BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

OVER - ORDER PREMIUM HEARING

ALL MILK MARKETING AREAS

March 8, 2019

Testimony of Elvin Hollon

Presented on behalf of the Pennsylvania Association of Dairy Cooperatives:

Dairy Farmers of America, Inc.,

Lanco Dairy Farms Co-op, Inc., Land O'Lakes, Inc., and

Maryland & Virginia Milk Producers' Cooperative Association, Inc.

Good morning, I am Elvin Hollon, Vice President Fluid Marketing and Economic Analysis for Dairy Farmers of America. My address is Dairy Farmers of America, Inc. 1405 N 98th Street, Kansas City, Kansas 66111.

I am here to provide testimony on behalf of the Pennsylvania Association of Dairy Cooperatives (PADC) whose members are: Dairy Farmers of America, Inc.; Lanco Dairy Farms Co-op, Inc; Land O'Lakes, Inc.; and Maryland & Virginia Milk Producers' Cooperative Association, Inc.; ("the Cooperatives"). Together these cooperatives represent more than one-half of the Commonwealth's dairy farmers.

This hearing was noticed in Pennsylvania Milk Marketing Board Bulletin No. 1550 regarding the setting of the over-order premium (OOP) for Class I milk - both the amount of the premium being requested and the time period it will apply. I will review the current and most recent market situation, covering feed and milk prices and the resulting margins experienced on Pennsylvania dairy farms. Then I will discuss our outlook for the near future to explain our position for the OOP and its duration.

There are many issues that impact milk production. Those of considerable significance would include weather conditions especially as they impact feed and milk prices. A measure of the combined impact of these two factors is on-farm margins. I will also comment on the effects, as we see them, from the US trade situation with North American partners Canada and Mexico and then China and the impact of the US government "shutdown" on dairy information and milk prices.

Policy Impacts - United States Trade Policies and Situation

The dairy industry is well aware of the impact on dairy exports of the ongoing disputes with Canada and Mexico encompassed within the NAFTA / USMCA trade negotiations and the disputes with China about trade between it and the US. Mexico is a key US milk powder and cheese export destination and China is our largest whey customer. Disputes on trade terms with these countries will quickly impact exports and cause product inventories to grow to the point that domestic prices suffer. We may be experiencing that currently as the most recent United States Department of Agriculture's National Agricultural Statistics Service's (NASS) Dairy Products report noted Skim Milk Powder production, made only for an export order, was well below prior year volume indicating a slowdown in exports, and NFDM inventories increased suggesting a slowing domestic consumption. NFDM prices have been a key component of increasing Class IV prices both currently and in 2019 price forecasts.

I would call attention to two articles outlining this situation. The first was published in the Fredericksburg, Virginia newspaper, *The Free Lance-Star* on August 23, 2018.

> "Every dollar of U.S. dairy products exported to Mexico generates $2.50 of economic activity in the U.S., according to the U.S. Dairy Export Council. But a trade war with Mexico is seriously hurting the state's dairy farmers, since the country is the No. 1 consumer of American cheese.
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> When Mexico retaliated against U.S. steel import tariffs this summer by raising tariffs on American cheeses, it squashed a long-awaited rebound for American dairy prices.
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> "In today's dairy economy, exports are critical," said Tony Banks, a commodity marketing specialist for the Virginia Farm Bureau Federation. "Dairy farmers are selling in an international market and each of the past few significant declines in U.S. farm milk prices have been the result of a disruption in dairy exports."
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> During the 2008-2009 economic recession, U.S. dairy prices plummeted because foreign customers stopped buying, he explained. When the global economy recovered, dairy

exports hit a record in 2014. The following year, the U.S. dollar gained value on the world market, making American dairy exports more expensive and pushing down sales.

"The dairy industry expected that decline would bottom out this spring, and we would begin to see a modest price recovery going into this fall," Banks said. "But the situation with tariffs and negotiations to amend the North American Free Trade Agreement have helped to stall any price recovery so far this year."

