items that require some investment on their side.
- Q. And then I want to just maybe take a quick step back.
- When you first were involved in the process of working on National Milk's proposal for its Class I price differentials, what information did you receive initially?
- A. So what I received initially was an Excel file with both the May and October 2021 data and an average.
- Q. All right. And then what did you do with that information once you had the May and the October and the average numbers that came out of the model?



- A. So we assessed how it looked compared to the current differential structure and if there were any items that we needed to address or look at differently based upon our marketing knowledge.
- Q. And did you notice anything that you felt like needed to be addressed in your territory that you were looking at?
- A. Yes. So like I mentioned in the testimony, some of the areas that we focused on that needed some addressing or potential changes from what was the average of May and October were areas like Western New York, Northern Vermont, Maine, and then some other regions including kind of New Jersey and Pennsylvania.
- Q. And I think in your testimony you clarified that -- and throughout that Western New York area, that there were different -- currently into the current differentials, that there are different prices that are set?
  - A. That's correct.
- Q. And -- and so what was the issue that you saw once you were looking at the model results?
  - A. So in Western New York specifically, currently, there is, I think it would be three differentials in Western New York. As we looked at the model, it was suggesting very small differences in those counties, let's say \$0.05 here or there, and it made sense as we were thinking about how milk is moving in that region to align on one differential, which is that \$4 zone I spoke to.



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- A. Again, it was more focused on how we're moving around milk today and how milk can be moving west to east or east to west, north to south. And I think by having one flattened differential structure, that allowed some of -- maybe some other abilities to move around milk without needing to focus so much on the differential piece because things are moving -- so, like in a circle sometimes.
- Q. And we heard some testimony previously that the model actually takes into account movements of milk.

Do you have any ideas why the model wasn't able to capture the movement of milk that you needed to resolve when you looked at those results?

- A. Again, I think it did take into consideration some of those. Again, some of the changes in the zones in Western New York specifically were minor, right, 5 and \$0.10. I also think that the model didn't include some of the new investment that's occurring there that needed to be taken into consideration with the zones.
- Q. Okay. And so when you were resolving that, I think you said that you set that -- the area -- all at -- is it \$4.50?
  - A. Western New York would be \$4.00.
  - O. \$4.00.
    - Was that an increase from the model or decrease



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- A. It would depend on county. So there are some counties that would go up and some counties that would go down.
- Q. Okay. And you did that without regard to whether it would provide an advantage or disadvantage to any of the existing plants that are in that location?
  - A. That's correct.
- Q. Just to be more pointed on that, did you hear or did you participate in any work where it looked like anyone on your committee or anybody in your working group was making a proposal for a price differential that would provide, for example, for you, DFA, a competitive advantage over any of its competitors?
- A. There was no conversation regarding any competitive advantages for one or the other, whether it was proprietary or cooperative.
- Q. Okay. And so whether there were conversations or not, did you observe any of the changes that made you feel like someone was trying to stack the deck more favorable to one -- one plant over another?
  - A. I did not.
- Q. What about just compartmentalized a proprietary plants versus cooperative plants, did it appear that anybody was trying to provide any competitive advantage or a competitive disadvantage to one group over another?
  - A. It did not appear that way, no.
  - Q. Okay. Was your efforts focused on just the



1 ability to move milk and incentivize it to go in the 2. correct direction? Correct. Yep, that's my primary duty on a daily 3 4 basis is to move milk around the Northeast region, and so that was what our primary focus was on, is how milk is 5 moving and how it is landing from the farm to the 6 7 processor. 8 O. Okay. Thank you very much. 9 MS. HANCOCK: Your Honor, at this time we would 10 make Ms. Ryll available for cross-examination. 11 THE COURT: Thank you, Ms. Hancock. 12 I want you to look at page 16 of Exhibit 360. 13 the top line there is a reference to Allegany County, New 14 York. 15 THE WITNESS: Correct. 16 THE COURT: Now, with regard to only Allegany 17 County, New York, do you now believe that the spelling in 18 that top line is actually correct? 19 THE WITNESS: I do believe that. 2.0 THE COURT: There are lots of spellings of 2.1 Allegany. 22 THE WITNESS: As we have learned, yes. 23 THE COURT: Including within New York. 24 THE WITNESS: I think so, yes. 25 THE COURT: And this Allegany County, New York, is 26 spelled how? 27 THE WITNESS: It is spelled A-L-L-E-G-A-N-Y. 28 THE COURT: And you have spelled it that way twice



1	in the paragraph that we're looking at, and then in the
2	last line next to the last line of the paragraph an H
3	got into the spelling.
4	THE WITNESS: It did.
5	THE COURT: It doesn't belong there.
6	THE WITNESS: Nope.
7	THE COURT: And then later on you again refer to
8	Allegany County, New York, with the proper spelling.
9	THE WITNESS: Correct.
10	THE COURT: Okay. Good. I was so confused.
11	THE WITNESS: There's a lot of Alleganys.
12	THE COURT: A lot of Alleganys, yes. And I wasn't
13	used to this one.
14	All right. Who would like to cross-examine?
15	Mr. English.
16	CROSS-EXAMINATION
17	BY MR. ENGLISH:
18	Q. Good afternoon, Ms. Ryll.
19	A. Hello.
20	Q. My name is Chip English. I represent the Milk
21	Innovation Group. You've probably heard that a couple of
22	times.
23	A. A couple.
24	THE COURT: And I need more volume on
25	Mr. English's mic.
26	MR. ENGLISH: Which is always unusual, but there
27	you go.
28	It would help if I had a copy of Exhibit 301



- 1 300 and 301 provided.
- 2. THE COURT: I have just what you need,
- Shall I take these to the witness stand? 3 Mr. English.
- Because I have another one for me. 4
- MR. ENGLISH: One of us. I can do it. 5
- 6 THE WITNESS: Thank you.
- 7 BY MR. ENGLISH:

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- So as we get started, I just wanted to start with Ο. something that puzzles me more than anything else, and I want to try to see if we can clear it up.
- 11 THE COURT: Now, you are letting your voice drop.
- 12 BY MR. ENGLISH:
- 13 See if we can clear it up. Ο.
- 14 Page 13, which is your Table 6, turn to that.
- 15 You were in the room I think earlier today when I
- 16 was having my conversation with Mr. John, correct?
- 17 Α. Correct.
- And part of our conversation that I had with him 19 revolved around York County, correct?
- 2.0 Α. Correct.
- And -- and he testified, I believe, that the 2.1 Ο.
- 22 number for National Milk Producers Federation proposal was
- 23 \$4.60, correct? Do you remember?
  - I don't remember that. Α.
- 25 So -- so you have \$4.55 as a proposed differential 26 for York, Pennsylvania.
- 27 Α. T do.
- 28 Do you know if that's what actually National Milk Ο.



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- A. I haven't read that in detail, no.
- Q. So if we go to Pennsylvania, and I'm looking at
  Exhibit 301, and line 2278, which is York, and under
  Column O, which is -- it says 4.60, correct? You want to
  get there?
  - A. Can you say the line again?
  - Q. 2278. That's the row, not the line. I'm instructed by someone who knows Excel better than I do. It's called a row, 2278. She's listening online and will beat me up later.
- 12 THE COURT: And we're in 301?
- MR. ENGLISH: We're in Exhibit 301.
- 14 THE COURT: Thank you.
- 15 BY MR. ENGLISH:
- Q. And I'm looking at 2278 for York, Pennsylvania, and I see \$4.60 proposed.
  - Do you see that?
- 19 | A. I do.
- Q. Okay. Do you know what -- what's the
  difference -- I mean, is yours an error in the exhibit or
  did you mean to propose 4.55? Which is the -- which is
  the right answer?
  - A. I would take what -- what National Milk has supported and supplied. However, we can look into it. I don't know the answer for why they are different.
    - Q. So I will represent to you -- and you're welcome to look -- that if you go back to 300 in the various time



1 periods, March, May, and June, it was always 4.60.

- A. Okay.
- Q. I have seven more on that page, so I'm just

4 | wondering -- I'm just wondering what the difference is.

So let's start from, in alphabetical order, Frederick,

6 | Maryland.

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- A. Are you in 301?
- Q. I'm actually -- I'm looking at -- okay. I'm looking at your exhibit, page 13 to start with. I want to compa- -- we'll start with that, and then we'll go to 301.

So I'm looking at Frederick, Maryland, where you have listed \$4.65 on your proposed differential, correct?

- 13 A. Correct.
- Q. And if we go to Exhibit 301 and we look at line 1171 -- sorry, Row 1171, do you see 4.60?
- 16 A. I do.
- 17 | 0. Do you know what the difference is there?
- 18 | A. I don't.
- Q. Okay. If we go to Steuben, New York, which you actually talked about in your testimony, on page 13, under proposed differential you have listed \$4.10; is that
- 22 | correct?
- 23 A. It is correct.
- Q. If you look at Row 1846, 1846, the row for Steuben, New York, it's \$4.00, correct?
  - A. Hold on. What was the row again?
- 27 O. It's Row 1846. Is it \$4.00?
- 28 A. Yes, it is.



- Q. Do you know the difference between your number on the exhibit at \$4.10 and the \$4.00?
  - A. I do not.
- Q. Is it the case again that you would adopt National Milk's number as opposed to your number?
  - A. Yes.

- Q. If we go to Berks County, Pennsylvania, page 13, you have listed 4.45, correct?
- 9 A. That's correct.
- 10 Q. Go to Row 2217, Berks, do you see \$4.50, correct?
- 11 A. That's correct.
- 12 Q. Do you know the reason for the difference?
- 13 A. I don't.
- Q. Next county down, Cumberland, Pennsylvania, again,
- 15 | \$4.45 on page 13, correct?
- 16 A. Correct.
- Q. If we look at Row 2232 on Exhibit 301, we're in
- 18 | Cumberland, not Maryland, Cumberland, Pennsylvania.
- 19 | Cumberland, Maryland, is located in another Allegany
- 20 | County, spelled a different way.
- 21 THE COURT: Which row?
- MR. ENGLISH: Row 2232 is Cumberland,
- 23 Pennsylvania.
- 24 BY MR. ENGLISH:
- 25 Q. And under Column O, I see \$4.50, correct?
- 26 A. That's correct.
- Q. And, again, do you know the different -- why
- 28 | that's different from what you have in your exhibit?



1 Α. I don't. 2. Go to Delaware, Pennsylvania -- I'm sorry, Lancaster, Pennsylvania. 3 4 Lancaster, Pennsylvania, you have on page 13 of 5 your exhibit, \$4.55, correct? 6 Α. Correct. 7 Ο. If we go to Row 2247 for Lancaster, Pennsylvania, 8 do you see \$4.60? 9 Α. I do. 10 Do you know the difference? Ο. 11 Α. No, I do not. 12 Ο. If we go to Lycoming, Pennsylvania, page 13 --13 THE COURT: And would you spell that for us? 14 MR. ENGLISH: L-Y-C-O-M-I-N-G, Lycoming, 15 Pennsylvania, which is the next one down from Lancaster. 16 BY MR. ENGLISH: 17 Ο. Do you see \$4.25? 18 I do. Α. 19 If you go to Row 2247 --Ο. 2.0 THE COURT: We just did that row. 2.1 MR. ENGLISH: I'm sorry. 2252. Thank you, Your 22 Honor. 23 BY MR. ENGLISH: 24 Ο. Do you see \$4.20? I do. 25 Α. 26 And finally, for Schuylkill -- which is Q. 27 S-C-H-U-Y-K-I-L-L (sic) -- Schuylkill River, that's



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Schuylkill County, Pennsylvania, on page 13, do you see

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- A. I do.
- Q. And on Exhibit 301, you have to turn the page for Row 2265, do you see \$4.50?
  - A. I do.
  - Q. Do you know the difference there?
- 7 | A. I don't.
  - Q. But for all of those, to the extent there is a difference between your exhibit page 13 and the National Milk proposal, you are not saying that they should be different, they should be the National Milk proposal, correct?
- A. At this point I believe it should be the National Milk proposal, correct. However, I think we can look into it.
- 16 Q. Okay. All right. You are certainly welcome to do 17 that.
  - So you have -- I think you have told us who was the red pencil crew for the Northeast.
  - Did you consult with Order 33 or Order 5 red pencil crews in terms of when you got to the market alignments?
  - A. There was consulting along the way as the, I think folks in front of us, in front of me, would have represented, that there was collaboration, once -- there was maybe a regional approach, and then there was collaboration when we thought we had our initial thoughts and version in front of us, and then collaboration with



the other orders.

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- Q. What principles did your red pencil group for Northeast apply?
- A. I think I would say that they were similar to those that Mr. John provided, again, utilizing some of those items relative to kind of current market dynamics, how milk is being moved around, in which -- how they connect with our current differential system and then how it looked compared to the model results.
- Q. A couple times in your testimony you refer to the model average, but then at one point you do an analysis in the number of counties in which you were -- I think you said higher than the October.

What governed, the model average or October?

- A. The model average was the basis for our analysis. The reason for the comparison within my testimony was to demonstrate the, I guess, relativity of our proposed differentials compared to the higher price month to show that there were only -- I think the -- like, I don't know where the testimony --
  - O. You said 24 --
- A. -- 24 counties that were higher than October, was just to represent that I think it was a modest representation of how we went about it. There was modest increases associated with our proposal.
- Q. But you didn't do the same comparison for the average, did you?
  - A. Not in my testimony, no.



1 THE COURT: Not what?

THE WITNESS: Not in my testimony, no.

