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PRAIRIE FARMS DAIRY, INC.
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2/11/23

To: MN House of Representatives, Agriculture Finance and Policy Committee
CC: Second Harvest Heartland, Rachel Sosnowchik

Dear Representative Vang, Representative Pursell, and honorable committee members,

I'm pleased to have the opportunity to provide you with information about our business and our relationship with Second Harvest Heartland (SHH). I had the great pleasure of meeting many of SHH team members last month, and in a short period of time, I've developed a great appreciation for the work they do, the services they provide to the community, and the passion they have for providing nutrition to Minnesota families in need.

Prairie Farms is a farmer-owned cooperative, owned and operated by over 600 farm families who are critical members of the community. They have selflessly taken on the tremendous task of producing nutritious, high-quality milk for a growing population. This requires being on the job 24/7, 365 days a year. Because of the hardships of dairy farming, few Americans have chosen this career path. We have represented American agriculture since our founding in 1938. Many of our dairy farms are operated by several generations of family members with roots dating back to the 1800s. On average, each farm milks around 120 cows and everyone pitches in to keep them happy and healthy – which means around-the-clock care! Although each farm is a little different, they all have one thing in common... **passion for farming and doing their part to help feed American families.**

Our Woodbury division operates a fluid milk plant just east of St. Paul, MN where we employ more than 120 dedicated employees, and support dozens more through our distributor network. We process and distribute millions of servings of high quality nutritious dairy products weekly to Minnesotans through schools, supermarkets, and many other formats and classes of trade. **Nearly 100% of the milk that we process is produced locally by farm families right here in the state of Minnesota.** We operate in a very difficult industry full of challenges.

Today's business climate, especially in our industry, should concern everyone. In these past few years, more and more dairies have declared bankruptcy and continued plant consolidation is causing milk shortages in portions of the U.S. In 2021, Borden Foods exited 2 dairy plants in Wisconsin and Illinois. This caused massive challenges in both plant capacity and distribution throughout both states. I'm proud to say that Prairie Farms was able to step up and help close many market voids, including hundreds of schools.

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Today, milk prices are at near all-time highs. Since the beginning of 2021, raw milk prices have increased by nearly 44%. This is the price we pay for the milk processed for consumption. This increase has driven processed milk consumer prices higher in all classes of trade. Additionally, diesel fuel prices have increased by more than 75% in the same period, ending 12/31/22 at \$4.74 per gallon. Inflationary pressures are driving our manufacturing and distribution costs upward at alarming rates. Insurance has risen by over 37%, utilities are up over 23%, plant repairs have risen 14%, and supplies are up more than 15%. Truck repairs are up 12.5%, hauling contracts are up 27.6%, distributor costs are up more than 65%, and milk case expenses are up over 18%. Run away inflationary costs have been extremely difficult to keep up with; and all of this is adding to consumer price inflation.

In 2022, the consumer price index rose to 9.1% inflation in June and closed out in December at 6.5% year over year. At the same time, food inflation closed 2022 at 10.4%. Gallon milk prices rose in 2022, from \$3.47 in January to \$4.21 in December, an increase of 21%. This inflation has saddled millions of Minnesotans with difficulty in meeting their needs, and providing their children with much needed nutrition. Many have no choice but to turn to their local food shelf for help.

Challenges in 2022, turned out to be the perfect storm of pressures for Second Harvest Heartland. Throughout the course of the year, their milk purchases increased by 47% from January to December. While working to meet the growing needs of the communities they serve, the prices they paid for milk increased by more than 20% on a per gallon basis. Unfortunately, we have no choice but to pass on increases or put our business at risk. For this reason, and for all challenges Second Harvest Heartland endures to meet community needs, please consider their request for funding increases. Although I cannot be present today, please feel free to contact me via my cell phone or e-mail. If needed, I would love the opportunity to tell you more about our business, our families, and our relationship with Second Harvest Heartland.

Respectfully,

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