

June, 7 2023 MMB OOP Surrebuttal – Representative John Lawrence

My name is John Lawrence. I represent the 13th legislative district in the Pennsylvania House of Representatives. I appreciate the opportunity to present this surrebuttal in response to rebuttal testimony provided to the board.

PFB TESTIFIER IS A LEADING PA PRODUCER YET RECEIVES ZERO OVER-ORDER PREMIUM DOLLARS

The Pennsylvania Farm Bureau submitted testimony offered by Johnny Painter, a well-known dairyman from Tioga County. In his testimony, Mr. Painter makes passing note of a startling fact:

“...my farm operation does not receive any over-order premium.”

Mr. Painter should be commended for his willingness to advocate PFB’s position to continue the OOP despite the fact that he does not benefit under the current OOP structure.

His testimony highlights the untenable fact that the premium under discussion today fails to benefit every dairy farmer in Pennsylvania, even a Class 1 producer such as Mr. Painter.

Some would state that Mr. Painter’s decisions regarding how he markets his milk have resulted in the fact that he does not receive OOP dollars. I am not Mr. Painter’s accountant, nor his business manager, but I make the following observations:

- Much (but not all) of Mr. Painter’s milk ends up bottled as fluid drinking milk. Yet by his own admission, he receives zero OOP dollars.
- Mr. Painter’s nieces started a yogurt business that has quickly grown into a national success story. This yogurt is PA Preferred labelled, and produced with milk off their own family’s farm. I can scarcely think of a better example of the type of intergenerational creativity and dedication that must occur if we are to see the continuation of family-operated dairy farms in this Commonwealth. They are doing everything right, everything we as policy makers want to see, and yet the farm that is the source of their milk – milk that was produced in Pennsylvania and used in part to produce a PA preferred product – doesn’t earn the state-mandated over-order premium.

An extension of the existing OOP perpetuates this injustice. Milk that is produced in Pennsylvania by a Pennsylvania dairy farmer should receive the benefit of a Pennsylvania state-mandated premium paid solely by consumers within the Commonwealth.

SECRETARY REDDING IDENTIFIES SIGNIFICANT ISSUES WITH THE EXISTING OOP STRUCTURE

I appreciate the rebuttal offered by Secretary Redding, and offer the following remarks regarding this testimony.

Secretary Redding states:

Through the Pennsylvania Milk Marketing Board (Board), Pennsylvania has the power to influence dairy farmer income through government mandated premiums. The Board should use this full power and authority to ensure that all dairy farmers are beneficiaries of this state mandate...The Board's current Over-Order Premium structure requires every Pennsylvania consumer to pay a premium when they purchase fluid milk, but fails to honor the connection to our dairy farmers and the greater Pennsylvania dairy industry. As it is now, a small minority of producers receives a substantial benefit, while the majority of producers receives little or no benefit from the dollars paid by all Pennsylvania consumers.

I strongly concur with the Secretary's observations. I appreciate his distinction of the OOP as a government-mandated premium, and his advocacy that all of Pennsylvania's dairy farmers should benefit from it.

Secretary Redding further states:

As we have stated repeatedly in our previous testimony, that system must distribute premium dollars uniformly among all Pennsylvania dairy farmers, it must not charge consumers substantially more than what is paid to dairy farmers, and must not provide incentives by which payment of premium dollars can be avoided by moving milk across state lines.

In these remarks, Secretary Redding outlines three proposals for improvements to the existing OOP structure. I concur on the last two points. On the first point, I would echo those who have advocated for a system that provides the board with flexibility to establish a tiered system, perhaps based on the volume of milk produced or the number of cows on a farm, if such a system is determined to be in the best interest of Pennsylvania farmers and consumers.

While it is obvious, I will state for the record that the Secretary is well-qualified to make these observations through his personal experience in dairy farming, his service as the former dean of Delaware Valley University, and his remarkable tenure as Pennsylvania Secretary of Agriculture for three different governors.

Secretary Redding's rebuttal highlights the issues surrounding the existing OOP structure, issues that will continue to exist under the proposed extension of the premium.

CONCLUSION

In my view, the aforementioned testimony strengthens the case for the conclusions offered in my previously submitted rebuttal testimony. Again, I conclude that the board should, at this time, distinguish the proposed renewal of the Over Order Premium from past precedent in the following manner:

- 1) The board should not rubber stamp any proposal to extend the premium without thoughtful consideration of the evidence presented to the board.
- 2) If the board chooses to extend the premium, the board should give great thought to the dollar amount set per hundredweight, taking into consideration that:
 - a. a higher dollar amount will inject more money into a flawed and unaccountable process with no guarantee of what will actually come back to the Pennsylvania dairy farmer, and
 - b. a lower dollar amount will provide less opportunity for diversion of funds away from the intended recipient, the Pennsylvania dairy farmer, while continuing the premium framework for additional time to allow the board, the General Assembly, and stakeholders to explore and implement real reforms.
- 3) The board should vigorously explore options to revise or reform the OOP to ensure every penny of premium money gets to its intended recipient – the Pennsylvania dairy farmer.
- 4) The board should vigorously explore options to account for every penny generated by the OOP, and every dollar paid back to the Pennsylvania dairy farmer.
- 5) The board should be thoughtful as to the length of any extension.

I appreciate the opportunity to speak before the board today. Thank you.