## BY MR. ENGLISH:

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- Q. By definition, if October were higher than the average, and you did an analysis of October, if you had done the average, it probably would have been more than 24, correct?
  - A. I'm not sure. I didn't do that.
- Q. To the extent you were looking at the October, wouldn't that mean for minimum price purposes, leaving aside the 24, that you are erring on the high side of pricing, minimum pricing?
  - A. Can you repeat the question?
- Q. To the extent you did a comparison as to October, given the fact that in most months -- in most locations

  October is higher than May, wouldn't that mean that for minimum price purposes, your analysis errs on the high side of pricing?
- A. It -- I don't think that is what it would mean. And nothing specific about our analysis would have gone into that detail.
- Q. So as I see it, as I read the testimony and see everything National Milk's done, the anchor city for the Northeast was Winchester, Virginia, correct?
  - A. That's correct.
- Q. In other areas such as California, San Francisco and Los Angeles are anchor cities.

Why isn't Boston an anchor city given its



population size?

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- A. I was not apart of the task force that initiated the anchor city profile, so I can't answer that question.
- Q. Given your testimony about the change in population and production in Massachusetts, wouldn't it make sense to think of Boston as an anchor city and work your way down, rather than from Winchester, Virginia, and work your way up?
- A. Again, I'm not certain of the thought process the group task force did to create those anchor cities, and I can't speak to it.
- Q. Was there anybody on the group task force representing the Northeast Order 1?
  - A. I'm not certain.
- Q. So looking at your Table 3, on page 6, and you have testified, and I agree, Massachusetts and Rhode Island are up there near the top for beverage demand compared to milk demand, correct?
- A. Correct.
- Q. So if we look at Maine, while milk production has gone down some in Maine, the beverage demand for Maine was 38% in 2000 and it's 32% in 2022, correct?
  - A. That is correct.
- Q. So wouldn't one expect the pricing to be higher in Massachusetts there and not lower relative to Maine in your changes to the model?
  - A. Can you repeat that question again?
  - Q. Do you agree that relative to the model, you



- propose lowering the price in Eastern Massachusetts,

  Norfolk, Mass, according to your page 13, down \$0.15

  compared to the model, while at the same time you propose increasing Cumberland, Maryland -- Cumberland, Maine, by
- 6 A. That's correct.

\$0.35, correct?

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- Q. Okay. And looking at your own chart, the biggest deviation you have for the whole Northeast is increasing Cumberland, Maine, by \$0.35, correct?
  - A. That's correct.
- Q. What is the justification for proposing to increase Maine by \$0.35, and effectively \$0.50 in terms of the difference with Norfolk, Mass, given those differences that we see in beverage demand on page 6 of your testimony?
- A. So for those of you familiar with Maine geography, the county there, which is Cumberland County, would be kind of the Portland, Maine, area. You have a unique scenario in the state of Maine where you have got Class I processors located in the Portland area, and because of that, and because of its relationship to Boston, we didn't want to, I guess, incentivize further milk to move past that Portland geography by -- by giving a lesser zone value to that Portland area. And I think my colleague Mr. Werme will be testifying with some specifics on that region.
- Q. Well, you talked about it in your testimony. In fact, it appears on page 5 -- or I'm sorry, one of the



1	first ones you talk about a deviation, in your testimony.
2	You reference it. And you are the witness right now so
3	I apologize, I happen to be very familiar with the
4	geography.
5	A. It's a nice area.
6	Q. You may or may not have heard that, or known that,
7	since I spend my summers up there.
8	MR. ENGLISH: And so I would like to have a map
9	marked, Your Honor. It's been submitted as MIG-50.
10	THE COURT: Let's go off record while we
11	distribute.
12	(An off-the-record discussion took place.)
13	THE COURT: Let's go back on record.
14	I'm looking at the map that Mr. English has marked
15	MIG-50. I believe that next exhibit number is
16	Exhibit 366.
17	All right. I'm going to mark it Exhibit 366.
18	(Thereafter, Exhibit Number 366 was marked
19	for identification.)
20	MR. ENGLISH: Thank you, Your Honor.
21	BY MR. ENGLISH:
22	Q. And, Ms. Ryll, I realize you and I are familiar
23	with the geography, and others may have been there, but I
24	thought it might help to picture it.
25	So Cumberland County is in the southwest part of
26	Maine. It's the second county up from New Hampshire,
27	correct?



Α.

Correct.

- Q. And New Hampshire is a bare, like, 16 and a half miles as you travel up from 95.
  - A. It's not a big state.
  - Q. Especially down near the coast, correct?
  - A. I think it's nine miles. But, yeah.
- Q. So the milk in Maine is largely north and east of Cumberland, correct, Cumberland County?
  - A. That's correct.

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- Q. And you just said that you don't want to incentivize that milk to leave the state of Maine, is that what you said, to go to Boston?
- A. I may have said that, yes. I don't exactly know my words.
- Q. But it's close enough or -- what -- so I'll let you restate it if you want to restate it.

What's the idea of taking the model numbers and raising Cumberland up \$0.35 and lowering in Norfolk,

Massachusetts -- which, by the way, I believe is where there is a plant owned by DFA, correct, in Franklin, Mass?

- A. Correct.
- Q. So why is there a \$0.50 per hundredweight swing, raising Cumberland and lowering Norfolk?
  - A. So as part of the process, we have talked about how we wanted to maintain some differential relationships that we currently have within the Federal Order differentials, and one of those areas would be this specific location that you are talking about, is trying to look at how we currently move milk, and what is working.



- Q. But looking at page 6, in your tables -- Table 3, wouldn't it make economic sense given the fact that Massachusetts is, as you yourself said, one of the greatest deficit states, its beverage demand compared to milk production in 2022 is, you know, basically 482%, almost five times the needs, correct, in Massachusetts?
  - A. That's correct.
  - Q. Whereas, Maine only needs 32%, correct?
  - A. That's correct.
- Q. So wouldn't it make economic sense to say, wow, we need to encourage milk, both raw and packaged form, to make its way to the Boston market, and one way to do that is to accept the model results and not switch it by \$0.50?
- A. I don't necessarily agree with that. And I think that USDA can make the determination of what makes economic sense. It is not my call.
- Q. You are allowed to say what you need to say. That's your right.

I'm just puzzling over modifications to the model, which result in saying, okay, let's not move milk from Maine, even though Maine has a 68% milk surplus.

Is there any manufacturing available in Maine, any cheese manufacturing that you know of?

A. There is.



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- Q. Small? Very small?
  - A. Depends on what you characterize as small.
- Q. Does DFA have any cheese manufacturing up there?
- A. No.
  - O. Do you have any butter powder operations up there?
- 6 A. No.

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- Q. Do you know of any other cooperatives that have cheese or butter powder plants in Maine?
  - A. Not to my knowledge.
- Q. So looking now to page 11 of your testimony, and the middle paragraph, which is the same paragraph that referenced 24 counties being higher than the October 2021 model, you have a sentence that says, "This variance" -- which I presume means the variance of 24 out of 274 counties --
- 16 (Court Reporter clarification.)
- 17 MR. ENGLISH: 274 counties.
- 18 BY MR. ENGLISH:
  - Q. -- "is primarily due to historical milk movements in these counties, and most of these will be explained in further detail within this testimony and within others that are providing additional supporting testimony."
  - What historical milk movements are you referring to in that sentence relative to Maine and Eastern
    Massachusetts?
  - A. I'd have to go back and look at what specific counties these 24 are. I don't know that off the top of my head.



- Q. Would it be safe to say that Cumberland, Maine, with a \$0.35 increase is clearly in that category?
  - A. I believe so, yes.

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- Q. So considering that, that Cumberland County, which is where the city of Portland is located, is one of those, what historical milk movements in and around that area explain the need for a \$0.35 increase over the model?
- A. Again, you explained where the milk in Maine is produced, which is generally northeast of Portland. The historical milk movements are moving that milk from that northeast portion of the state down to the southern portion of the state.
- Q. And isn't it the case -- I do not know about your route dispositions, although I used to know Oakhurst very well.
  - THE COURT: You're --
- 17 MR. ENGLISH: Oakhurst.
  - THE COURT: You're not --
- 19 MR. ENGLISH: I'm sorry.
- 20 THE COURT: -- your chin is lowered, which means
- 21 | you are talking to your podium, not your microphone.
- 22 MR. ENGLISH: Or I could lower the microphone.
- 23 THE COURT: I think that will help. Thank you.
- 24 MR. ENGLISH: Thank you, Your Honor.
- 25 BY MR. ENGLISH:
- Q. So there are two fluid milk processing facilities in Cumberland in Portland, Maine, correct?
- 28 A. That's correct.



1	Q. One is the Oakhurst facility owned by Dairy
2	Farmers of America located on Route 302, Forest Avenue,
3	correct?
4	A. I don't know their address, but I will agree that
5	I think it is on Forest Avenue.
6	Q. And the other facility is the HP Hood facility,
7	located very near the Hadlock Field baseball stadium,
8	correct?
9	A. Again, I don't know a specific location relative
10	to baseball fields.
11	Q. If HP Hood
12	THE COURT: You say very near what?
13	MR. ENGLISH: Hadlock, H-A-D-D-O-C-K (sic),
14	Hadlock Field. It's downtown Portland. It's where the
15	Portland Sea Dogs play, downtown Portland, Maine.
16	THE COURT: Thank you.
17	Did you say Sea Dogs?
18	MR. ENGLISH: Sea Dogs.
19	THE COURT: Thank you.
20	MR. ENGLISH: They are a Red Sox affiliate.
21	That's for a future witness.
22	BY MR. ENGLISH:
23	Q. If I were to tell you that the HP Hood witness
24	will later testify that they move packaged milk in
25	Cumberland down to Boston, would you have any reason to
26	disbelieve that information?
27	A. I don't have any knowledge of any packaged milk



movement in that region.

- Q. So let's turn to the model, sometimes known as the USDSS model, sometimes known as the University of Wisconsin model, correct?
  - A. Correct.

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- Q. And you have testified, as a number of other witnesses have, about increases in costs of hauling, correct?
  - A. Correct.
- Q. Is that testimony to support the general need for increasing Class I or is it to justify specific differences when you made changes -- proposed changes in National Milk Producers Federation 19 to the model results?
- A. The hauling data that was presented is to provide a general overview of how costs have increased over the last number of years. In this example it was from 2002, 2003, 2005, to current year, 2022 and 2023.
- Q. I take that then to mean that it is in general support of National Milk Producers 19, whether the model or your actual proposal; is that correct?
- A. Again, it's meant to support the recognition of cost increases for our milk hauling.
- Q. Does it play any role in your proposal to modify the model results as to Cumberland County, Maine, by raising it \$0.35 over the model results?
- A. It is just providing supporting information for why we are requesting the change on the proposal. There wasn't specific information relative to Cumberland County,



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- Q. And what about the plant that DFA owns in Franklin, Massachusetts which is in Norfolk County, Mass?
  - A. What about it?
- Q. Were the hauling costs used in any way to justify the proposed difference between the model and the \$0.15 reduction that National Milk proposes for that location?
- A. Again, the costs were just to represent the increased hauling costs associated with moving milk from plant or from farm to plant, not specific for any one location.
- Q. And that if I kept going, you would say that would be the answer for all my other questions, correct?
  - A. Yes, sir.
- Thank you.
  - Having looked at Exhibits 300 and 301, and I think you may have been asked some questions by Ms. Hancock, but have you seen these documents before they were submitted?
- A. Actually, no, I haven't.
  - Q. Okay. Do you have any idea who the author is?
- A. I don't.
- Q. On Exhibit 300 there's a Column R that seems to have some volumes of milk in some of the columns.
- Do you have any idea where that information came from?
  - A. I do not.
  - Q. Would you agree that one of the principle concepts of Federal Order pooling of revenues revolves around the



- A. Could you restate that for me?
- Q. Of course.

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Would you agree that one of the principle concepts between behind Federal Milk Order pooling revolves around the Class I differential supporting a reserve pool of milk to service variable fluid demand weekly and seasonally?

- A. Yes.
- Q. Do you know what percentage of reserve pool milk is necessary to service the fluid milk market in Federal Order 1?
  - A. I do not.
- Q. Do you have any information based upon your experience of what USDA considers to be a needed reserve supply of milk?
  - A. I do not.
- Q. Your data and testimony seems to suggest that Class III production has grown in New York and expected to increase; is that correct?
  - A. That's correct.
- Q. I want to go back to page 7, Table 4, and you indicated in answer to questions from Ms. Hancock that derivation of this data was Exhibits 361 and 362, correct?
  - A. That's correct.
- Q. It's an observation, you would agree, that between December 2001 and December 2022, the total receipts from producer milk in Class I have declined by over 215 million



1 pounds, correct? 2. Say that again? If you look at Class I producer milk for the whole 3 4 market, it's declined from 910-plus million pounds to 693 and a half million pounds, correct? 5 Α. That's correct. 6 7 Ο. At the same time, total receipts have increased 8 from 2.077 billion to 2.255 billion, correct? 9 Α. Correct. 10 THE COURT: 2-point --11 MR. ENGLISH: 255 --12 THE COURT: -- 254. 13 MR. ENGLISH: Well, but I was rounding, Your 14 Honor. THE COURT: Oh. 15 16 MR. ENGLISH: The other ones I rounded down; this 17 one I rounded up. 18 THE COURT: Thank you. 19 And did you catch the question, the receipts went 2.0 up? 2.1 THE WITNESS: Yes, I did. 22 BY MR. ENGLISH: 23 Now, my first question is: This is receipts of 24 producer milk, correct? 25 Α. Correct. 26 And that technical term would mean that it's not Ο. 27 all the milk in -- located in the area of Order 1, 28 correct?



1 (Court Reporter clarification.)

MR. ENGLISH: It would not mean all milk located and produced in counties represented under Order 1 --

THE COURT: Wait, wait, wait. It's the end of your sentence we can't understand. So say it again, but go slowly on the end of your sentence.

## BY MR. ENGLISH:

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- Q. By definition, producer milk represents pooled milk on the order, correct?
  - A. Producer milk represents --
  - Q. Pooled milk on the order, correct?
- A. I'm not certain of the definition regarding this.
- Q. If you assume with me that the definition of producer milk would mean milk pooled on the order in December 2022, isn't it the case that there is more milk produced in the territory represented by Order 1 than what is represented on that table?
  - A. I don't know the answer to that.
- Q. Okay. Would you agree that in the last 25 years, Class III plants, especially new plants, but Class III plants have largely leveled out the requests for raw milk, both daily and seasonally?
- A. To my knowledge, Class III plants operate of their choosing, and can vary, and can be level. It depends on the plant.
- Q. Many of them now are what you would call full supply plants, correct?
  - A. What's your definition of full supply plant?



