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To Whom it May Concern,

I read with interest the published “proposed plan” authored by NMPF-IDFA. The “plan” was mostly a reiteration of what all of us already know about the published PPP programs etc. and retreading the already existing programs such as DMC etc. The “objectives” enumerated in the “plan” were very short on specifics and instead made statements like “Stabilize commodity markets;” yet in no instance was there a specific process to stabilize the commodity markets (This is a lofty idea but not likely to happen as this is not the Federal reserve!) I can only assume from the “plan” that the USDA will fill in the specifics.

The one new proposal was basically a self-help program by which we the producers would reduce production by 10% in order to get a price support on the remaining 90% of the March 1st production volume. Again, there are no specifics I assume this “program” would be Administered by USDA/FMMO. At first view this may seem attractive but when you take a deeper dive it is not very well thought out. First of all, the plan quotes a cap of \$16 per cwt (below COP) for the program that is proposed to only last through June. This is not long enough and nor is the price high enough to keep the producers afloat. This might have been a reasonable stop gap measure if the Industry had not already been suffering from compressed milk price that has been below the cost of production for 3 years plus. The other short coming of the “Plan” is that the producers operating costs will not decline while reducing production by 10%. In fact, I could make a good case that the operating costs will be going up instead of going down.

One such operating cost increase will likely be “Marketing fees” charged by Cooperatives to redistribute milk with in the processing system and disposing of excess milk that cannot be processed—this has cost the producers from \$1 to \$3 per cwt in the past and at the end of the day these are costs paid only by members. Therefore, more increased operating expense. Another increasing cost is Protein feeds impacted by the complete shutdown of the Ethanol Industry. Also increasing labor costs due to many factors, including numerous State and Federal hand-outs to the people that are laid off in other industries which influence farm worker’s salaries upward. Farm workers will not want to work if other people are not working and are making more through government relief than they are working at a Dairy.

Selling slaughter cows has become very restricted in many areas and as such dairyman are forced to euthanize cull cows (total loss) or keep non-productive animals that don’t even pay variable cost of production which equals more loss. Our industry is very different than making cars or flying airplanes. When you shut our Industry down it will not make an easy comeback. Since we are in the industry of producing food (essential) the Government must take a strong look at holding the industry together while we see what is on the other side of this disaster.



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The combination of an Industry which is already under considerable economic pressure combined with likely increased cost of production during the next 6 months (or more) makes the “Plan” proposed not even close to workable. In addition, I am not sure what this does for the manufacturers price of milk. Will they have to pay the “supported price”? This is an Important question, particularly when many Cooperatives are Manufacturers of milk.

The NMPF-IDFA published Plan spends little or no time proposing creative processes or programs to really revolutionize our Industry that has needed a complete top to bottom restructure for at least 25 years. In case you don't know what needs to be changed or eliminated let me explain: Federal Marketing Orders have become completely antiquated and in their present state inhibit the industry as a whole. Cooperatives have developed a nonresponsive “Corporate” structure that has become totally unaccountable to the purpose of which they were allowed under Capper Volstead. NMPF-IDFA and its affiliates have failed horribly to promote the Industry's Products. This is even witnessed in the “proposed plan” referenced in this letter. In the proposal they reference “Other Initiatives” whereby they suggest eliminating the restrictions on the WIC programs related to container size and fat content of which they sat by and watched (may even helped) when these ridiculous restrictions were put into Law. It is easy to receive millions of producer dollars to supposedly promote and guard market share but because of the business model that these organizations operate their funding is un-affected by poor results and performance. That being said, please don't use the age-old excuse I have heard for 40 years “consumers are not drinking as much milk.” Due to this Epidemic it appears that the “consumer” still likes milk during Covid 19. Maybe the problem is “US” and the people we have been paying millions to get the job done with no accountability. Maybe we should re-think why we took the fat out and destroyed the flavor of “REAL” milk. I could go on about this subject and intend to in a different writing, but most of you get the idea.

