

USDA Testimony
August/September 2023

Introduction -

- I am Steve Galbraith, Vice President of Procurement and Commodity Risk Management at Saputo Cheese USA. I have held this position since April 2013.
- I am located at the Dallas office at 2711 N Haskell, Suite 3700 Dallas Texas, 75204
- Saputo Cheese USA operates 29 plants in 13 states across the United States, manufacturing and packaging a variety of cheeses, cultured dairy products, whey ingredients and extended shelf-life and aseptic dairy products.
- Saputo is among the top 3 cheese manufacturers and one of the largest producers of extended shelf-life fluid products.
- Twenty-two of the twenty-nine plants in the United States process milk, and receive milk pooled in seven different Federal Milk Marketing Orders. Most of the milk we buy is regulated by the Federal order system and extends at least to some degree of all classes of milk.
- We frequently source milk/cream/ and condensed dairy products from 10 of the 11 Federal Milk Marketing Orders as well as unregulated regions of the western US.
- Consequently, Saputo has a strong interest in the decisions by the USDA resulting from this hearing.

Background -

- As Vice President of Procurement and Commodity Risk Management at Saputo Cheese, my primary responsibilities involve negotiating contracts for the purchase and delivery of dairy commodities for the Class II manufacturing facilities as well as the administration of the commodity risk management programs for all of Saputo USA.
- Prior to my experience at Saputo USA, I spent nine years as VP of Procurement in the White Wave, Morningstar, and Corporate Divisions of Dean Foods.
- I started my procurement career with Nestlé USA, where I spent my entire 15-year tenure in the procurement group, working most of that time on commodity procurement and risk management teams. My last five years at Nestlé, I held the position of VP Commodity Procurement and Risk Management for Dairy, Fats & Oils and Sweeteners.
- I also serve as President of the California Creamery Operators Association.
- I grew up in eastern Kansas on a farm (Beef/Hogs/Crops) not a dairy farm, and I graduated from Kansas State University with Degrees in Animal Science and Business.

- I have spent the last 55 years of my life working in some capacity within the agricultural industry with the past 25 years focused heavily in the dairy sector.

Position –

We have reviewed and support the testimony of Mr. Mike Brown representing the International Dairy Foods Association. I specifically want to testify on proposals #1 & #2 –

1: UPDATE THE MILK COMPONENT FACTORS IN THE SKIM MILK PRICE FORMULAS.

- NMPF Proposal 1, which would update the milk component factors in the skim milk price formulas should be rejected and is opposed by Saputo for the following reasons.
 - Raw milk components delivered into Saputo Plants in FMMO #6 and #7 do not support the component values submitted by USDA as part of these hearings – see attachment.
 - Many products that are classified as Class II, necessitate minimum levels of milk solids to meet Standard of Identity requirements (Ice Cream Mix).
 - To meet these Standard of Identity requirements, other skim solids are purchased and added to meet the obligation (Condensed Skim Milk).
 - Receiving raw milk that has a pricing formula built in, which does not adequately reflect the component values, is simply paying for milk solids that do not exist (ghost solids).
 - The subsequent purchase of Condensed Skim Milk to meet product requirements that are replacing the “ghost solids”, is simply paying for the skim solids twice.
 - This sequence of events puts the manufacturing facility at a competitive disadvantage versus manufacturing plants in Multiple Component Pricing Orders.

Products Fortified/Standardized with Solids Non-Fat –

- Class I California LFM
- Ice Cream Mix – Class II
- Frappe Mix – Class II
- Aerosol Whipped Topping – Class II

2: UPDATE ANNUALLY THE MILK COMPONENT FACTORS IN THE SKIM MILK PRICE FORMULAS

- NMPF Proposal 2, which would update annually the milk component factors in the skim milk price formulas should be rejected and is opposed by Saputo for the reasons previously stated.

Saputo would support FMMO #5, #6, #7 and #131 transitioning to Multiple Component Pricing Orders from the current fluid/fat pricing methodology.