- Q. They aren't accepting milk on a regular basis that is being diverted from Class I?
  - A. Meaning --

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- Q. They are not serving as balancing plants; would you agree with that?
- A. I think every plant operates differently, so I don't think it would be fair to put them in one bucket like that.
- Q. Are there a number of plants, though, for instance, some of these new plants or plants that are replacing, that are basically not operating as balancing plants?
- 13 THE COURT: Not operating --
- 14 MR. ENGLISH: Not operating as balancing plants.
- 15 THE COURT: Thank you.
- THE WITNESS: Again, every operator out there
  makes decisions on how they are going to be operating
  their plant. So it is up to them.
- 19 BY MR. ENGLISH:
- Q. How long have you been associated with working on Order 1?
  - A. I have been working in Federal Order 1 for almost nine years.
    - Q. So going back at least that far, are you aware there have been a steady series of requests made to relax pooling requirements in Federal Order 1?
      - A. I am aware.
      - Q. Has the reluctance of Class III plants to take on



additional seasonal milk led to raw milk dumping across the Northeast?

- A. I don't believe that to be true.
- Q. Is there any difference in the increase of hauling costs for raw milk servicing Class III plants than for hauling costs servicing Class I plants?
- A. As I have stated previously, hauling costs have gone up across the board. In my testimony, I talk about the relationship where milk has been moving in their production regions compared to where Class I facilities are located, and then you can throw in there Class II and III and IV facilities are located. If you are looking at the overall costs to service, if it's a longer haul, it is going to cost you more money; if it is closer in to the milk supply, it will be less than that longer haul was. But in general, those hauling costs have increased.
- Q. Whether the milk is going to Class III or Class I, correct?
  - A. Yes.
- Q. Isn't it by being on the pool that those Class III plants are able to attract raw milk given those higher hauling costs?
  - A. Can you repeat the question?
    - Q. I'll try to rephrase it.
- You have agreed that hauling costs have gone up
  for everybody, correct?
  - A. That's correct.
  - Q. Okay. Isn't it the case that the ability to draw



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- A. I'm not certain that a plant's ability to be on the pool or not on the pool has a bearing on that conversation.
- Q. Doesn't your organization already require a balancing charge for Class I deliveries?
  - A. Can you define what a balancing charge would be?
- Q. A charge on the over-order premium to Class I plants for taking milk other than on a seven-day delivery basis.
- 13 A. And your question was?
  - Q. Doesn't DFA charge that kind of balancing cost to your Class I customers?
    - A. We have a number of programs out there that we would work with our customers or ourselves on depending on what you are looking at, and anything can be included in that.
  - Q. Is it not the case that one of those charges is a balancing charge?
  - A. It is not -- we don't have anything called a balancing charge.
    - Q. How is your over-order premium described?
- 25 A. My over-order premium?
- 26 Q. Yes.
  - A. Like others in the room, I think it would be dependent upon what is required to service a customer.



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- Q. Does that service of customer include balancing?
- A. It could.

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- Q. Does that cost of service include the cost of providing milk that meets those Class I processors who ask for low temperature milk?
- A. Again, it really varies depending on what's being requested and who the plants associated with that are.
- Q. If USDA grants your request for increased Class I differentials, since that request is intended to cover hauling and balancing, will you lower your over-order premiums?
- A. I don't think that's really a question that I can answer today given I don't know what the outcome of the hearing will be.
- Q. Given that you have agreed there's been a steady series of requests to relax pooling requirements to Federal Order 1, why do we need increased Class I differentials?
- A. I think that given what we have presented regarding increased costs to service markets, that comes back to why we have determined an increase in Class I differentials are needed. And it's not relative to the pooling requirements in Federal Order 1. This would be a national scope.
- Q. Well, given the desire -- the fact that there's been pooling requirements routinely reduced in Order 1, and given what is on page 7 of your testimony about lower Class I milk utilization in the face of higher receipts,



isn't it the case that there's an adequate supply of milk for fluid use in the Northeast?

- A. Today there is adequate supply in the Northeast. However, as we've discussed previously, things change pretty -- I don't know if rapidly is the right word, but as you can see, we have had significant changes from 2000 to 2023, and I would imagine we'll have more in the future because changes come. So I cannot speculate, you know, in answer to your question based upon that.
- Q. Is the purpose of increasing your Class I differentials designed to assist in getting milk to Class I plants?
- A. The purpose of Class I differentials is supposed to reasonably reflect the cost of milk to that market in addition to other items that we have talked about.
- Q. Given the dropping Class I utilization and increasing overall receipts, doesn't that additional Class I money get spread out over large volumes of non-Class I milk, which doesn't actually result in moving milk to Class I?
- A. I'm not sure that that's a fair representation of that.
- Q. If you increase the Class I differential by \$1, but only \$0.25 of that ends up for the dairy farmer who is shipping the milk to Class I, how much more incentive is there for that producer to meet that given your higher hauling cost testimony?
  - A. That's a great question. As we think about how



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- 1 | those proceeds get distributed in Federal Order 1, you
- 2 | know, I think we will -- I don't know what the right word
- 3 | is. I think that -- that if -- in your example, the \$0.25
- 4 assists with the cost for anybody to service a Class I
- 5 | plant, as there are requirements within Federal Order 1
- 6 | already to do so.
- Q. But the other \$0.75 doesn't actually do anything
- 8 | for Class I, does it?
  - A. Where did the \$0.75 go?
- 10 Q. I said the differential was \$1 --
- 11 A. Yeah.

- 12 | Q. -- and \$0.25 is, you know, the utilization, so
- 13 | that's what's going to be added, and so the other \$0.75,
- 14 | as I said, is being spread out over non-Class I plants.
- 15 A. Okay.
- 16 Q. So -- so the Class I handler has paid an extra
- 17 dollar, the dairy farmer shipping to that plant has gotten
- 18 | \$0.25, the hauling costs have gone up, as you have
- 19 | testified, far more than \$0.25. Aren't we going to
- 20 | continue failing the system?
- 21 A. I'm not certain of that. We'll have to see how it
- 22 | plays out.
- 23 | 0. So going to go back to page 13 of your testimony a
- 24 | little bit. And I'm going to look at Rensselaer,
- 25 | R-E-N-S-S-E-L-A-E-R, New York.
- Rensselaer, New York, is near Albany, correct?
- 27 A. Correct.
  - Q. And that county has a plant in it owned by Dairy



1 Farmers of America, correct? 2. Α. Correct. And you have proposed taking that down by \$0.05 3 4 from the model, correct? That's correct. 5 Α. 6 Ο. To the east, in Hampden, Massachusetts, where 7 HP Hood is located, you are increasing it by \$0.05, 8 correct? 9 In Hampden, Massachusetts? Α. Hampden, which is located in Hampden County, which 10 Ο. 11 is in Southern Mass, the Agawam plant, HP Hood plant, 12 Agawam. 13 Α. Uh-huh. 14 Ο. Correct? 15 There is a plant there, yes. Α. 16 And -- and that plant, which is located --Ο. Okay. 17 you know, the fourth one listed, Hampden, is actually at 18 \$4.85, correct? So you have given yourself a \$0.05 19 benefit for DFA's plant in Albany, correct? 2.0 I'm not looking at any benefits, winners or Α. 2.1 losers, based upon who owns the facility. 22 It's just a coincidence that your plant just to 23 the west in Rensselaer goes down, and your plant just in 24 east in Massachusetts goes down, and HP Hood doesn't, 25 correct? 26 Α. It is what the group determined was the best fit 27 for our region for these differentials.



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And I will note, if you look at Rensselaer, it

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     aligns with similar facilities in its region, like Albany
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     County.
             MR. ENGLISH: Let's do two more maps, Your Honor.
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     I'll do a New York map and a Massachusetts map.
             THE COURT: All right. Tell me what the MIG
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     numbers on those are.
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             MR. ENGLISH: The Massachusetts one is MIG-51, and
     the New York one is MIG-39. So I'm going to do New York
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     first.
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             THE COURT: So the New York one is MIG which?
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             MR. ENGLISH: 39.
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             THE COURT: 39?
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             MR. ENGLISH: It was posted earlier.
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             THE COURT: Okay. So the New York one, the
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     MIG-39, will get the next exhibit number.
16
             MR. ENGLISH: Yes, Your Honor.
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             THE COURT: That will be 367.
18
             (Thereafter, Exhibit Number 367 was marked
19
             for identification.)
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             THE COURT: And the Massachusetts one, which is
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     the MIG-51, 5-1, will get 368.
22
             (Thereafter, Exhibit Number 368 was marked
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             for identification.)
24
             THE COURT: We'll go off record while you
25
     distribute.
26
             (An off-the-record discussion took place.)
27
             THE COURT: Let's go back on record.
28
             We're back on record at 2:44.
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1 Mr. English, I have marked as Exhibit 367, MIG-39; 2. as Exhibit 368, MIG-51; and as Exhibit 369, MIG-55. (Thereafter, Exhibit Number 369 was marked 3 for identification.) 4 MR. ENGLISH: And for the record, Exhibit 367 is 5 marked as a county map of New York; Exhibit 368 marked as 6 7 a county map, along with some cities, in Massachusetts; and Exhibit 369, prepared by MIG using the spreadsheets of 8 9 301 and also 300, that's Exhibit 369, MIG-55, Selected 10 FMMO 1 Northeast County Comparison.xlsx. THE COURT: So how can we tell whether the data 11 12 came from 300 or 301? 13 MR. ENGLISH: Just a second, Your Honor, it may 14 all be 301. I think this one we did not include any 15 data -- no, I'm sorry. Yes, Proposed Class I -- so the 16 column that said "Proposed Class I March '23," Your 17 Honor --18 THE COURT: Yes. 19 MR. ENGLISH: -- is from Exhibit 300. Then there was what was called "New Proposal May '23," that is the 20 2.1 last column, Column S. So one is Column O; one is 22 Column S from 300. And then "Proposal Number 19 23 June '23," that column is Exhibit 301. 24 THE COURT: Thank you. 25 Now, my hard copy doesn't actually show Column O, 26 so forth, but I have the category names. So I do see 27 "Proposed Class I March '23," and right next to it, "New



Proposal May '23."

1	MR. ENGLISH: And I am prompted by a helpful
2	comment from Nicole Hancock that this document was
3	prepared for me over lunch, so or something like
4	that and there's a legend on the last page, so there's
5	a way of knowing if one looks at the legend.
6	THE COURT: Did everybody get the legend?
7	MR. ENGLISH: Is there a third page?
8	THE COURT: Okay. So I have page oh, I have
9	two page 2s and no page 3.
10	(Voice from the crowd saying something
11	undiscernible.)
12	THE COURT: All right, then. We're still on
13	record.
14	BY MR. ENGLISH:
15	Q. So now that we have the maps, Exhibit 367 shows
16	that Rensselaer County is on the eastern side of New York,
17	correct?
18	A. Correct.
19	Q. And Hampden County is two counties in from New
20	York in Massachusetts on Exhibit 368, correct?
21	A. Correct.
22	Q. If we look at Exhibit 369, and down the middle of
23	the page, Row 1807, in Delaware, New York, there's a
24	Saputo plant in Delaware County, correct?
25	A. Correct.
26	Q. And your model would take it up \$0.05, correct?
27	A. Can you tell me which column I'm looking at?



Q.

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If you look at the difference, Proposal 19 minus

- the University of Wisconsin average, which is the fourth column from the right of MIG-369 --
  - A. Uh-huh.

- Q. -- if you look at that line for Saputo, it's a positive \$0.05, correct?
  - A. Correct. On the sheet it is.
- 7 Q. And do you know if that's what you submitted?
- 8 A. I don't without doing a comparison.
- 9 Q. Do you have any reason to believe it's wrong?
- 10 | A. I don't.
- 11 Q. If you look down three lines to HP Hood in
- 12 | Batavia, Genesee, New York, do you see that that's also up
- 13 | \$0.05?
- 14 A. I do.
- 15 THE COURT: Mr. English, would you just spell
- 16 | Batavia, please?
- 17 MR. ENGLISH: B-A-T-A-V-I-A.
- 18 THE COURT: Thank you.
- 19 BY MR. ENGLISH:
- 20 Q. And if we look down to the bottom of the page,
- 21 | line -- Row 1839, King Brothers in Saratoga, New York,
- 22 | that's also up \$0.05 from the model, correct?
- 23 A. Correct.
- 24 | O. And if we look at Midland Farms in Albany, you
- 25 | have left it at zero, correct?
- 26 A. What row was that?
- 27 | O. Row 1795, middle of the page.
- 28 A. It shows zero, correct.



- Q. Other than historical price relationships, what justifies those numbers relative to the Rensselaer facility that you propose taking down \$0.05 from the model?
  - A. So you are looking at the differences between the model and what was proposed?
    - O. Yes.

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- A. Well, within our proposal, those plants are all within the same zone at 4.40.
- 10 Q. That's the current, correct?
- 11 A. That's the current, I'm sorry.
- 12 | 0. What is the current?
- 13 A. The current differential with those plants?
- 14 O. Yes.
- 15 A. I believe it to be 2.70.
- 16 Q. And so based upon the fact that it's currently
- 2.70, you are putting them all in the same at \$4.00 now,
- 18 | correct?
- 19 A. Not \$4.00, I don't believe. \$4.40.
- 20 Q. 4.40, I'm sorry. 4.40, correct?
- 21 A. Correct.
- Q. At what point do the economics of moving milk govern over this idea of price alignment?
- 24 A. Can you expand further?
  - Q. What is more important, price alignment or recognizing the changes in the market as you have described in your own testimony, where there's less milk going in raw form to the cities, more going in the



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country, with all those kinds of changes in milk production, reduced Class I usage, more milk, you know, all of those circumstances? What is the rationale for saying that price alignment counts over everything else?