In June, Mexico imposed a 15 percent tariff on fresh cheese and grated, shredded or powdered cheeses, as well as a 10 percent tariff on hard and semi-hard cheeses from the U.S. Those tariffs rose between 20 to 25 percent."

https://www.fredericksburg.com/news/local/culpeper/trade-war-with-mexico-hurting-state-s-dairy-farmers/article_b7ac93a6-41a6-593c-8890-c5d7abb425a6.html

A September 7, 2018 article in *Feedstuffs*, a publication by the Informa Group (economic and business analysis) summarizes findings from a study done for the U.S. Dairy Export Council (USDEC) as follows:

"Retaliatory tariffs by China and Mexico could lower dairy exports by $2.7 billion and depress dairy farmers' revenues by $16.6 billion over the next several years unless they are rolled back. Moreover, U.S. economic output tied to the dairy industry would fall by more than $8 billion and 8,200 U.S. jobs would be imperiled through 2023.

Those are the findings of a study commissioned by the U.S. Dairy Export Council (USDEC) and conducted by Informa Agribusiness Consulting that estimated the economic impact of ongoing trade disputes on the U.S. dairy industry. The study only examined current tariffs, meaning the damage would worsen if other proposed duties take hold, as China has threatened.

In response to the U.S. imposing tariffs on selected imports from Mexico and China following the release of two U.S. Section 232 investigations and a U.S. Section 301 investigation, these countries retaliated against certain U.S. exports, including dairy products. China imposed an additional 25% tariff on U.S. exports in response to the Section 301 investigation. As a result, total tariffs on selected U.S. dairy

products range from 27% to 45%. Mexico imposed tariffs on most U.S. cheeses that range from 20% to 25%.

In considering a shorter time horizon during which the industry may be forced to endure the impact of the retaliatory tariffs, the study forecasts losses to dairy farmers at $1.5 billion this year alone and at roughly $3 billion in 2019. Those losses are the result of anticipated drops in exports due to retaliatory tariffs of $530 million by the end of next year."

Note: the cite below will show a link to the full executive summary of the study.

https://www.feedstuffs.com/news/dairy-take-27b-hit-mexico-china-trade-tariffs

Direct Price Impact: National Milk Producers Federation Analysis

In a summary published by the National Milk Producers Federation at its 2018 Joint Annual Meeting held October 29 – 31 in Phoenix AZ, (PADC Exhibit 8 Chart 1), four separate impacts of the tariff retaliation were summarized from the current trade disputes to US dairy farm income in calendar year 2018. These impact calculations were based on futures and cash price differences from the CME Group markets for the period May 31 to October 18 at $1.5 billion dollars, from differences in the USDA Dairy Outlook published for June and July at more than $1.5 billion dollars, from a commissioned study by USDEC / Informa Agribusiness Consulting at $1.5 billion dollars and a commissioned study by NMPF / Texas A&M University at $1.2 billion dollars. The take away from these observations is that farm margins are being negatively impacted by these trade decisions and as they continue, the negative impact on milk prices will become more severe and noticeable.

The United States Government Shutdown

The U.S. government "shutdown" began at midnight on 22 December 2018 and lasted 35 days until 25 January 2019. During that period, the United States Department of Agriculture did not collect and publish NASS statistics, World Agricultural Supply and

Demand Estimates reports, and other agricultural economic and statistical reports and projections. While deemed "not essential" this data is vitally important to the dairy industry. During the shutdown, the industry missed the NASS dairy reports including the Milk Production report which recaps milk production nationwide with monthly individual state data for 23 states including Pennsylvania and all 50 states quarterly; the Dairy Products report which indicates monthly production volumes of butter and cheese products and also includes production and inventory statistics on several key milk and whey powders; the Cold Storage report which indicates inventories of butter, American cheese, Swiss cheese and Other cheeses (includes mozzarella and Italian varieties) and Agricultural Prices which reports monthly the All Milk Price by state along with corn and hay statistics used in computing milk feed margins; and the Economic Research Service (ERS) reports estimating consumption of dairy products which is a key demand indicator. Additionally, several Census Bureau / ERS reports detailing exports and imports of dairy products were missed.

One result of not having this data is that the hedging or risk management aspect of the industry was without key data points necessary to make decisions about risk taking. Much of this activity takes place at the CME Group cash markets where traders all day long support the industry by offering to offtake price risk for both sellers and buyers. However, traders are less willing to do so with less dairy market information.

On January 30, a temporary cease fire was reached between the House of Representatives and the White House to end the shutdown for three weeks to allow for a negotiated result to their dispute about border security. However, if nothing is resolved, there could be a renewed shutdown. USDA has released a "delayed publication schedule" covering all the dairy reports at selected future dates, but the data will still be "older" than

normal and while helpful will not carry the same timeliness impact of the normal production schedule. Assuming no further shutdown the regular schedule seems to be able to be back on track by April. With a second shutdown, the revised publication schedule will be further delayed.

