

United States Department of Agriculture Before the Secretary of Agriculture

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

Milk in the Northeast and Other Marketing Areas

Testimony From:

Kim Heiman, President, Nasonville Dairy Inc.

10898 US Highway 10, Marshfield, WI 54449

Regarding: Class III and Class IV Formula Factors

Proposal 8 submitted by Wisconsin Cheese Makers Association

My name is Kim Heiman and I am here today to testify in support of Proposal 8 which seeks to update current make allowances with a phased-in implementation schedule.

I serve as President of Nasonville Dairy, a cheese manufacturer in Central Wisconsin that is now employing the third and fourth generation of our family, alongside 130 fulltime and parttime employees. Our production site west of Marshfield is really two plants in one, with separate lines running American-style cheeses and feta cheese. In all, we produce about 60 million pounds of cheeses and 42 styles of cheese, including colored cheddar in 40-pound blocks.

As an owner and principal at Nasonville Dairy, I am involved in nearly every aspect of operation, with a daily emphasis on cheese production, whey production and wastewater processing. I have been employed at the dairy for 40 years, and since the age of 16, I have been a licensed Wisconsin cheesemaker.

Accuracy in make allowances is important to the proper functioning of classified milk pricing. We pool milk in Order 30 and follow requirements for paying our dairy farm partners according to order regulations. Together with my comptroller, I have gathered information on our costs to produce colored cheddar in 40-pound blocks, which comprises about 27 percent of our total cheese production.

It is my hope that our real-world data is useful to USDA as it contemplates updating make allowances. Cheese plants like us, and smaller cheesemakers and the large operators, need up-to-date make allowances that reflect production costs that have skyrocketed in recent years. I can tell you that if our 55-year-old family operation made only cheddar blocks, we would not have

been able to survive in this last decade. An accurate make allowance is the key to keeping a healthy, diverse number of cheese factories operating around the country, providing the most possible options for dairy farmers to sell their fresh milk.

And not only that, but a healthy cheesemaking community means that a wide variety of cheeses are being produced in my state and across the U.S. The dairy industry will thrive and grow if we're producing a wide variety of delicious cheeses from artisans, family operations, cooperatives and corporations. We have to keep our eye on the goal of pleasing the consumer, even when we're talking about issues as "in the weeds" as milk pricing formulas.

As you can see in our spreadsheet, marked as Exhibit WCMA – 2, Nasonville has broken out labor costs, utilities, bulk packaging and other non-labor and utilities categories such as ingredients, supplies, maintenance, depreciation and added these costs to administrative costs and return on investment to yield a cost per pound of colored cheddar cheese.

These costs are all actual costs taken from our 2022 financial statements, and they represent our 2022 cost to produce colored cheddar cheese.

At the bottom line, we show a cost of \$0.3226 to produce colored cheddar in 40-pound blocks, with labor representing 19 percent of costs; utilities, 7 percent; packaging, 14 percent; non-labor and utilities, 39 percent; administrative, 11 percent; and ROI, 11 percent.

I appreciate the opportunity to present this information to USDA so they can get a real-world example of costs today. Thank you.



**Nasonville Dairy, Inc.
Cheddar Cheese Make Cost
For Calendar Year 2022**

CONTACT INFORMATION

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Plant Name	Nasonville Dairy, Inc.
Plant Address	10898 US Highway 10
City, State, Zip	Marshfield, WI 54449
What is Structure of Plant Ownership	Proprietary

Data Period	1/1/22-12/31/22
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PRODUCTS AND VOLUME

Cheese Products	Package Size	Pounds Produced 2022	Percentage
Cheddar Cheese - Colored Cheddar	40 Lb block	15,796,562	27.25%
Cheddar Cheese - Other Cheddar & Jack	40 Lb block	23,175,465	39.98%
Other Cheese - Feta	Various	18,992,050	32.77%
Total Cheese Pounds Produced		57,964,077	100.00%

Colored Cheddar as a % of Total Cheddar Cheese Production	40.53%
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GENERAL LEDGER AND LABOR