- A. I'm not certain that's exactly what's being said. We are looking at all of those factors related to the proposals, including price alignment, right? So if it's regarding hauling costs to get it there, additional items related to cost of production, we're -- we're aligning similar geography plants with similar differentials as to not disadvantage one or the other.
- Q. Well, we have talked about Franklin, Mass, relative to Maine. Let's also talk about relative to Hood's plant in Agawam.

Looking at line item 1194 in Norfolk, Mass, where DFA Garelick is located --

THE COURT: And would you spell the name of that plant?

MR. ENGLISH: G-A-R-E-L-I-C-K.

THE COURT: Thank you.

## 21 | BY MR. ENGLISH:

- Q. Again, as we discussed with Maine, you are proposing reducing that from the model by \$0.15, correct?
  - A. Which county are you looking at?
- Q. I'm looking at Norfolk, Mass, where we have agreed
  DFA has the Garelick plant in Franklin, Mass.
  - A. Correct.
  - Q. Okay. Is there any plant farther east than that



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in Massachusetts?

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- A. Not that I'm aware of.
- Q. And so the question I'm asking is, what justifies, given your testimony about the need for getting milk into Massachusetts as a deficit jurisdiction, what justifies deviating from the model down \$0.15 for your own plant in Norfolk, Mass, relative to Hood's plant in Hampden, Mass, where no change is proposed to the model?
- A. Again, as we were looking at this analysis and what we were going to be proposing, there wasn't any, I guess, discrimination amongst who owned the facilities, whether it was HP Hood or DFA or another entity that's out there that you have listed on this page. As we were looking at differentials, we used a bit of that art that we have talked about to make sure that there's alignment among differentials that made sense from a practicality standpoint and milk movement standpoint.
- Q. If you are going to do that, and you are going to lower -- okay, maybe it is a coincidence -- but your plant in Rensselaer by \$0.05, why not also lower Hood by \$0.05 in Agawam?
- A. Again, we did not look at it relative to ownership of facilities. It was based upon all of the things I have just discussed.
  - Q. So let's turn to New Jersey.
- So your own testimony refers to the great joy that all drivers have of paying tolls in and out of New Jersey, correct?



- A. It is a great joy, yep.
- Q. And the model doesn't take into consideration tolls, does it?
  - A. I'm sorry?

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- Q. The model does not take into consideration road tolls?
  - A. I don't believe so.
- Q. You went out of your way to mention tolls, and yet for the plants located in Burlington, New Jersey, the Florence plant owned by DFA, you are proposing, you know, going down \$0.05 per hundredweight, correct?
  - A. That's currently what's proposed.
- Q. Why wouldn't you, in consideration of all those very high tolls, increase relative to the model?
  - A. My conversation on tolls was not necessarily to look at this difference of the proposal and the average, it was to align pricing between Pennsylvania and New Jersey, as I spoke to within my testimony, that there is a difference between delivering into the Philadelphia market and the Southern New Jersey market. It was not necessarily to discuss the changes from the proposal to the average.
    - O. But aren't those tolls relevant?
    - A. They are, and that's why they were discussed.
- Q. Well, if they are discussed, how did you apply them?
  - A. Well, if you look at the model, the average-of, the model was already suggesting some higher pricing in



that Southern New Jersey region. We combined regions and differentials to align better and ensure there was that difference between Southeast Pennsylvania and New Jersey. That was already discussed.

And while you are at it, the Cumberland facility, just the row below that, was increased \$0.05. So there was gives and takes along the way.

- Q. I understand that. One might have expected it to go up more than \$0.05 given the tolls?
- A. The model was already suggesting an increase, and we aligned with that at a differential.
- Q. Speaking of Southeastern Pennsylvania, Wawa, proprietary operator, line 2233, located in Delaware, Pennsylvania, which is -- if you are coming north on Interstate 95, it is the first county into Pennsylvania, correct?
  - A. I'll have to look at a map to identify that.
- Q. But you have proposed increasing it from the model by \$0.10, correct?
  - A. That's correct.
    - Q. Okay.

THE COURT: So, Mr. English, I'm looking at this Row 2233 on page 2 of Exhibit 369, and I'm curious. So the name of the pool distributing and supply plant is "Wawa, Media."

- MR. ENGLISH: Media is the name of the city.
- 27 THE COURT: Oh, thank you. All right.
  - MR. ENGLISH: The county -- the county, of course,



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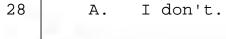
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1	is what's actually shown in Federal Order statistics.
2	THE COURT: So the county is Delaware,
3	Pennsylvania?
4	MR. ENGLISH: Delaware, Pennsylvania.
5	THE COURT: Thank you.
6	MR. ENGLISH: It is the Wawa facility in
7	Southeastern Pennsylvania.
8	THE COURT: Thank you.
9	BY MR. ENGLISH:
10	Q. You don't incur the tolls getting across the
11	Delaware River into New Jersey for that facility, correct?
12	A. Not to my knowledge because it's in Pennsylvania.
13	Q. I have already heard from Mr. John, but you are
14	also testifying about it. Washington, Maryland, is
15	increased \$0.10 per hundredweight.
16	Do you know why that's increased \$0.10 per
17	hundredweight?
18	A. Washington, Maryland?
19	Q. Yes, the county of Washington, Maryland, why do
20	you propose increasing that \$0.10 per hundredweight over
21	the model?
22	A. As Mr. John explained, there's a number of reasons
23	for changes in that region, and he has more than
24	adequately defined them.
25	Q. Okay. And I'm happy to rely if you have
26	anything different to say from Mr. John on the Maryland





and Northern Virginia kind of testimony.

1	Q. Okay. There's been a number of questions asked of
2	witnesses about Grade A.
3	Are you aware of any cheese processors in the
4	Northeast who accept Grade B milk?
5	A. I don't know. I don't have that knowledge.
6	Q. Does DFA have any Grade B milk in the Northeast?
7	A. Not to my knowledge.
8	MR. ENGLISH: Your Honor, at this time I move
9	admission of Exhibits 366, 367, 368, and 369.
10	And I thank you, Ms. Ryll, for your time and
11	testimony, and I am complete once a ruling is made on
12	those exhibits.
13	THE COURT: Excellent. Thank you.
14	Now, I know there will be other cross-examination,
15	but it's time for a break. So after the break I'll deal
16	with the admission of the exhibits.
17	And please be back and ready to go at 3:17. We go
18	off record at 3:03.
19	(Whereupon, a break was taken.)
20	THE COURT: Let's go back on record.
21	We're back on record at 3:21.
22	MR. ENGLISH: Your Honor, before you rule on
23	the if I may beg your indulgence, I'm always allowed to
24	come back up, but I thought I'd just try to clean
25	something up. And I think I made this mess myself, so let
26	me see if I can do something.



BY MR. ENGLISH:

Q.

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Going back to the issue of over-order charges,

1	over-order premiums
2	THE COURT: You're not projecting. I'm sorry. Go
3	again.
4	MR. ENGLISH: I need a cough drop.
5	BY MR. ENGLISH:
6	Q. Going back to the issue of over-order charges, and
7	I think I sort of had it backwards, which was probably
8	what was confusing.
9	Once you have an over-order charge, is it true
10	that DFA then, to those entities that qualify, provides a
11	uniform or universal receiving credit?
12	A. We do, and to those that have them.
13	Q. Okay. And have have those credits because they
14	have taken milk on an even basis so that you don't incur
15	as much balancing cost, correct?
16	A. Milk doesn't necessarily need to be taken to have
17	those programs established evenly or milk doesn't need
18	to be taken evenly to have those programs established.
19	Q. But nonetheless, you do have programs that credit
20	against an otherwise charge if a plant does things to
21	assist you with what otherwise would be balancing,
22	correct?
23	A. Yes. And there could be a variety of forms of
24	that across the Northeast.
25	Q. Great. Thank you. I appreciate that.
26	MR. ENGLISH: Okay. Now I'm done, Your Honor, and
27	I would again move the admission of the maps, you know,



that I have, plus the chart. I think it is 366, 367, 368,

and 369.

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THE COURT: You are correct with no notes.

All right. Ms. Hancock, I would like to deal first with your client's exhibits. Do you have any objection to my determining now whether they can be admitted into evidence?

MS. HANCOCK: Your Honor, my only objection is on Exhibit 369. Again, it's not National Milk's document, it is something that's been put together by MIG, and it includes information about locations of plants. It does cross-reference the others. But I don't have any independent information about it.

So to the extent that we're just using it as admitting it for purposes of reference and not for the truth of what's in here, I think that's fine. But I don't know that this witness can attest to the accuracy of the information in here without verifying it.

THE COURT: Your response, Mr. English?

MR. ENGLISH: I'm for making things easy, so I think it's still admissible if we have all the references there. The one issue is Exhibit 52, which is the USDA exhibit.

On the other hand, I'm not going to press the point. So the author of this document will be testifying at a later date. If it's preferable to put it on hold and have it admitted at that time, as long as it can be referred to by this -- you know, in this witness's testimony, and perhaps in a future witness, I have -- I'm



1	not going to stand on ceremony to admit it today.
2	THE COURT: All right. I, on the other hand,
3	don't want to neglect admitting it into evidence. I love
4	these this page 3 where you clearly reference where you
5	got the material.
6	So Ms. Hancock's reservations about the exhibit
7	are noted, and we'll see what comes of the future
8	evidence, but in the meantime, I am going to admit it into
9	evidence.
10	MR. ENGLISH: Thank you, Your Honor.
11	THE COURT: But let me start with and I know
12	that ordinarily, Ms. Hancock, your custom is to wait until
13	all cross-examination is completed before you move the
14	admission of these exhibits, but I would like to get
15	Ms. Ryll's exhibits dealt with first, before I go to
16	Mr. English's.
17	So I'm going to do them one at a time.
18	Is there any objection to the admission into
19	evidence of Exhibit 360, which is NMPF-42?
20	There is none. Exhibit 360 is admitted into
21	evidence.
22	(Thereafter, Exhibit Number 360 was received
23	into evidence.)
24	THE COURT: All right. Is there any objection
25	oops, sorry. So 361 I have lost. I have leaped to 362.
26	MS. HANCOCK: Your Honor, that is the
27	December 2001 Federal Milk Order Number 1, USDA document.
28	It looks like this (indicating).



1	THE COURT: Well, I labeled that as that's 42A,
2	and I said that it was 362.
3	MS. HANCOCK: 362 is 46B.
4	THE COURT: Oh, so I have misnumbered them.
5	That's where I'm mistaken. All right. All right.
6	Is there any objection here, let me go back and
7	double-check this. Stay on record, I'm okay.
8	All right. Very good.
9	Is there any objection to the admission into
10	evidence of Exhibit 361, which is NMPF-42A?
11	There is none. Exhibit 361 is admitted into
12	evidence.
13	(Thereafter, Exhibit Number 361 was received
14	into evidence.)
15	THE COURT: Is there any objection to the
16	admission into evidence of 362, Exhibit 362, which is
17	NMPF-42B?
18	There is none. Exhibit 362 is admitted into
19	evidence.
20	(Thereafter, Exhibit Number 362 was received
21	into evidence.)
22	THE COURT: Is there any objection to the
23	admission into evidence of Exhibit 363, which is NMPF-42C?
24	There is none. Exhibit 363 is admitted into
25	evidence.
26	(Thereafter, Exhibit Number 363 was received
27	into evidence.)
28	THE COURT: Is there any objection to the



1	admission into evidence of Exhibit 364, which is NMPF-42D?
2	There is none. Exhibit 364 is admitted into
3	evidence.
4	(Thereafter, Exhibit Number 364 was received
5	into evidence.)
6	THE COURT: Is there any objection to the
7	admission into evidence of Exhibit 365, which is NMPF-42E?
8	There is none. Exhibit 365 is admitted into
9	evidence.
10	(Thereafter, Exhibit Number 365 was received
11	into evidence.)
12	THE COURT: All right. Thank you, Ms. Hancock.
13	Now, turning to Mr. English's four exhibits.
14	Is there any objection to the admission into
15	evidence of Exhibit 367, which is MIG-39?
16	MR. ENGLISH: Your Honor, did you skip 366, which
17	is Maine? To your left. Sitting to your left, I think.
18	MR. HILL: MIG-50.
19	THE COURT: I did. Thank you very much. So let
20	me start with that one.
21	Is there any objection to the admission into
22	evidence of Exhibit 366, which is MIG-50?
23	There is none. Exhibit 366 is admitted into
24	evidence.
25	(Thereafter, Exhibit Number 366 was received
26	into evidence.)
27	THE COURT: Is there any objection to the
28	admission into evidence of Exhibit 367, which is MIG-39?



1	There is none. Exhibit 367 is admitted into
2	evidence.
3	(Thereafter, Exhibit Number 367 was received
4	into evidence.)
5	THE COURT: Is there any objection to the
6	admission into evidence of Exhibit 368, which is MIG-51?
7	There is none. Exhibit 368 is admitted into
8	evidence.
9	(Thereafter, Exhibit Number 368 was received
10	into evidence.)
11	THE COURT: And there is already a concern about
12	the truth of the matters asserted in Exhibit 369, but
13	notwithstanding that concern, I do ask now if there's
14	anything further by way of objection to the admission into
15	evidence of Exhibit 369, which is labeled MIG-55?
16	There is none, no additional concern. So I do
17	admit, over that concern, into evidence, Exhibit 369.
18	(Thereafter, Exhibit Number 369 was received
19	into evidence.)
20	MR. ENGLISH: Thank you, Your Honor.
21	THE COURT: Thank you, Mr. English.
22	All right. Who next will cross-examine Ms. Ryll?
23	MR. MILTNER: Ryan Miltner representing Select
24	Milk Producers.
25	CROSS-EXAMINATION
26	BY MR. MILTNER:
27	Q. Good afternoon, Ms. Ryll.
28	A. Hello.