This situation has several implications for dairy farm margins and profits and losses. First, the overall uncertainty impacts business planning both by the farm and farm lender. The limitations to the ability to hedge risk will again be impaired putting uncertainty into any business planning. The last "real information" was not positive to the industry, milk production was still registering year over year increases and inventories of dairy products leaning heavy versus balanced or tightening. These data points coupled with the lack of information at the time of the year when milk production begins to increase serves to depress prices, perhaps more than might be necessary – which in my opinion is what happened.

Feed Grains and Hay in Pennsylvania

A quick review of NASS data for corn and soybean production in Pennsylvania, based on the November 2018 Crop Production report, (PADC Exhibit 9) the last of the regular monthly reports detailing state level production data, yields a few observations for this proceeding. First, Pennsylvania is a small volume producer in both corn and soybeans. Of the 32 states with individual state data, Pennsylvania is the 15th largest in terms of total bushels produced. 2018 production totaled 141,050,000 bushels, five percent less than 2017. Note for a size comparison the average of the 32 states was 457.1 bushels. Acreage planted was one percent less and yield per acre four percent less than 2017.

Soybean data ranked Pennsylvania as 18th out of twenty-nine reporting states with 29,155,000 bushels produced (up four percent); two percent more acres harvested and a yield per acre increase of two percent also. Average production for the 29 states was 153.7 million bushels.

I do not have access to season level statistics for hay. However, the USDA Crop Progress and Condition report for November 25, at or near the end of the harvest season, (PADC Exhibit 10) noted that acreage harvested for corn and for grain and soybeans were behind the percentage of acres harvested for the same period in 2017. These weekly reports also include county level commentary by individual reporters. Representative commentary came from Adams County reporter Judy Behney: "Overall the producers are keeping busy with trying to prepare for the winter and some that are finished harvesting are taking a big breath saying finally the year is over for crops which has been very trying for all farmers regardless what phase of farming you are in. Looking forward to better year for 2019." And, from Jeff Graybill of Lancaster County: "Some fields may not be harvestable until we get a freeze. Time to put this year to bed and dream about next planting season."

Economic Data

Perhaps the best indicator of the economic health of Pennsylvania's dairy sector is how much milk it produces. According to the USDA-NASS/ Milk Production report Pennsylvania is the seventh largest state in terms of monthly production behind Michigan and ahead of Minnesota. November production was 836 million pounds.

PADC Exhibit 8 Chart 2 shows monthly milk production for Pennsylvania with a five-year trend line also plotted. The familiar seasonal patterns are obvious, and the long-term trend is pointed upwards, but the most recent months display a lower volume trend than for the same

months of recent years. Additionally, the peak months are also below those of recent years. Mr. Ellinwood also made several observations about the declines in production in Pennsylvania and the similar trends in Vermont and New York, the other two Northeast states that have available monthly data.

At the time of this filing, November was the most recent USDA data available. With the government shutdown, we have missed December (but may get it on February 20 if there is no repeated shutdown) and January which would have been available on February 21. Absent that, the most significant data we have to share with the Board is to report that from July 2018 to December 2018 the four PADC members (again representing over half of the state's production) recorded 175 sell-outs -- member farms exiting the dairy business -- accounting for 12.2 million pounds of monthly production. This grouping does not include ownership changes between family members or choices by members to switch to a different market – these family farms gave up producing milk. The average size of these exiting farms is 70,000 pounds per month. The February 2018 issue of *Milk Production* reported that in January of 2018, 6,570 dairy Pennsylvania farms produced 940 million pounds of milk or an average of 143,075 per farm per month. It appears the exiting farms from the PADC members are well below the average size farm in the state.

A review of Class I, II and III milk prices combined with the milk production data indicate that recent price levels have not been sufficient to incent producers to maintain milk production at historical trend levels. We have already discussed milk production trends indicating perhaps a turning point in state level production. The price trends in PADC Exhibit 8 Chart 3 (Federal Milk Order Class I Mover) and PADC Exhibit 8 Chart 4 (Federal Milk Order Class III and IV) show a stagnant trend since 2015 and several years since a significant

price spike. The Class I Mover determines the base price dealers pay for milk used in Class I products, the Class III price for cheese and whey products, and the Class IV price for butter and milk powders. In Orders 1 (Northeast) and 33 (Mideast) Class I use is higher than the all FMO average and Orders 1 and 33 also have significant quantities of milk used in Classes III & IV. But with the flat price trends in all classes, Pennsylvania producers are having a difficult time increasing production levels.