	2022	COLORED CHEDDAR	COST PER POUND	COMMENT
Processing Labor				
Gross Wages - Cheddar Production	1,325,892.23	537,424.92	0.0340	Expense x 40.53% Per Products and Volume Detail Page
Gross Wages - Feta Production	2,480,698.84	-	-	
Gross Wages - Milk Hauling	1,057,468.91	-	-	
Gross Wages - Lab	197,433.79	53,805.31	0.0034	Expense x 27.25% Per Products and Volume Detail Page
Gross Wages - Warehouse/Loading Dock	160,162.12	43,647.91	0.0028	Expense x 27.25% Per Products and Volume Detail Page
Gross Wages - Maintenance	397,256.47	108,261.65	0.0069	Expense x 27.25% Per Products and Volume Detail Page
Gross Wages - Intake/Trucking	290,799.09	-	-	
Gross Wages - Whey Plant	181,280.78	-	-	
Payroll Taxes and Benefits	1,648,779.54	201,161.59	0.0127	Gross Wages x Benefits as % of Gross Wages 27.07%
Total	7,739,771.77	944,301.38	0.0598	
Payroll Taxes and Benefits				
Employer Taxes	495,570.99			
Health Insurance	960,421.24			
Training and Safety	15,383.34			
Other Employee Benefits	38,727.01			
Retirement Plan Contribution	350,000.00			
Total	1,860,102.58			
Gross Wages	6,871,670.88			
Benefits as % of Gross Wages	27.07%			
Utilities				
Utilities - Electric	757,121.83	206,333.34	0.0131	Expense x 27.25% Per Products and Volume Detail Page
Utilities - Gas	553,857.94	150,939.20	0.0096	Expense x 27.25% Per Products and Volume Detail Page
Total	1,310,979.77	357,272.54	0.0226	
Packaging			0.0452	See Packaging Detail Page
Non-Labor or Utilities Processing				
Ingredients			0.0311	See Ingredients Detail Page
Depreciation	2,009,456.47	547,623.72	0.0347	Expense x 27.25% Per Products and Volume Detail Page
Repairs/Maintenance - Production	1,541,689.49	420,146.32	0.0266	↓
Supplies - Production	1,398,580.49	381,145.78	0.0241	
Outside Services/Testing - Lab	422,460.92	115,130.45	0.0073	
Taxes - Personal Property	24,612.05	6,707.36	0.0004	
Taxes - Real Estate	71,738.42	19,550.39	0.0012	
Trash/Refuse Removal	36,696.58	10,000.67	0.0006	
	5,505,234.42	1,500,304.69	0.1260	
General and Administrative				
Gross Wages - Officer & Administrative (Excluding Marketing)	780,678.65	212,753.13	0.0135	Expense x 27.25% Per Products and Volume Detail Page
Payroll Taxes and Benefits	211,323.04	57,590.45	0.0036	Gross Wages x Benefits as % of Gross Wages 27.07%
Accounting and Audit	100,496.41	27,387.61	0.0017	Expense x 27.25% Per Products and Volume Detail Page
Dues and Subscriptions	31,919.48	8,698.80	0.0006	↓
Business Insurance	524,864.25	143,037.74	0.0091	
Licenses and Permits	170,307.22	46,412.69	0.0029	
Supplies - Office/IT	148,662.58	40,514.02	0.0026	
Telephone Expense	46,994.29	12,807.04	0.0008	
Total	2,015,245.92	549,201.48	0.0348	
Return on Investment				
Annual Return on Investment	1,979,826.52	539,548.87	0.0342	Expense x 27.25% Per Products and Volume Detail Page
Estimated Market Value	39,037,000.00			
Moody's Ave Year 2022 Baa Corporate Bond Index Return %	5.07%			

Total Cost

0.3226

INGREDIENTS

VAT SUMMARY	
Lbs Milk Pounds per Vat	45,000
Lbs of Cheese	4,725
Yield per CWT	10.50%

STARTER INGREDIENTS					
	Cost	Cost Unit	Units Used Per Tank	Cost Per Pound	
Starter Powder	\$ 5.36	Pound	62	\$	0.0074
Starter Cultures	\$ 18.92	Can	4	\$	0.0017
Vats Made Per Starter Tank	9.56				

CHEDDAR INGREDIENTS					
	Cost	Cost Unit	Units Used Per Vat	Cost Per Pound	
Rennett	\$ 0.37	Ounce	45	\$	0.0036
Salt	\$ 0.35	Pound	130	\$	0.0096
Annatto	\$ 5.87	Quart	2	\$	0.0025
Calcium Chloride	\$ 0.60	Quart	1	\$	0.0001
TC Culture	\$ 29.76	Can	1	\$	0.0063

Ingredient Cost Per Pound Cheese	\$ 0.0311
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PACKAGING

Average Cheese Weight Per 40 Lb Block	43.50
Number Of Blocks Per Pallet	54

	Unit Packaging Cost	
Cost per 40 Lb. Box	\$	0.5834
Cost per Bag	\$	0.4866
Cost per Liner (Wood & Cardboard Average)	\$	0.6196
Cost per Label	\$	0.0147
Cost per Pallet	\$	14.2500

40lb Packaging Cost Per Pound of Cheese	\$	0.0452
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Table 1. Plant Costs for Cheddar Cheese Processing

Plant Costs for Cheddar Cheese Processing, 2022.								
	Product Pounds	Non-Labor or					Return on Investment	Total Cost
		Processing Labor	Utilities	Packaging	Utilities Processing	General and Administrative		
Nasonville Dairy	15,796,562	0.0598	0.0226	0.0452	0.1260	0.0348	0.0342	0.3226
		19%	7%	14%	39%	11%	11%	100%