- Q. So I'd like to just jump right into a few pieces of your testimony, Exhibit 360, and start off with a question that might obviate the need for a bunch more.
  - A. Okay.

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- Q. If I take it and I look at, beginning on page 2, the bottom of page 2 through page 7, is the entirety of that section intended to be background? In other words, is it -- is that section of your testimony justification for adjusting the differentials without specifically asking for any particular county to be adjusted?
- A. The intent of that section, which I believe is the overview of the Northeast milk market, that section and then some sections beyond that, would be to just provide flavor and context for the Northeast milk market and dynamics that are at play there.
  - Q. Okay.
  - A. Yep.
- Q. So could I take that one step further and say that there's nothing in that part of your testimony that's particularly applicable to any individual county or any individual deviation from the model?
- A. Correct. It's not anything specific to a county or a differential. It would be more so, again, that general milk market information.
  - O. Great. Okay.
- So now I'm looking at the bottom of page 8, and it's the very last sentence there which reads, "Any changes with the Class I price surface should be taking



the changes that have been explained with milk production, resident population, and the manufacturing footprint into consideration."

Now, my understanding is that those particular factors -- milk production, resident population, and the manufacturing footprint -- those are some of the elements that are included in the USDSS model.

Is that your understanding as well?

- A. My understanding is that the model includes some of those, correct.
- Q. Okay. When you say it "includes some of those," does it not include any of those factors that you have listed?
  - A. I don't know.
- Q. Okay. And I now want to ask about a statement on page 11 in the final paragraph. It's in the middle of that paragraph, and you are talking about deliveries into Winchester, Virginia, and disorderly milk marketing because of the fact that that area is a border between Order 1 and Order 5. Okay? And I wonder if you could explain a little more what type of disorderly marketing you envision if the prices there are not aligned as you have requested.
- A. Sure. So from a Winchester, Virginia, standpoint, like I talked about, it is sort of in the intersect of Federal Order 1 and 5, and a point -- our southernmost point when it comes to our region that I represent.

As I think about what this paragraph is trying to



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- Q. Is the goal there to disincentivize milk from moving from north to south to get into Order 5?
- A. I don't think that there's any specific goal with that alignment. It is just to ensure that any potential disorderly marketing doesn't occur.
- Q. Well, can you give us an example of what that type of disorderly marketing might look like?
- A. Like I mentioned before, it could be the potential for milk to jump over that specific region and move towards maybe different differentials or higher differentials without, you know, that -- fulfilling a demand point in Winchester.
- Q. Is there insufficient milk there, in your experience, to make sure that the plants in Winchester are adequately served?
- A. I'm uncertain of whether or not there is sufficient supply. It -- like I mentioned, it is kind of our southern area.
- Q. Okay. So then if you could turn to page 14, please.



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And the first sentence after the map reads:

"There were some instances where the group chose to

utilize their experience on milk movements and historical
relationships with milk sheds to smooth out county

differentials to reduce negative impacts to dairy farmers
and Class I processing facilities."

I was hoping that you could expand a little bit on what you mean by "negative impacts to dairy farmers and Class I processing facilities."

A. Sure. So as we were thinking through this and how milk is moving, as we have discussed previously, those milk movements are important to be represented in the differential scheme. So anytime there is a potential where the proposed differential or the -- excuse me -- the average was different than maybe what we see from a practical standpoint of how we move milk, we wanted to ensure that there was some art behind it to also signify kind of the practicality of the current milk movement. So it was more intended to utilize the -- how we're currently moving milk compared to what maybe the average was. So that's -- I -- what that intention of that sentence is, is to ensure that we're doing that.

Q. And I -- I thank you for the answer, and I understand the goal I think in broad terms. And I was wondering if in -- what you are talking about here specifically, if you had examples of what some of those negative impacts might be for both dairy farmers and Class I plants that we might be able to refer to.



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A. I don't.

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Q. Okay. If you would turn to page 17, please.

The paragraph in the middle of the page begins by stating: There is potential for misalignment between the orders if Western New York's final differentials relative to Western Pennsylvania's are lower than those proposed, I'll say.

What do you mean in that sentence by "potential for misalignment between the orders"?

- A. So that's really referring to the paragraph in front of it that is speaking to some of the blend price disparity between Order 1 and 33 today, some of it caused by some difference in differentials with Western Pennsylvania and Western New York. And so that sentence is correlated closely to the paragraph above.
- Q. In testimony yesterday, I don't recall if you were here or not, but there was some -- the phrase "blend price alignment" or something very similar to it was used.

What do you mean in your statement when you use the term "blend price alignment"?

- A. Where do I use "blend price alignment"?
- Q. It is in the same paragraph: "The working group gave careful consideration to blend price alignment."
- A. Uh-huh. Again, that's that alignment between Order 1 and 33. Again, today we have, as mentioned in the previous paragraph, that disparity. So alignment would be maybe a closer comparison between the two.
  - Q. When you use that term, does that include an



- A. I'm not certain that that's what causes depooling.
- Q. So at least in the context you are using this phrase, "blend price alignment" is not related to depooling?
  - A. Correct.

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Q. Okay. If you continue on in that same sentence, you state that the "consideration to blend price alignment between Western Pennsylvania and Western New York is in an effort to not impact current market dynamics between handlers and producers who face different pooling access and producer prices between the orders."

Again, when you use the phrase "current market dynamics," what do you mean by that?

- A. So I speak to some of that regarding just milk movements and that geography of how we are moving milk from Western New York to Western Pennsylvania, and those are the general milk marketing dynamics that I'm speaking to.
- Q. Are there any particular competitive issues or customer concerns that you mean to encompass with your phrase "current market dynamics"?
  - A. I don't believe so, no.
- Q. On page 18, in the first paragraph, you make reference to -- and that's -- I'll just read the sentence:
  "Two of the three facilities are operated by the same organization and are often looked at as a unit for milk



marketing purposes."

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Which organization are you referring to?

- A. HP Hood.
- Q. Where you characterize those as a unit for milk marketing purposes, is that Hood's characterization?
  - A. I'm not sure what their characterization would be.
- Q. Is that -- is it DFA then that views it as a unit for milk marketing purposes?
  - A. This example, yes.
- Q. Okay. In the following paragraph you talked about the tolls around New Jersey. Mr. English asked you some questions about that. I have kind of a philosophical question for you as a co-op.
  - A. Sure.
- Q. If you -- if DFA is marketing that milk, and your hauler, and therefore your members, have to bear that toll expense, if you are asking for the differential to be increased in order to offset those expenses, your members don't receive the benefit, necessarily, of all of that increased differential, do they?
  - A. Can you elaborate a little bit more?
- Q. May be better if I just simplify it.
- If the utilization in the order is say 50%, I know it's lower but we'll just say 50%, and you are incurring a \$30 toll, okay?
- A. Okay.
  - Q. But you have now increased the differential in part to compensate for those toll expenses, your producers



are only getting \$15 of that toll back in theory, correct?

- A. Wouldn't that be the producers in the order, not necessarily DFA specific producers?
- Q. Well, that's the thing. I mean, your producers, in general -- let's -- let me think about your answer for a second. Maybe I answered too quickly.

Yes, let's say -- no, let me rephrase my theoretical there.

A. Okay.

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- Q. If all of the toll is captured in the differential, and DFA has 50% of the milk in the order, your members will get 50% of that toll refunded, correct?
- A. If I'm following your math, which again, I know is an example --
  - Q. Yep.
    - A. -- right? I believe that would be accurate.
  - Q. So why, then, would you want to put the toll in the differential as opposed to an over-order premium so your members would be fully compensated?
  - A. So as we were looking at the differentials and the model averages, I'm going to come back to those because they did represent higher pricing into that area. So we were not looking at it from a co-op specific or proprietary or whoever else operates in the order, right? We're signifying that there's increased costs in that region, and it should be recognized through the mode in which we are able to recognize it, which today is the differentials.



- Q. So is your example of the toll then more intended to provide evidence for the increased cost of hauling rather than a specific justification for a change to New Jersey?

  A. It supports the notion and the averages that were presented from the study of why there is increase in the need in that Southern New Jersey area for a different differential from Southern Pennsylvania, as I have
- MR. MILTNER: I think that's the end of my questions. Thank you.
- 12 THE WITNESS: Thank you.
- THE COURT: Thank you, Mr. Miltner. Who next will cross-examine the witness? Is there anyone else who wishes to ask Ms. Ryll questions before I turn to the Agricultural Marketing Service?
  - There is no one. The Agricultural Marketing Service may question Ms. Ryll.
- 19 CROSS-EXAMINATION
- 20 BY MS. TAYLOR:

explained.

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- 21 O. Good afternoon.
- 22 A. Hi.
- 23 | 0. Thanks for coming to testify.
- 24 A. Thanks for having me.
- Q. Just a few questions. I want to -- let's see. I
  want to not be repetitive. I want to turn to page 6 in
  your charts, and so I just want to make sure it's clear
  for the record, so when we go back when this hearing is



over and try to process everything, we are reading these charts right.

And so I'll start at Table 3, and if you could just read a line, because I -- explain the numbers and just pick a line. And I particularly want to make sure we understand what the final column represents, so I think if you do that, that would help.

## A. Got it. Okay.

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So I'm going to pick Maryland. So if you were to look at the state of Maryland, and I'm looking at the year 2000. So Maryland, the population is -- again, this data is coming from the census -- Maryland is represented by 5,311,000 residents.

The next column over is utilizing the per capita milk beverage demand per person. So it is signifying that on average in the U.S. folks have been drinking 197 pounds of milk per year.

So then the next column over is looking at those folks in Maryland and the average beverage demand that per capita we have found through statistical information. There it's saying -- it's multiplying those and it's saying that based upon the information that we have, the total milk beverage demand in the state of Maryland is 1,045,000 -- actually, it's not a million, that's in millions. So would that be 1,045,000,000.

And then if you look across to the next column which is milk production, so this is milk production, a USDA statistic of how much in the year 2000 was produced



on dairy farms in the state of Maryland. You are looking at 1-point -- I'm going to round up -- 1.4 billion pounds of milk in Maryland.

So when you compare those two numbers, the total milk beverage demand in the milk production, so you take 1 billion divided by 1.4 billion -- again, I'm rounding here -- you get that 77%. So it's signifying --

THE COURT: Let me stop you.

THE WITNESS: Yep.

THE COURT: You said 1.4 billion.

THE WITNESS: Yes.

THE COURT: So that's not exactly right because there's a zero in there.

THE WITNESS: Sorry, for that one I thought I said 1 million -- or 1 billion.

So the 1.045 billion pounds is the total milk beverage demand, and that is then divided by the milk production, which is 1.351 billion for the year. And so it demonstrates that 77%, to the right, that their milk, if you were to look at it apples to apples, 77% -- excuse me, I'm doing the math here -- it's the beverage demand compared to milk production. So in Maryland, for example, they have more milk production compared to beverage demand. So 77% of their milk production is utilized for beverage demand in the state of Maryland. Theoretically, right, in these charts, these math charts.

Q. Okay. And I won't say conversely, but let's go to



BY MS. TAYLOR:

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Rhode Island where it says 738%. That's telling me that actually their beverage demand is 738% of their actual milk production --

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- Q. -- so they need to import milk?
- A. Correct. Yep. And I will say that I think
  Mr. Gallagher from DFA will be here, and he can explain
  some of these math tables later, because he is the -- he
  helped create them.
- Q. Okay. Thank you.

I want to turn to page 8. And a lot of this text uses the data on the previous page about -- from Table 4 on producer milk receipts and what class they are used in and in what zone they are used in.

And -- and so that talks about use of milk, your data on the previous page, page 7.

- A. Correct.
- Q. But you have a sentence in here on page 8, and it's the second to the last paragraph, it's a clause at the end of the sentence, and I'll start, "Local milk supplies are being utilized to fulfill Class II and III demand, while Class I milk supplies must travel further today at a higher cost per mile than before."

And I'm trying to -- I know there's been discussion of that, but is there data in your testimony to support that or is that based on your knowledge, you know, working in that area? Because I didn't quite see the data there. I could be missing it or it could be just based



off your knowledge since you have worked in that area for a long time.

- A. I believe that was primarily driven off the knowledge of working in that region and where milk is produced compared to where it's delivering to today versus where it was, say, ten years ago.
  - Q. And can you talk a little bit about that, then?
- A. Sure. So I think in the testimony I'm reviewing primarily Class II and III growth in certain zones and regions. And as I look at production in those certain regions, I think you can notice that there's -- from my knowledge, that there would be growth in those counties associated with those zone differentials from a production standpoint.

So to me, looking at the data, it would signify that that milk is being utilized for those locations, those Class II and III locations. And then we're therefore, moving milk -- continuing to move milk to the Class I market, and as discussed, the higher costs associated with that hold true.

Q. On page 9 at the bottom, here you are talking a little bit about your Farm Credit East February 2023 publication that I believe is an additional exhibit, and you mention how it talks about other factors that contribute to increased costs in addition to the ones you talked about since you own and manage, DFA owns and manages a fleet.

And I was just curious if you would elaborate on



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what other costs -- assuming they are in the exhibit, but since I haven't read that exhibit yet -- what other costs are you talking about there?

- A. So you are talking about what the Farm Credit is talking about other costs?
  - Q. Yes. You talk about one factor, right?
- A. Yeah.

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Q. It goes on to say one factor is inconsistent truck weights, volumes allowed on roads, et cetera.

But are there other costs besides that?