Income Over Feed Costs

A more extensive analysis of the productive capability of the Pennsylvania milk production industry would be to examine the Income Over Feed Costs (IOFC) relationship impacting the state's producers. The USDA Margin Protection Program (MPP) calculation is a reasonable tool to use to make an analysis. The MPP is a national program designed to allow dairy farmers the opportunity to purchase insurance to supplement their own farm margin when their margin calculation does not result in an adequate compensation for producing milk. PADC Exhibit 8 Chart 10 represents the national MPP calculation from 2013 to 2018. Margin is a difficult factor to measure. Industry analysts consider feed costs to be the primary cost factor in milk production so feed cost is considered a reliable way to approximate the cost component of the margin calculation.

The feed component of the MPP calculation is a formula based on a combination of corn, soybean meal and hay designed to produce a targeted milk production that is typical for the nation's 40,000 plus dairy farms. The actual feed calculation equation is 1.0728 * the corn price (US/NASS) +0.00735 * the soybean meal (AMS Central Illinois) + 0.01370 * the alfalfa hay price (US/NASS). This equation can be estimated for a Pennsylvania based composition of feed costs for the 2019 April to September period.

Corn Prices

To convert and forecast we first compare historical Pennsylvania corn prices to the CME futures to see how they vary. This gives us a historical difference between the two price series, or a basis. DFA makes this type of comparison regularly for its own forecast of the MPP calculation for its members and for its internal member risk management programs. For this hearing, we chose to measure the difference in the two price series from January 2013 through December 2018. This was the most recent period for which we had data available at the time of preparation for this Hearing. This period has enough historical variation between higher and lower prices to, in our opinion, be representative. Note that the CME futures price is only published for five months out of the calendar year, (March, May, July, September and December) so the difference we calculated was the actual Pennsylvania corn price compared to the CME price in the months it was announced – or five calculations per year. The calculation resulted in a six year average difference of 26 cents per bushel. That is, the CME price plus 26 cents approximated the historical NASS Pennsylvania corn price.

To create a projection for the April to September 2019 period we compare our basis calculation (26 cents) plus the appropriate CME corn futures price. Again, the CME corn futures price series is not offered monthly. It is announced for the months of March, May, July, September and December; so we need a process to match our basis calculation with the months announced and the months in between.

Calculation CME to Pennsylvania Corn Price Forecast March - September 2019

Year	Month	Posted CME	US/PA Difference	PA Corn Forecast
2019	MAR	$ 3.7700	$ 0.26	$ 4.0300
2019	APR	$ 3.7700	$ 0.26	$ 4.0300
2019	MAY	$ 3.8550	$ 0.26	$ 4.1150
2019	JUN	$ 3.8550	$ 0.26	$ 4.1150
2019	JUL	$ 3.9350	$ 0.26	$ 4.1950
2019	AUG	$ 3.9350	$ 0.26	$ 4.1950
2019	SEP	$ 4.2225	$ 0.26	$ 4.2225

Based on our observations of the market for our internal programs we match the intervening months to the corresponding CME prices as shown in the table **Calculation CME to Pennsylvania Corn Price Forecast March - September 2019**. The March price is used to calculate March and April; May for May and June; July for July and August and September for September. This calculation is the first of the three feed components and is graphed in PADC Exhibit 8 Chart 5. Our calculation shows a slight increase in the corn price component for the April to September period.

Soybean Meal Prices

Creating a soybean meal price per ton component is more complicated since there is no direct Pennsylvania soybean meal price series. The MPP uses the USDA Agricultural Marketing Service's monthly Central Illinois soybean meal price in its feed cost equation. To construct a Pennsylvania based price the following steps are needed. First, the Pennsylvania Center for Dairy Excellence tracks the US MPP and does a Pennsylvania formula as well but

does not provide a forecast. Their data uses the AMS soybean meal futures price plus a $40 per ton basis to deliver to Pennsylvania. $40 per ton is similar to the basis used by DFA in its feed purchase programs available to members but the majority of our arrangements are in western Pennsylvania, so the Center's number may be more appropriate. This calculation will construct the Pennsylvania price; but to create a forecast a projected AMS price is needed. DFA does this calculation for its own projections and has computed a historical basis of $8.58; so the projected AMS soybean meal price is the CME futures price plus $8.58.

