

Testimony of Mr. James McConeghy
Chief Financial Officer
Chobani

Before the U.S. House of Representatives Committee on Small Business Subcommittee
on Economic Growth, Tax and Capital Access

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to testify at today's hearing. I am James McConeghy, the Chief Financial Officer at Chobani Greek Yogurt located in Norwich, New York.

The creation of Chobani is truly an American success story. Chobani was established in 2005 by Hamdi Ulukaya, a Turkish immigrant, who purchased an old Kraft Foods Plant in New Berlin, New York. Since its founding, it has grown from five to 2,600 employees and is the nation's top selling Greek yogurt.

The Chobani story is one that could only happen in America. Where else could a Turkish immigrant transform a shuttered factory into a thriving food manufacturing business in just a few short years?

Our story began in 2005 when, with the help of a Small Business Administration loan, our founder, Hamdi Ulukaya, acquired a former Kraft Food plant in Central New York. Two years later, the first cups of Chobani Greek Yogurt rolled off the line. Today, Chobani is the number one selling Greek Yogurt brand in the country.

In less than six years, we've grown our business from nothing to over \$1 billion in sales, and expanded our reach across the globe. We've invested more than \$700 million between our original manufacturing facility in New York and our new plant in Twin Falls, Idaho. We're no longer a start-up with 5 employees, but a global organization with a workforce more than 2,600 strong.

It is the American Dream come to life - proving that, if you truly believe in something and work hard, anything is possible.

Challenges to the Future of Chobani Greek Yogurt

The future of Chobani's success is strongly burdened by current federal regulatory and legal challenges. The four most prominent challenges that I will touch on today are the lack of an FDA standard of identity for Greek Yogurt, Geographic Indicators in international trade, Trans-Pacific Partnership (TPP) trade negotiations and their potential impact on trade in dairy products with Canada, and tax reform.

First, Chobani strongly supports the establishment of a standard of identity for Greek Yogurt. The Food and Drug Administration establishes standards of identity for various food products to reduce consumer confusion. Unfortunately, the current FDA standards of identity (SI) for yogurt are extremely outdated, do not take into account current manufacturing processes and only include definitions for Yogurt, Nonfat yogurt and

Lowfat Yogurt. The definition does not reflect the composition and processes used to manufacture Greek Yogurt, which is very distinct from traditional yogurt. Greek Yogurt is to yogurt as sour cream is to milk.

The lack of a proper standard of identity for true Greek Yogurt literally allows any product that meets one of the current FDA standard definitions of yogurt to be branded as Greek Yogurt, regardless of its composition or the processes used to manufacture it. USDA's Child Nutrition Programs routinely follow FDA Standards of Identity for products used in their programs. The lack of a SI for true Greek Yogurt makes it difficult for consumers and the USDA to differentiate between yogurt and Greek Yogurt for purposes of the nutrition programs, including proper allowances for meat/meat alternates in child nutrition program crediting. FDA and Congress must recognize and address this blatant inequity in order for the rapidly emerging market for Greek Yogurt to meet its potential without misleading consumers towards a product that is not "true" Greek Yogurt.

Second, we have seen an increase in challenges of the labeling of common food products abroad. We recently embarked on a costly and difficult process of re-labeling in England and Wales after it was, incorrectly in our opinion, ruled that using the term 'Greek' on our true Greek Yogurt product mislead consumers into presuming the yogurt was made in Greece. The European Union (EU) has embarked on an aggressive campaign to monopolize commercially significant terms that are used in foreign markets as a competitive advantage for EU member country produced products.

Chobani is devoted to preserving and protecting properly applied use of common food names. However, the EU position puts common food names at great risk. If this problem is not dealt with soon, the EU's aggressive actions to monopolize common food names will damage sales of many popular food products around the globe.

Recently, the EU has been actively working to control many common names for foods, actions indicating a strategy to secure exclusive rights to names long used in many places around the world outside the EU. Generic names used by millions of consumers. Common names like bologna, chorizo, feta, gorgonzola, parmesan, provolone, and salami.

Arguing that a small group of EU producers should have an exclusive right to use such names is like claiming that only Italians should be permitted to use the term "pizza". Protectionism is protectionism, no matter how you couch it. We hope Congress will continue to urge our negotiators to take an aggressive stance on the matter of geographic indicators in future trade negotiations.

On a third point, Chobani recently engaged in an extensive process to bring our product to Canada. This process included researching the ability to import yogurt into Canada from the United States and to explore making yogurt in Canada for Canadian consumers.

In the case of importing yogurt, we found this to be essentially impossible, as there is a 237.5% duty for virtually all yogurt imports. This is despite the open borders promulgated by NAFTA.

As an alternative, we attempted to buy land and build a manufacturing facility in Canada. When this plan became visible to our competitors, they launched a series of actions directly against various Canadian government agencies and the local Chobani entity to stall our Canadian plans. Despite the fact that we and the Canadian government prevailed in court, all of the previous market barriers continue to exist.

Accordingly, we recommend that the Congress and the Administration use the TPP umbrella to look at the closed borders for dairy trade with Canada. We understand that other countries are recommending the same course of action.

Lastly, we understand that there are many discussions surrounding "Tax Reform" in the halls of government. We wholly support this effort to eliminate inconsistencies in the taxation of U.S. entities and to have a globally competitive tax system.

We appreciate the support that this Committee has shown and the opportunity for us to testify today. We look forward to working with the Committee in addressing the current challenges.