- A. Yeah. So there are other costs that are discussed beyond the road weight situation and local laws. Off the top of my head I can't tell you exactly what they are.
- Q. Okay. I did want to note, we were looking at your Table 6 on page 13, and you went over that in detail with Mr. English about there was a few differences between what's in the table. But what we did notice, and I just say this for people to look at, is I think your map actually has the correct numbers, it's just the table that might be different.
  - A. I think you are correct there.
- THE COURT: So, Ms. Taylor, you are telling us that if we use the numbers that are on page 14 on the map, those may vary in a few instances from what we see in Table 6?
- MS. TAYLOR: Yes. But what's in Map 2 looks to be consistent with what is in the actual proposal of National Milk. And I just wanted to kind of note that for the



record if people see differences.

THE COURT: Thank you.

BY MS. TAYLOR:

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So at the bottom, and here you are talking about Western New York, and there was the manufacturing side of things, the plant expansions that have happened over there. And what I gather, and I just want to make sure

I'm going to turn next to pages 15, going into 16.

I'm hearing this correctly, is out there, some of the adjusted -- adjustments you made were to align those counties because of the impact that the surface has on

producer pay prices.

Would that be correct?

A. Yes.

- Q. And then I did want to note, because you have at the bottom of that first paragraph on page 16, and I don't think it's been discussed, the last sentence: "Regardless of the outcome of this hearing, it is requested that a modification be made to align the differentials between Allegany" -- and some other county I can't pronounce --
  - A. Cattaraugus.
- Q. -- "Cattaraugus Counties to reduce any disorderly marketing of milk within Western New York that would negatively impact farms."

So this is kind of a slight modification. I just wanted to kind of inquire a little bit about that because I don't think that's been discussed.

A. Sure. The scenario that's being discussed here is



1	that there is a new plant being built in Cattaraugus
2	County, and that plant is designed to be the replacement
3	for a plant in Allegany County. And so if you look today
4	at where those counties sit from a differential
5	standpoint, they are different. And when you think about
6	where that milk supply comes from to feed those two
7	facilities or that one facility that is currently
8	operating, that same milk supply will be supplying the new
9	facility in Cattaraugus County. And so the intention
10	there is just to ensure that there's alignment because we
11	will still be utilizing from the same milk supply as one
12	is being closed and another opened.

- Q. Okay. Is it -- am I to take it that the ownership of the plant closing and the plant opening is the same?
  - A. Correct. Yes.
- Q. Okay. So that's a modification on top of any other differential regardless of where the Department comes out, you would like to see those aligned?
  - A. That's correct.
- Q. And just to close the circle, you talk about aligning those would reduce any disorderly marketing of milk within Western New York that would negatively impact farms.

Could you just expand on what you are talking about there?

A. Again, that's specific to those volumes where one would be -- the new facility would be, I guess a term would be back-zoning because you are reducing the



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NATIONAL FEDERAL MILK MARKETING ORDER PRICING FORMULA HEARING 1 differential at the new facility compared to --2. Oh, that's the way it goes --3 -- the old facility. Α. -- right now. 4 Ο. Correct. 5 Α. 6 Ο. Okay. 7 Α. Yep. 8 I want to turn to page 17. Ο. 9 I think you talked to Mr. Miltner about this a 10 little bit, but I wanted to follow up on that second to --11 second paragraph down starting with "historically." And 12 this is -- you're talking about a line -- let me see if I 13 wrote here, for blend price alignment between Orders 1 and 14 33, and you talk about currently in the \$2.00 zone it's 15 averaged a difference in blend of negative \$0.21 per 16 hundredweight --17 Α. Correct. 18 -- over your time period. 0. 19 Does that mean that in Order 33 is higher? That's correct. Yep. 33 would be higher by \$0.21 2.0 Α. 2.1 compared to Order 1. 22 So I just want to make sure we're clear. 23 So to producers they would rather, under the 2.4 current arrangement, as what I read, service Order 33

- where they can get a higher pay price than Order 1. that what I'm -- should interpret?
  - Α. That would be an interpretation, yes.
  - And that's currently a problem? Ο.



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- A. I'm not certain if it's a problem. I would say it is a dynamic that's faced in Western New York and Western Pennsylvania, that we need to -- we have looked at when it comes to looking at that differential in that area, the \$4.00 zone, the flattened \$4.00 zone.
- Q. Is it a problem because then the plants in that area can't get the milk they need because it wants to go over to Order 33?
- A. I think that -- again, I don't know if it would be considered a problem. I think it was just looking at some of the alignment and potential issues with how the differentials are aligned today and how we're proposing them.

So today, those differentials would cause that Western New York milk to be moving backwards in zone if it's facilitating movement. And in the current proposal, they maintain the same one. So I think it would -- it's not necessarily a problem, is not necessarily how I would --

- Q. It's just that milk is moving against the zones?
- A. Correct. Yes.
- Q. Okay. Further down on the bottom of the page, I think you did discuss this with Mr. Miltner and I missed it, so my apologies. There's a sentence in that last paragraph how you are talking about from the two counties there in New York, you wanted to enhance the relationship these counties have with Suffolk County, Massachusetts.

I just wanted you to expand on what you mean by



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"enhance the current relationship"?

- A. Sure. That was meant to recognize the additional cost compared to the \$0.75 spread that there is today between those counties and Suffolk County. It increases by \$0.15 to recognize that additional cost to service, moving milk from Central New York to Suffolk County, or to counties in that general geography.
- Q. And that's an additional cost you think maybe the model didn't account for?
  - A. That is -- yes. Yes.
- Q. And what is -- what -- what kind of makes up that additional cost?
- A. Yeah. So some of it could be relative to hours of service and at -- in drive time associated with moving from kind of Central New York to Franklin is the example, Suffolk County, Boston area. So hours of service, for example, if drivers are having to lay over on their way home will cost additional. Some other things that could be included is you go over a mountain range, which would be Berkshire, some would call them a hill, but I think that some of those costs associated with that movement. And in some cases there's permitting items relative to states crossing over state borders that maybe are not accounted for.
- Q. Okay. Thank you. That's helpful.

  And then on page 18, I hate to beat a dead horse,
  but let's talk about the tolls again in New Jersey.
  - A. It's a nice subject.



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- Q. You talk about how you built in \$0.10 -- additional \$0.10 in New Jersey to account for that?
  - A. Yes.

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- Q. Just wondering kind of why \$0.10? Where did that number come from?
- A. So I think -- I'm going to come back to the model on this and what the average of May and October did. To some degree it did actually provide that differential without me putting it in there. I think it was more so in -- that \$0.10 is more so to ensure that we're maintaining the spread between Southeast Pennsylvania and Southern New Jersey. Again, the model was signifying that it was an increased cost already, and we are just providing some additional information to demonstrate the need to keep that difference aligned.
- Q. Okay. So I haven't looked at the model numbers on those specific areas yet, but -- so what you are saying is the model came out and did show an increase in -- increase the slope between those areas, but there's additional costs so National Milk has proposed an additional \$0.10 on the New Jersey side.

Am I understanding that correct?

A. I don't believe that -- I think -- I think the \$0.10 is the spread between the Southeast Pennsylvania and Southern New Jersey. We didn't just plug in \$0.10 on that. It was, again, a demonstration based on what the model was telling us needed to happen, and that's why there is that difference.



To make up some of it, I -- I provided detail on the tolling, the toll information, the \$0.06, and then the weight variance sizes, the weight restrictions that we have.

Q. Uh-huh. Okay.

MS. TAYLOR: I think that's it from AMS. Thank you.

THE WITNESS: Thank you.

THE COURT: Are there any other questions before I ask for redirect?

Mr. Rosenbaum.

12 CROSS-EXAMINATION

## 13 BY MR. ROSENBAUM:

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- Q. Steve Rosenbaum, International Dairy Foods
  Association.
  - Following up on questions by USDA, if you could turn to Table 4 on page 7 of Hearing Exhibit 360, that table is comparing the zone in which milk was received in December 2001 versus December 2022, correct?
- 20 A. Correct.
- Q. The higher zones are associated with the higher population, right?
  - A. Generally speaking.
- Q. I mean, Boston and New York would be the highest for example, correct?
  - A. Generally speaking, yes.
- Q. Okay. And so what -- and of course in the end,
  the milk has to get delivered in a package to the consumer



at their grocery store, correct?

A. Sure.

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- Q. And so there's two legs of the journey: One is the leg of the raw milk to the processing plant, and the other is from the processing plant to the consumer, correct?
  - A. Sure. Yes.
- Q. And if I understand your table, what this is showing is actually the processing has actually moved to more rural areas closer to where the farms are between 2001 and 2020.

Is that a fair understanding?

- A. For which class?
- Q. Well, for all of them really. That is to say, it's originally, in 2001, 17.7% of total receipts were being received by a plant in the highest population area, correct? Because they are the ones with the biggest location differential, correct?
  - A. 17.7% was received in a 3.15 or above zone, correct.
  - Q. And that would have been milk that was transported to that processing facility in -- as raw milk, correct?
    - A. Correct.
- Q. And whereas that's fallen to only 6.4% in 2020, correct?
  - A. That's correct. There is some probably detail on that surrounding farm location as well, right?
    - Q. Well, overall, I mean, the total amount, the total



receipts is actually pretty similar between 2001. It's a little over 2 billion, and in 2022 it's 2.2 billion, correct?

A. Correct.

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- Q. But the -- the location at which the milk stops being the responsibility of the producer and starts being the responsibility of the processor, that is actually that point is now in a more rural area, correct?
- A. If we're assuming that any zones that are less than the 3.15 would be considered rural, yes.
- Q. Okay. Well, I'm assuming the two -- well, I mean, for example, the 2.35 and below, which is the low zone, whereas previously 19.1% of the milk was received there, now it's 27.3%, correct?
- A. Correct.
- Q. And as I say, to take the other extreme, the 3.15 and above, which previously was 17.7% of total receipts, that's fallen to 6.4%, correct?
- 19 A. Correct.
  - Q. Is it fair to say the burden of getting the milk to the actual consumer, that's actually shifted more to the processor over the last 20 years?
    - A. I'm not sure that's fair.
  - Q. Is it fair to say that, in fact, it's more expensive generally to transport packaged milk than raw milk?
    - A. I don't have knowledge of how expensive it is to transport packaged milk.



1	MR. ROSENBAUM: That's all I have. Thank you.			
2	THE COURT: Ms. Hancock.			
3	MS HANCOCK: Thank you, Your Honor.			
4	REDIRECT EXAMINATION			
5	BY MS. HANCOCK:			
6	Q. Ms. Ryll, I just want to turn to page 13 of your			
7	testimony in Exhibit 360.			
8	I just want to I appreciate Ms. Taylor			
9	commenting on the fact that the map on page 14 is correct.			
10	I just want to make sure that as we finalize your			
11	testimony into the record that we just correct those			
12	items, because I know how hard you have worked on all			
13	this, and I want it to be as perfect as you intended.			
14	So I'm going to compare this with Exhibit 299,			
15	which is actually National Milk's proposal. That's what			
16	you had testified was actually the correct numbers to make			
17	sure that we're using?			
18	A. Correct.			
19	Q. Okay. And so if we look at, on page 13, I'm on			
20	Table 6			
21	MS. HANCOCK: And Your Honor, I would ask if, as			
22	she confirms these, that we can correct the record copy			
23	that's in the record as well.			
24	THE COURT: All right. Great. So make sure we're			
25	all on the same page. We're all looking at Exhibit 360,			
26	and we're on page 13. And we will change those as we go.			
27	MS HANCOCK: Okay And I helieve there's eight			



total.

## 1 BY MS. HANCOCK:

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- Q. The first one being Frederick, Maryland, and your proposed differential that you have noted in your chart on Table 6 is 4.65, and that should be 4.60; is that right?
  - A. Correct.
  - Q. And the second one --

THE COURT: Wait just a second. So then don't we also have to change the \$0.10 to \$0.05?

MS. HANCOCK: That's correct, Your Honor.

THE COURT: Okay. So the final two columns we'll -- in each case, we'll make an adjustment in the next to the last column. We'll also make an adjustment in the last column. Okay.

## BY MS. HANCOCK:

- Q. Okay. And the next one would be New York.

  And your testimony in Table 6 has \$4.10, and that should be \$4.00; is that right?
  - A. That's correct.
  - Q. And so that should be negative \$0.05?
- 20 A. Correct.
- 21 THE COURT: So just put parentheses around it.
- MS. HANCOCK: Very efficient.

## BY MS. HANCOCK:

- Q. And then if we go to the next one, if we're ready,
  Berks, Pennsylvania. You have \$4.45, and that should be
  \$4.50?
- 27 A. Correct.
  - Q. So that difference would be positive \$0.05?