Based on our observations of the market for our internal programs we match the intervening months to the corresponding CME prices as shown in the table **Calculation CME Pennsylvania Soybean Meal Price Forecast March - September 2019**. The March price is used to calculate March and April; May for May and June; July for July; August for August and September for September.

Calculation CME to Pennsylvania Soybean Meal Price Forecast March - September 2019

Year	Month	CME / AMS Basis	Posted CME	Projected AMS Soybean Meal Price	CME / PA Difference Center for Dairy Excellence	Projected Soybean Meal Price
2019	MAR	8.58	$ 312	$ 321	$ 40	$ 361
2019	APR	8.58	$ 312	$ 321	$ 40	$ 361
2019	MAY	8.58	$ 316	$ 325	$ 40	$ 365
2019	JUN	8.58	$ 316	$ 325	$ 40	$ 365
2019	JUL	8.58	$ 320	$ 329	$ 40	$ 369
2019	AUG	8.58	$ 322	$ 330	$ 40	$ 370
2019	SEP	8.58	$ 323	$ 332	$ 40	$ 372

This calculation is the second of the three feed components and is graphed in PADC Exhibit 8 Chart 6. Our calculation shows a slight increase in the soybean meal price component for the April to September period.

Hay Prices

Hay prices do have a historical Pennsylvania NASS price series but no forward-looking futures prices to use as a forecast tool. We attempt to project the next month's hay price by multiplying the current month by a five-year average of the change between the current month and the next month. For example, the July Pennsylvania hay price would be the June hay price multiplied by the average percentage change in hay prices between June and July for the past five years. This allows us to use the most current data (last month) and an estimate of the seasonal component for pricing the five-year percentage change. Admittedly this is not a sophisticated technique but is reasonable given what information we have available.

Calculation Pennsylvania Alfalfa Hay Price Forecast March - September 2019

Year	Month	Posted PA NASS Hay Price	Five Yr Trend Change
2019	MAR	206	1.1%
2019	APR	210	1.8%
2019	MAY	205	-2.4%
2019	JUN	193	-5.4%
2019	JUL	199	2.8%
2019	AUG	195	-1.9%
2019	SEP	203	4.2%

This calculation is the third of the three feed components and is graphed in PADC Exhibit 8 Chart 7. Our calculations show a decrease in the hay price component for the April to September period.

Feed Calculation

The actual feed calculation equation is 1.0728 * the corn price (US/NASS) +0.00735 * the soybean meal (AMS Central Illinois) + 0.01370 * the Alfalfa hay price (US/NASS). By making the calculations as described we now have Pennsylvania based components for corn, soybean meal and hay. Using each of the three components and the formula we can calculate a feed cost.

Feed costs remain relatively unchanged over the period in question, but increased over 2018. See PADC Exhibit 8 Chart 9 for a graphic representation.

All Milk Price

The second major component of the IOFC calculation is the income portion which in this case would be the Pennsylvania All Milk Price. NASS publishes a state level All Milk Price. We can forecast the All Milk Price for Pennsylvania using multiple linear regression with the variables Class I Mover and the Class III and Class IV prices plus monthly dummy variables for each month January thru November. This statistical technique may be used when the predictive equation has two or more variables used to compute the independent variable, in this case the All Milk Price and to deal with seasonality if it exists in the data such as that present in milk production and milk pricing. The equation has an R Square of 0.992 – a very good result. As in the other components we used historical data for 2013 – 2018. The data for the Excel based regression equation is as follows below with similar data for each month and predictions of a Pennsylvania All Milk Price.