Decatur Alabama		
Month	Skim Solids %	Butterfat%
Jan-22	8.95%	4.28%
Feb-22	9.06%	4.24%
Mar-22	9.07%	4.11%
Apr-22	9.02%	4.05%
May-22	8.87%	3.90%
Jun-22	8.74%	3.84%
Jul-22	8.74%	3.78%
Aug-22	8.74%	3.78%
Sep-22	8.79%	3.95%
Oct-22	8.84%	4.00%
Nov-22	8.75%	3.94%
Dec-22	<u>8.98%</u>	<u>4.12%</u>
Average 2022	8.88%	4.00%
Jan-23	8.91%	4.29%
Feb-23	8.92%	4.12%
Mar-23	8.89%	4.04%
Apr-23	8.88%	4.08%
May-23	8.80%	3.96%
Jun-23	8.84%	3.97%
Jul-23	<u>8.67%</u>	<u>3.93%</u>
Total Average	8.87%	4.02%

Murray Kentucky		
Month	Skim Solids %	Butterfat%
Jan-22	8.64%	4.03%
Feb-22	8.64%	4.01%
Mar-22	8.64%	3.95%
Apr-22	8.64%	4.01%
May-22	8.65%	3.91%
Jun-22	8.65%	3.87%
Jul-22	8.66%	3.74%
Aug-22	8.65%	3.85%
Sep-22	8.64%	4.01%
Oct-22	8.64%	4.03%
Nov-22	8.64%	4.01%
Dec-22	<u>8.63%</u>	<u>4.11%</u>
Average 2022	8.64%	3.96%
Jan-23	8.63%	4.11%
Feb-23	8.63%	4.14%
Mar-23	8.63%	4.15%
Apr-23	8.63%	4.10%
May-23	8.64%	4.01%
Jun-23	8.65%	3.91%
Jul-23	<u>8.65%</u>	<u>3.90%</u>
Total Average	8.64%	3.99%

2022 Skim Solids Avg. Dec/Mur/PC	8.78%
2022 Butterfat Avg. Dec/Mur/PC	3.92%
2022 Skim Solids As % Skim	9.1070%

Total Skim Solids Avg. Dec/Mur/PC	8.77%
Total Butterfat Avg. Dec/Mur/PC	3.96%
Total Skim Solids As % Skim	9.1212%

Plant City Florida		
Month	Skim Solids %	Butterfat%
Jan-22	8.84%	4.00%
Feb-22	8.95%	3.98%
Mar-22	8.83%	3.89%
Apr-22	8.74%	3.74%
May-22	8.72%	3.58%
Jun-22	8.79%	3.65%
Jul-22	8.77%	3.66%
Aug-22	8.76%	3.64%
Sep-22	8.81%	3.72%
Oct-22	8.84%	3.89%
Nov-22	8.91%	3.86%
Dec-22	<u>8.88%</u>	<u>3.94%</u>
Average 2022	8.82%	3.80%
Jan-23	8.87%	4.11%
Feb-23	8.83%	4.16%
Mar-23	8.73%	4.04%
Apr-23	8.81%	3.97%
May-23	8.75%	3.95%
Jun-23	8.72%	3.80%
Jul-23	<u>8.77%</u>	<u>3.96%</u>
Total Average	8.81%	3.87%

Sulphur Springs Texas		
Month	Skim Solids %	Butterfat%
Jan-22	9.12%	4.30%
Feb-22	9.41%	4.97%
Mar-22	8.97%	4.33%
Apr-22	8.89%	4.01%
May-22	8.97%	3.94%
Jun-22	8.94%	3.74%
Jul-22	8.74%	4.03%
Aug-22	8.87%	4.02%
Sep-22	8.97%	4.15%
Oct-22	9.14%	4.19%
Nov-22	9.35%	4.41%
Dec-22	<u>9.29%</u>	<u>4.37%</u>
Average 2022	9.06%	4.21%
Jan-23	9.24%	4.26%
Feb-23	9.21%	4.27%
Mar-23	9.09%	4.13%
Apr-23	9.09%	4.36%
May-23	9.06%	4.19%
Jun-23	8.96%	4.19%
Jul-23	<u>8.92%</u>	<u>4.09%</u>
Total Average	9.08%	4.21%