- 1 A. Correct.
- 2 O. And the next one would be Cumberland,
- 3 | Pennsylvania. And similar we have \$4.45, and the correct
- 4 | number should be \$4.50?
- 5 A. Correct.
- 6 Q. So that should be a positive \$0.15?
- 7 A. Correct.
- 8 | Q. And the next one would be Lancaster, Pennsylvania.
- 9 It has \$4.55; it should be \$4.60?
- 10 A. Correct.
- 11 Q. And that would be a positive \$0.15 --
- 12 A. Correct.
- 13 | O. -- difference?
- 14 The next one would be like Lycoming, Pennsylvania.
- 15 | It has \$4.25 currently; it should be \$4.20?
- 16 A. Correct.
- 17 | 0. And then that would be a negative \$0.05
- 18 | difference?
- 19 | A. Correct.
- 20 Q. The next one would be Schuylkill, Pennsylvania?
- 21 A. It's a tough one.
- 22 Q. It is a little public quiz and my inability to
- 23 pronounce words.
- 24 | It has currently \$4.45, and it should be \$4.50?
- 25 A. Correct.
- 26 Q. And so the difference would be a positive \$0.15?
- 27 A. Correct.
- 28 Q. And then finally, York, Pennsylvania, has \$4.55,



1	that should be \$4.60; the difference would be positive			
2	\$0.15?			
3	A. Correct.			
4	Q. Okay.			
5	MS. HANCOCK: And, Your Honor, that is all I have			
6	for Ms. Ryll. I appreciate the indulgence to get those			
7	corrected in the record copy.			
8	THE COURT: All right. Are you comfortable with			
9	what you have done? Very good. Would you bring it to me			
10	and let me compare it with what I did just to be sure in			
11	case I got it wrong? Thank you. Don't leave. This is			
12	going to be very short.			
13	We agree. Thank you. I'm happy.			
14	MS. HANCOCK: Okay. Good. Thank you.			
15	Your Honor, that is all we have for Ms. Ryll.			
16	THE COURT: All right. Thank you. I am very			
17	impressed with your work. Thank you.			
18	THE WITNESS: Thank you.			
19	THE COURT: I think it was very helpful. I think			
20	your cross-examination was very helpful.			
21	THE WITNESS: Thank you.			
22	MS. HANCOCK: Your Honor, our next witness is			
23	Mr. Scott Werme.			
24	THE COURT: We want to take a little break? A			
25	little five minutes?			
26	We're all good. We'll keep going.			
27	MS. HANCOCK: Good afternoon, Mr. Werme.			
28	Your Honor, everyone should be receiving Exhibit			



1	NMPF-43 that we'll mark as our next exhibit.			
2	THE COURT: All right. Now, if I am caught up, I			
3	do not want to misspeak, the next exhibit will be 370.			
4	All right. So this will be Exhibit 370.			
5	(Thereafter, Exhibit Number 370 was marked			
6	for identification.)			
7	THE COURT: And while that's being distributed,			
8	would you please, Mr. Werme, in the witness stand, state			
9	and spell your name.			
10	THE WITNESS: Scott Werme, S-C-O-T-T, W-E-R-M-E.			
11	THE COURT: So your last name ends in E?			
12	THE WITNESS: Correct.			
13	THE COURT: Thank you.			
14	And have you previously testified in this			
15	proceeding?			
16	THE WITNESS: I have not.			
17	THE COURT: All right. I'd like to swear you in.			
18	SCOTT WERME,			
19	Being first duly sworn, was examined and			
20	testified as follows:			
21	DIRECT EXAMINATION			
22	BY MS. HANCOCK:			
23	Q. Good afternoon, Mr. Werme.			
24	Did you prepare Exhibit 370 in preparation for			
25	your testimony today?			
26	A. I did.			
27	Q. Would you mind providing us with that testimony,			
28	just being mindful of your reading speed for the court			



reporter.

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- A. I will.
- Q. Thank you.

A. Thank you for the opportunity to testify. My name is Scott Werme. I retired from Agri-Mark in 2021 after a 31-year career with the cooperative. During my career, I held positions in nearly every corner of the cooperative, starting as a field representative and moving to other supervisory roles such as plant manager, plant accounting, and hauling and transportation manager. My last position was senior vice president of membership, a role that included membership services and overseeing bulk fluid sales of member milk to the region's milk processors. Agri-Mark retained me post-retirement as a consultant to assist with special projects and the transition of leadership, where I have experience and expertise.

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.



THE COURT: And would you spell Chateaugay for us.

THE WITNESS: C-H-A-T-E-A-U-G-A-Y.

THE COURT: Thank you.

THE WITNESS: 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. I have been marketing milk in the cooperative for seven years. I have considerable experience in moving milk through the region and within the confines of Federal Order 1.

Agri-Mark is in full support of National Milk Producers Federation proposal for modernization of the Federal Milk Marketing orders. More specifically, Agri-Mark supports NMPF Proposal 19, update the Class I differentials pricing surface throughout the United States.

The current Class I pricing surface map was a product of the Federal Order Reform process that concluded with implantation of new or revised regulatory policies in 2000. NMPF's proposal to evaluate the Class I differentials is critical to our overall efforts of FMMO modernization.



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Since 2000, the dairy industry and landscape has changed significantly. The number and location of farms and fluid milk processors, consumer demand, and population centers have all changed dramatically. Witnesses who have preceded me have entered data into the hearing record to support this. A driving factor for milk marketing over the last 20 years is the enormous change in the cost of transporting raw milk.

As others mentioned in previous testimony, the NMPF proposal for Class I differentials has its foundation in modeling results published by the University of Wisconsin. The model's outputs using data from May '21 and October 2021 were averaged to reduce variability. As has been discussed previously, individual cooperative representatives were broken up by region to allow for more detailed and specific conversations.

The Northeast working group was then tasked with comparing the results of the model to see if estimated milk values derived from the model were consistent with actual milk movements and historical relationships.

Ultimately, the group was asked to determine if adoption of the model's output would help to promote orderly milk marketing given current or future plant locations.

In the Northeast region, most counties fell within a reasonable relationship with the average of the model's May 2021 and October 2021 outputs. Compared to current Class I differentials, the model resulted in much higher values at nearly all locations. Justifications for these



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increases were due to significant changes in the dairy landscape over the past 20 years, and especially changes in historical milk movements.

I will focus my testimony on the areas of the Northeast in which I have expertise, in which the NMPF proposed differentials differ significantly from the output of the model, namely Maine, Northern Vermont, and Northern New York.

The differentials generated by the model Maine: were lower for Maine and Southeastern New Hampshire. However, there are two Class I plants in Cumberland County, Maine, that rely on local milk. If the model results were adopted unchanged, the respective differentials would have incentivized Maine milk to leave the state for plants in Eastern Massachusetts; additionally, the Southern New Hampshire milk would have been incentivized to flow into western Massachusetts. prevent incentivizing counterintuitive milk movement, the Northeast working group agreed to flatten the proposed Class I differentials for the Maine zones to keep the relationships consistent with the current Class I differentials. The average increase for Class I differentials in Maine was \$0.23 per hundredweight above the model output.

So, Your Honor, I would like to pause there for a moment. The last time we were here, I don't know if something was said by one of the folks testifying, and I went back to double-check those numbers that I had entered



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1	as my testimony, and as it turns out, I used the			
2	differentials for the area correctly, but took the			
3	difference from the wrong column. I used the October			
4	column rather than the average column. So I would like to			
5	be able to correct those here today.			
6	THE COURT: You are certainly welcome to. Now,			
7	it's interesting, because the witness who just stepped off			
8	the stand on purpose used the October data.			
9	THE WITNESS: I caught that.			
10	THE COURT: But you didn't intend to.			
11	THE WITNESS: No, I did not intend to.			
12	THE COURT: All right.			
13	THE WITNESS: Okay.			
14	THE COURT: So, yes, you will certainly now,			
15	the easiest way for us to do this is as we dwell on every			
16	change you want to make, we'll make it on the record copy.			
17	THE WITNESS: Three changes.			
18	THE COURT: Okay.			
19	THE WITNESS: So the first one, Maine was I			
20	wrote Maine was \$0.23. It should be \$0.39.			
21	THE COURT: All right. So this is in your			
22	paragraph on page 2 of Exhibit 370, also NMPF-43, in the			
23	paragraph on Maine, the last full line, we are changing			
24	\$0.23 per hundredweight to what?			
25	THE WITNESS: \$0.39 per hundredweight.			
26	THE COURT: \$0.39 per hundredweight. Thank you.			
27	THE WITNESS: Northern Vermont: In Vermont's			



northernmost counties, the Northeast working group reduced

1	the differentials by \$0.35 per hundredweight from the			
2	model's results.			
3	That \$0.35 should read \$0.20.			
4	THE COURT: 2-5.			
5	THE WITNESS: 2-0. Sorry. \$0.20.			
6	THE COURT: \$0.20, 2-0. All right. So we're			
7	changing \$0.35 per hundredweight to \$0.20 per			
8	hundredweight.			
9	THE WITNESS: Correct.			
10	THE COURT: 0.20 dollars per hundredweight. All			
11	right.			
12	THE WITNESS: In this region there are no			
13	significant delivery points and none are expected in the			
14	near future. Milk generally flows to Eastern			
15	Massachusetts, Western Massachusetts, and Vermont points			
16	further south. The lower differentials in Northern			
17	Vermont provide more of a slope to incentivize milk			
18	movement and better offset the cost of moving milk to			
19	these locations.			
20	Northern New York: In Northern New York, the			
21	Northeast working group reduced differentials \$0.30 per			
22	hundredweight below the model's output.			
23	That should read \$0.15 per hundredweight.			
24	THE COURT: All right. So on the first line under			
25	"Northern New York" on page 2, we are putting \$0.15?			
26	THE WITNESS: 15.			
27	THE COURT: 1-5.			
28	THE WITNESS: 1-5.			



1 THE COURT: And striking the \$0.30 per 2. hundredweight. THE WITNESS: I apologize for this, but I'm glad I 3 4 caught it. 5 THE COURT: Yeah. Actually, you know, I'm sorry, 6 it's all good. But you specifically wanted to use the 7 October --8 THE WITNESS: The average. 9 THE COURT: Oh, the average rather than the 10 October? 11 THE WITNESS: Correct. 12 THE COURT: Understood. 13 This was especially necessary for THE WITNESS: 14 the significant supply in St. Lawrence and Jefferson 15 Counties. Milk from these counties needs to move east. 16 The lower differentials at the source counties increased 17 the slope needed to incentivize appropriate milk movements 18 to Northeastern New York and North and Central Vermont. 19 In summary, Class I differentials are outdated and 2.0 need modernization to reflect the changes in the dairy 2.1 industry since 2000. The University of Wisconsin model 22 provides a sound and logical basis for updating Class I 23 differentials. However, as noted above in the examples of Maine, Northern Vermont, and Northern New York, 24 25 modifications from model results are necessary to preserve 26 actual milk movements and historic relationships and to 27 maintain orderly marketing of milk. 28 THE COURT: All right.



1	Ms. Hancock.			
2	MS. HANCOCK: Thank you, Your Honor, at this time			
3	we would make Mr. Werme available for cross-examination.			
4	THE COURT: Thank you.			
5	Who will begin?			
6	MS. BULGER: Good afternoon.			
7	THE COURT: Good afternoon.			
8	CROSS-EXAMINATION			
9	BY MS. BULGER:			
10	Q. Grace Bulger for Milk Innovation Group.			
11	Thank you for your patience, Mr. Werme. I had a			
12	lot of questions about the October or average difference,			
13	so I was just rearranging a few things.			
14	A. Okay.			
15	MS. BULGER: But I do have a few exhibits that I			
16	would like to ask to have in front of the witness.			
17	THE COURT: Yes. Tell us which ones they are.			
18	MS. BULGER: So and I apologize if I don't use			
19	these because, like I said, thank you for sparing me			
20	some questions. Exhibits 53, 58, 301, 366, 368, and 369.			
21	THE COURT: Okay. I'll supply the 301, and you			
22	may approach the witness with my extra copy of that one.			
23	And he has a yardstick.			
24	Also, I'm going to some of these don't need a			
25	yardstick, but they still need a ruler.			
26	THE WITNESS: Okay. Thank you.			
27	THE COURT: Now, the others we're gathering, so			
28	let's go off record for just a moment.			



1	(An off-the-record discussion took place.)		
2	THE COURT: Let's go back on record.		
3	We're back on record at 4:39.		
4	Ms. Butcher (sic), you may proceed.		
5	MS. BULGER: Thank you.		
6	BY MS. BULGER:		
7	Q. Good afternoon, Mr. Werme.		
8	A. Good afternoon.		
9	Q. So you say on page 1 of your testimony that		
10	Agri-Mark operates three cheese manufacturing facilities:		
11	Two in Vermont, one in New York, which were pool supply		
12	plants, correct? And Agri-Mark also operates a butter		
13	powder facility in Massachusetts which is a non-pool		
14	supply plant, correct?		
15	A. Correct.		
16	Q. For each of those, can you tell me whether they		
17	are full supply or balancing plants?		
18	A. The one in West Springfield is a balancing plant.		
19	The others are full supply, running either seven days a		
20	week or the Cabot plant runs five or six days a week.		
21	Q. Are these plants supplied only by		
22	Agri-Mark-produced raw milk?		
23	A. Yes.		
24	Q. And Agri-Mark supplies raw milk to the region's		
25	dairy processors, right?		
26	A. It does.		
27	Q. Who does Agri-Mark supply fresh fluid milk to?		
2 Q	A Well we supply a number of sustamers that are		



- 1 Class II, Class I, Class III. I don't think we supply any 2. Class IV plants. Occasionally we do, and they are pretty much all over New England, in every state. 3
  - So are all of those processors fully regulated on Order 1?
  - Α. I'm not sure about the smaller ones, but I would say yes. The large ones are for sure.
    - Are any of those processors partially regulated? Ο.
- I don't know that. 9 Α.
- 10 What portion of Agri-Mark's milk goes to Ο. 11 Agri-Mark's plants?
- 12 Α. How about 75%.

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- 13 I have a few questions about your involvement in 0. 14 working on the proposed differentials.
- And so my first question is: What group were you 15 16 in?
- 17 Federal Order 1, Northeast. Α.
  - Who else was in your group? Ο.
- 19 There were folks from Virginia Upstate, DFA, and Α. Land O'Lakes, I believe. 2.0
  - When did you begin working together? Q.
  - I came into the process late actually. Our economist, Catherine de Ronde, asked me, invited me to the conversation probably, I don't know, halfway in, maybe.
    - And what was your specific role? Ο.
- Α. Early on she just wanted me to sit in on the calls to listen in and to sort of vet what was happening against 28 what I used to do for the cooperative, which was find



homes for all the milk.

- Q. So when you started working with this group, your expectation was -- was your expectation more so to be listening?
  - A. Yes.

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O. Yes?

And did you -- did you end up contributing more directly?

- A. Yes. But mainly on what I testified to today.
- Q. So on page 2 of your testimony you say that the Northeast working group was asked to determine if the adoption of the model's output would help promote orderly milk marketing given current or future plant locations.
  - A. Yes.
    - Q. How would you define orderly marketing?
- A. I would define orderly marketing as how milk really moves in a region. How it actually moves, where it comes from, how we arrange hauling, and whether it moves hopefully with the zones rather than against the zones.
  - Q. So you said "in a region."
- What in your mind is needed in the Northeast to promote orderly marketing?
- A. I would say it's knowing where all the milk is, knowing where -- and I can -- I'm really only speaking for Agri-Mark on this, but knowing where all our milk is, how many pounds is in each area of our co-op. We have hauling areas that we break things up into so that we know where the milk is, and to know what we have -- what we have set



- Q. When you began your work, were you open to the idea that the model output could be sufficient as is?
- A. I don't know that I had an opinion on that early on.
- Q. Like I -- I read from your testimony that you were asked to determine if the adoption of the model output would help to promote orderly milk marketing.