Calculation Pennsylvania All Milk Price - Example of Regression Procedure

Month	PA All Milk Price	Class I Mover	Class III	Class IV	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
1/1/2013	21.4	18.97	18.14	17.63	1	0	0	0	0	0	0	0	0	0	0
2/1/2013	21.1	18.21	17.25	17.75	0	1	0	0	0	0	0	0	0	0	0
3/1/2013	20.9	17.8	16.93	17.75	0	0	1	0	0	0	0	0	0	0	0
4/1/2013	21	17.66	17.59	18.1	0	0	0	1	0	0	0	0	0	0	0
5/1/2013	20.9	17.76	18.52	18.89	0	0	0	0	1	0	0	0	0	0	0
6/1/2013	21.2	18.93	18.02	18.88	0	0	0	0	0	1	0	0	0	0	0
7/1/2013	20.9	18.91	17.38	18.9	0	0	0	0	0	0	1	0	0	0	0
8/1/2013	21.2	18.88	17.91	19.07	0	0	0	0	0	0	0	1	0	0	0
9/1/2013	21.9	19.16	18.14	19.43	0	0	0	0	0	0	0	0	1	0	0
10/1/2013	22.2	19.2	18.22	20.17	0	0	0	0	0	0	0	0	0	1	0
11/1/2013	23.2	20.2	18.83	20.52	0	0	0	0	0	0	0	0	0	0	1
12/1/2013	23.7	20.37	18.95	21.54	0	0	0	0	0	0	0	0	0	0	0

The Class prices used for 2019 are from DFA data. We compare price forecasts from five outside sources plus the CME futures prices, so the price forecast used here is an average of all seven. I am not able to reveal the individual outside sources as we have confidentiality agreements with them as a part of the business arrangement; but the results of the average show in the above table.

The forecast suggests little change in the All Milk Price trend for the period with a rise in prices in August and September and only then returning to the peak price levels two years

ago in 2017, suggesting little price related optimism for Pennsylvania farm families until the third quarter. The results of the Pennsylvania based All Milk Price is shown individually in PADC Exhibit 8 Chart 8 and in combination with Pennsylvania feed costs and IOFC in the chart below and on PADC Exhibit 8 Chart 9.

Calculation of Pennsylvania Based IOFC

Year	Month	PA All Milk Price	PA Feed Cost	PA IOFC
2019	APR	$ 18.28	$ 9.85	$ 8.43
2019	MAY	$ 18.00	$ 9.90	$ 8.10
2019	JUN	$ 18.04	$ 9.75	$ 8.29
2019	JUL	$ 18.05	$ 9.94	$ 8.12
2019	AUG	$ 18.62	$ 9.90	$ 8.73
2019	SEP	$ 19.33	$ 10.05	$ 9.28

Summary IOFC

The average for the 2019 April to September period for the Pennsylvania All Milk price is $18.39 per hundredweight versus $18.05 for the current 2018 October to 2019 March period, which is a marginal increase with much of it dependent on prices increasing in the back months, assumed positive results from trade discussions, and perhaps little future impacts from the recent government shutdown and no repeat of it in the future.

The projected average Pennsylvania feed cost for the next period is $9.90 per hundredweight versus $9.76 for the current period or a decrease of 17 cents per

hundredweight. The projected Pennsylvania IOFC for the next period is $8.49 per hundredweight versus $8.30 for the current period. PADC Exhibit 8 Chart 9 depicts these results.

The PA IOFC average for 2013 – 2018 is $9.17, and for much of this period resulted in increased milk production in the state. The trend began to turn down in 2017 perhaps corresponding to the lower IOFC. (PADC Exhibit 8 Chart 9) It is difficult to expect that an IOFC 67 cents lower than the long-term trend or 17 cents per hundredweight above the current period would incent a milk production expansion.

It is well known that milk premiums have decreased in the Northeast region as well as the adjoining markets to the west and south. These decreases are due in most part to milk supplies in excess of demand and extreme balancing costs to absorb the extra milk. The Board is well aware of this situation and offered as much assistance as possible in the balancing efforts. Cooperative members have added new processing capacity in recent years, maximized the increased balancing capacity, utilized proprietary capacity to separate milk into cream and condensed skim, and marketed each component separately to the best return which in the case of condensed skim may have been to simply dispose of the product. As this process has taken place the cooperatives have seen farms exit dairying as we noted earlier in our testimony. I expect that when NASS can publish the January Milk Production report (published the third week of February under regular scheduling) it will show a substantial decline in Pennsylvania dairy farms. Proponents feel now is the time for a modest increase in the PMMB over-order premium. This change, while small will provide needed income to producers. Our exercise here should help the board to consider these factors in its decision

and approve the request for a twenty-five cents per hundredweight increase in the Class I over-order premium for the period April 1 to September 30, 2019.