Rather than just criticize the NMPA-IDFA plan, I would propose the following to the Trump Administration: Since the Dairy Industry is without any argument an “essential” industry that has already been under server duress way before the virus, we should request a Federal Government Grant which will totally supplement milk price for the next six months at the pay price based on the price received at final settlement of February 2020. To be clear the Government would fund the difference between the “market value” and the February 2020 price until September 2020. If the market were to recover to the February price level earlier than September 30th the Grant would cease. This is a simple and realistic proposal with no complicated programs that would take millions of administrative tax dollars to run. This will treat everyone equally no matter what size the dairy is. We need to start



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promoting the importance of our Industry instead of apologizing for it especially under the current circumstances.

We are easily more essential than Companies like Boeing or Delta which the Federal Government is going to spend billions of our tax dollars on and that is only one example. Just to be more explicit, I can live okay without an Airplane but I don't know anyone that can live without food, including Dairy Products. There should be unilateral support from within the Industry to support a simple and effective program as I have suggested above. I can anticipate many people saying this plan does nothing for supply control which some feel is urgently needed. I believe that the time to review plans for supply control should take place after we have gotten through the virus so we can see what the Market really needs or wants—this is not the time to make that analysis. Others will say what about the manufacturing side. As I'm sure you know the majority of them are owned by Coops so let the Coops go to the Bank of Cooperatives and put together their own deal. Maybe consider cutting a deal with USDA to fill up the "empty food banks". My non-sympathetic response to the Coops is figure it out. Get aggressive about marketing. Drop the price down until the market absorbs the product that is out here. Remember in the plan I have presented; the Producers will be supported by the government grant which in reality sets the price outside the Federal Marketing Order from now until September 30th. We would just push the "pause" button on pricing at the producer side and then let the downstream manufacturing side do whatever it takes to purge the system of milk. Either manufacture it, give it away, or dump it. The market will tell the handlers what they can pay for the milk to match usage and type of demand and for once this will not affect producer price. Manufacturing groups will be able to make their margin because the price they pay for milk will be determined by actual demand both US and Internationally. The Government Grant will pay the difference between the market value and the "producer price".

So, to all the Cooperatives: Go at it, show us your stuff. You don't have to spend all your time trying to manipulate the FMO for your benefit. Just MARKET and get rid of your inventory by whatever means it takes whether that means selling it, giving it away, or dumping it. The good news is we Dairy Producers will still be standing after this is over and we should re-think our entire structure.

After making this deal to save the Producer Farmers in the Industry we should all take the opportunity to make meaningful changes to the Industry structure and business model. I am not talking about the "farming model," I am talking about the Cooperative model including FMMO, NMPF, and the over burdening and un-accountable Cooperative structures. We need to make the pricing of milk an understandable business model instead of the distorted, complex, government run, mathematical



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nightmare we call the FMMO. No other product has such a complex marketing system that very few people within the Industry understand.

We can do so much better as an industry. We (Dairy Farmers and Processors) must control our own destiny instead of sitting on standby and thinking it is going to fix itself. We need to re-assess how we deal with supply/demand within the Industry---if that means some sort of Supply Management then let's have the discussion and act. I only see Supply Management working if our Marketing groups (NMPF-IDA) become "performance" based to receive Producer funding, not the way they operate today. We need to call upon the DOJ to live up to the idea that monopolistic control in the food industry should be very restricted and not allow large Law Firms to "Cut a deal" with the DOJ in favor of the DFA's of the world with no real penalty (Government fines only become operating expenses paid by the farmers they hurt) and act like they did something to save the industry. Point in case is the Deans Foods/DFA deal that is doing nothing for competition or saving the industry. I realize that is not a popular view if your drinking DFA "Kool-Aid" but show me the evidence where these monopolistic deals have been successful in the past? If we have learned anything from this Covid 19 ordeal it should be that eliminating competition particularly for "essentials Industries" is not a good business plan for Society.

I look forward to discussing this further with the you.

Sincerely,

- Gregg Hardy
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