Did you answer that question independently, if adoption of the model's output, on its own, would help to promote orderly milk marketing before making adjustments?

- A. I would say that that -- I was -- that -- I came to that opinion probably in one of the joint calls with the -- with what we were tasked to do in looking at the orders in the Northeast, looking at the differentials.
- Q. Did the group consider that a threshold question before making adjustments, whether on its own it --
  - A. Could you kind of clarify that?
- Q. I guess I'm asking if -- if the group was asked to determine if the adoption of the model's output would help to promote orderly milk marketing, before making any adjustments, did the group have a conversation about just the answer to that question with the model output on its



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- A. I think the group realized pretty early on that there were areas in the model that we would need to look at to improve the orderly milk marketing.
- Q. And back to that quote one more time, "given current or future plant locations," which future plant locations are you referring to?
- A. At the time we knew that -- Skylar talked about earlier today -- that there was going to be a new large Fairlife plant in New York, and Great Lakes Cheese was going to build, or is in the process of building, a plant that would actually double the intake of the plant that is closing.
  - Q. And is that replacing an existing plant?
  - A. I believe it is.
- Q. And now I want to point to page 1 of your testimony. I apologize for jumping around a bit.

You say that the dairy industry and landscape has changed significantly since 2000, and specifically you refer to changes in the number and location of farms and fluid milk processors, consumer demand, and population centers.

So how for each of those three factors -- and I can repeat them back to you if you need -- how have they changed?

A. In terms of farms, I can only speak for us, of course, but I would say back in 2000 we had over 2,000 farms. Now we're down to 550-ish. We're at 3.2 billion



pounds of milk. I don't know what the number was in 2000, but it was much less. It was probably 2.5 billion pounds of milk, I would guess. There have been a lot of plant closings. I know from my product accounting days in West Springfield, kind of where a lot of milk came from at the time, and where we bought cream from to run our butter plant, and there's a lot of those plants that don't exist anymore.

- Q. And so talking about factors -- and, now, I'm sorry, again, to jump to -- on page 2 of your testimony, you say, "A driving factor for milk marketing over the last 20 years is the enormous change in cost of transporting milk"?
  - A. Uh-huh.

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- Q. A driving -- I wonder -- a driving factor towards what? What do you mean by "a driving factor"?
- A. The driving factor in the cost of moving milk. The change in the cost of moving milk, even from when I became more intimately involved in it in 2015 to when I retired six years later, the cost of moving milk increased quite dramatically. Haulers needed an increase. We were losing haulers because they couldn't get paid enough, and we had to constantly send out cost surveys to our haulers to make sure that they were being paid correctly. And they never went down.

THE COURT: The costs never went down?

THE WITNESS: The costs never went down.

BY MS. BULGER:



- Q. And are you familiar with the University of Wisconsin model?
  - A. Since becoming part of this, yes.
- Q. Do you agree that the University of Wisconsin model factors in hauling costs to its output?
  - A. Yes.

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- Q. In your opinion, does the University of Wisconsin model sufficiently take into account the various changes that you have described?
- A. I believe so.
- 11 Q. Okay. Thank you.
- When -- I have a -- when selling its member milk,

  has Agri-Mark ever negotiated an over-order premium?
  - A. When we sell milk to our customers, we're always trying to negotiate an over-order premium. We call it a service charge.
    - O. So with the Class I plant?
  - A. Class I, II, III, wherever we sell it. We're trying to get the most we can for it.
    - Q. So you're always trying to get the most you can.

      How frequently do you negotiate them?
  - A. Well, there are certain customers we negotiate contracts for once a year. Okay? And eventually it settles. It usually settles in in some class-plus price, and it depends on how much milk there is in the marketplace. It's changed over the years.
  - And then there is -- there's customers that don't want to negotiate a contract, they would rather buy it on



- Q. If the Class I differentials that National Milk has proposed are adopted, will that reduce Class I premiums charged in the region that you are discussing?
  - A. I don't really know that for sure.
- Q. Okay. So I had some questions about the reductions in differentials or raising them from the numbers, but after your corrections I don't have as many.

I do have -- so thank you.

I do have a general sort of question. In your testimony, you -- when you talk about Vermont, you say that the Northeast working group reduced differentials by -- and you have corrected this -- to \$0.20 --

- A. \$0.20, yes.
- Q. -- per hundredweight from the model results.

  When for New York, you say, similarly, the

  Northeast working group reduced differentials, and that's
  been corrected to \$0.15 --
  - A. Correct.
    - Q. -- per hundredweight.

And for Maine, on page 2, you say the average increase for Class I differentials in Maine was -- and you have corrected that to \$0.39 --

- A. Yes.
- Q. -- per hundredweight above the model output.

  And so I guess my overall question is, for Vermont



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and New York, it almost sounds like that is a standard reduction that you made across the board versus Maine you refer to an average number.

And so I just wanted to clarify --

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- Q. -- if you are talking about for Vermont's northernmost counties?
  - A. Well, I actually averaged all of them.
- Q. Okay.
- A. Okay. I don't know whether it was consistently -- I would have to look to see if it was consistently \$0.15, for example. But I -- I ended up redoing, subtracting from the correct column, and then using the Excel average
- Q. I went through when I was looking at your testimony and averaged the counties in Maine, and I came up with \$0.39, so I was -- that made me feel good about my math when you corrected it to that.
  - A. Okay.
  - Q. One moment.

function to get the average.

I would like to direct you to the portion of your testimony where you are talking about Maine. That's what I want to focus on. And that is MIG -- or Hearing Exhibit 366 is the map of Maine.

- A. Uh-huh.
- Q. Perhaps more useful to me than you.
- 27 A. Actually I have my own.
  - Q. So you refer to two Class I plants in Cumberland



1 County that rely on local milk in your testimony? 2. Α. Yes. Which two plants are those? 3 Ο. Oakhurst and a Hood plant, both in Portland. 4 Α. THE COURT: Oakhurst was the first one? 5 THE WITNESS: Yes, Oakhurst. 6 7 THE COURT: Thank you. 8 BY MS. BULGER: 9 If I could point you to Hearing Exhibit 369, which Ο. also says Exhibit MIG-55 in the corner. It's the smaller 10 11 spreadsheet. 12 Α. Oh, 369. Yep. 13 So near the top of page 1, let's see, in Row 1146? 0. 14 Α. Uh-huh. 15 Looking at Cumberland County in Row 1146, the Ο. 16 model average was \$4.50? 17 Α. Yes. And NMPF is proposing a differential of \$4.85, 18 19 correct? And that -- you can see that just on the same 2.0 spreadsheet as well? 2.1 Α. Uh-huh. Yes. 22 Ο. So that's a \$0.35 increase from the model average, 23 correct? 24 Α. Correct. 25 And as we have discussed, the average increase Ο. 26 from the model average across Maine was \$0.40, \$0.39? 27 Α. \$0.39.



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So in comparison to other counties in Maine,

1 National Milk proposed a smaller increase from the model 2. output for Cumberland County? 3 Α. Yes. Why? 4 Ο. Because it was further south and it was closer to 5 where the end point of Maine is. And what we were more 6 7 actually looking at was where the milk was actually coming 8 from. Like, for example, Agri-Mark doesn't have much --9 many farms in those southern two counties. Most of the 10 milk is further north in Penobscot County, and Kennebec, 11 Somerset, and Piscataquis County. So that's where the 12 milk comes from, so that's where we took the biggest changes from the model to flatten the entire -- the entire 13 14 part of the Maine where the milk is located. 15 THE COURT: Looking at Exhibit 366, would you tell 16 me these three counties again where the milk comes from? 17 THE WITNESS: Most of our milk comes from 18 Kennebec, Somerset, Penobscot, and Piscataquis. 19 THE COURT: So Kennebec is not very far north. 2.0 And would you spell that one? 2.1 THE WITNESS: Kennebec? 22 THE COURT: Yes. 23 THE WITNESS: K-E-N-N-E-B-E-C. 24 THE COURT: All right. And then the other three 25 you mentioned? 26 THE WITNESS: Somerset, Penobscot --



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THE COURT: And spell that one, please.

THE WITNESS: P-E-N-O-B-S-C-O-T.

1 THE COURT: All right. And the last one? 2. THE WITNESS: Piscataquis. 3 THE COURT: And spell that one. 4 THE WITNESS: P-I-S-C-A-T-A-Q-U-I-S. THE COURT: Thank you. 5 BY MS. BULGER: 6 7 Ο. So on page 2 of your testimony, the third sentence under when you are talking about Maine, you say that if 8 9 the model results were adopted unchanged, the respective 10 differentials would have incentivized Maine milk to leave 11 the state for plants in Eastern Massachusetts. 12 How much Maine milk leaves the state for plants in 13 Eastern Massachusetts under the current differentials? 14 I can tell you that the majority of our milk stays 15 in Maine right now. There's two or three loads a day that 16 leave the state. And we kind of wish they wouldn't, but 17 they do. 18 THE COURT: I hate to interrupt, but it's 19 5 o'clock, and I want to take just a few minutes to talk 2.0 about what we're going to do tomorrow. 2.1 And I want to know whether you would like to 22 collect your original exhibits to keep them overnight and 23 then give them back to the witness when he resumes. So if 24 you would come forward, and I would like the witness to 25 hand all of those, except 301, to the Agricultural



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Marketing Service to keep, to return to you later, and

I'll take 301 because that one came from me. Thank you.

I'll allow this to stay at the witness stand. Thank you.

1	So can you remember where you were? All right.			
2	And whom shall I ask as to how we will proceed			
3	tomorrow? Should I ask Ms. Hancock?			
4	MS. TAYLOR: Once we do that, we would just like			
5	to quickly put on two exhibits that we did get printed.			
6	That will only take a minute.			
7	THE COURT: Okay. Great.			
8	Ms. Hancock, yesterday people said no way would			
9	you use the time with the witnesses you had lined up. Oh,			
10	ye of little faith.			
11	Ms. Hancock, how would you like to proceed			
12	tomorrow?			
13	MS. HANCOCK: So, tomorrow, Your Honor, we will			
14	finish Mr. Werme. And then in some order, although I			
15	don't know if this is the order, we have Johnny Hiramoto,			
16	Brent Butcher, Mike Hurting, John Kang. Dr. Cryan will go			
17	on some point just to make sure that he is on and off.			
18	THE COURT: Who did you say after Hurting?			
19	MS. HANCOCK: John Kang, K-A-N-G. And then			
20	Dr. Cryan.			
21	THE COURT: Does anybody have any questions about			
22	that? Did you hear?			
23	Mr. English.			
24	(Discussion had in the back of the room, not			
25	reported.)			
26	THE COURT: Very good.			
27	Ms. Taylor, you have the floor.			
28	MS. McMURTRAY: Yes, Your Honor. This is Michelle			



1	McMurtray. I am with the Office of the General Counsel at	
2	USDA on behalf of the Agricultural Marketing Service. We	
3	want to enter two exhibits that are just required by the	
4	regulations just to make sure that they are on the record.	
5	So the first one we have, I believe it's marked as	
6	Exhibit 371, I believe is our next one, and it is the	
7	Federal Register notice that just notices the reconvening	
8	of the hearing. It is Federal Register Volume 88, number	
9	213, published Monday, November 6th, 2023. Oh, and then	
10	the page number is 76143.	
11	(Thereafter, Exhibit Number 371 was marked	
12	for identification.)	
13	MS. McMURTRAY: And our second exhibit is the	
14	press release that was posted on USDA's website. We have	
15	it marked as Exhibit 372.	
16	(Thereafter, Exhibit Number 372 was marked	
17	for identification.)	
18	MS. McMURTRAY: Once again, just required by	
19	the regulations, making sure that notice of the hearing is	
20	given to those who are interested.	
21	So we would just we don't have any sponsors	
22	just because they are required by the regulations, so we	
23	would just ask that they be moved into part of the record.	
24	And they are on the hearing website. We don't	
25	have copies for everyone today, but they are there.	
26	THE COURT: Yes. All right.	
2.7	Is there any objection to the admission into	



evidence of Exhibit 371, which is the Federal Register

1	notice of our reconvened hearing that we began yesterday?			
2	There are none. Exhibit 371 is admitted into			
3	evidence.			
4	(Thereafter, Exhibit Number 371 was received			
5	into evidence.)			
6	THE COURT: Does anyone object to the press			
7	release that announced what was in that Federal Register			
8	notice that has been marked as Exhibit 372?			
9	There is no objection. Exhibit 372 is admitted			
10	into evidence.			
11	(Thereafter, Exhibit Number 372 was received			
12	into evidence.)			
13	THE COURT: All right. Is there anything further			
14	before we end for the day?			
15	There is not. We will be in recess until tomorrow			
16	morning at 8:00 a.m., and we now go off record at			
17	5:05 p.m.			
18	(Whereupon, the proceedings were concluded.)			
19	000			
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28				



1	STATE OF CALIFORNIA )			
2	COUNTY OF FRESNO )			
3				
4	I, MYRA A. PISH, Certified Shorthand Reporter, do			
5	hereby certify that the foregoing pages comprise a full,			
6	true and correct transcript of my shorthand notes, and a			
7	full, true and correct statement of the proceedings held			
8	at the time and place heretofore stated.			
9				
10	DATED: January 4, 2024			
11	FRESNO, CALIFORNIA			
12				
13	1 Ma ROW			
14	Mryea Stan			
15				
16	MYRA A. PISH, RPR CSR Certificate No. 11613			
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