

**BEFORE THE PENNSYLVANIA MILK MARKETING BOARD**  
**OVER - ORDER PREMIUM HEARING**  
**ALL MILK MARKETING AREAS**

**September 4, 2019**

**Testimony of Dean Ellinwood**

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, my name is Dean Ellinwood. My business address is 5001 Brittonfield Parkway, Syracuse, New York, 13221. I am Chairman of the Pennsylvania Association of Dairy Cooperatives (PADC). Members of the PADC include Maryland & Virginia Milk Producers' Cooperative Association, Inc., Lanco Dairy Farms Co-op, Inc., Dairy Farmers of America, Inc., and Land O'Lakes, Inc.

Thank you for the opportunity to testify today on behalf of the PADC and specifically, on behalf of approximately three thousand three hundred (3,300) dairy farms in Pennsylvania who market their milk through PADC members.

The Pennsylvania Association of Dairy Cooperatives recommends the PMMB Over - Order Premium be maintained at the current \$1.00/cwt. for the October 1, 2019, through March 31, 2020 timeframe.

#### Northeast Milk Marketing Conditions

According to USDA milk production numbers (Exhibit 2), overall farm milk production in the three major dairy states of the Northeast; Pennsylvania, New York, and Vermont, continues to decrease overall. Comparing June 2019 to June 2018 milk production, Pennsylvania declined 58 million pounds, Vermont declined 1 million pounds, and New York gained 2 million pounds.

#### Price Forecast

Exhibit 3 demonstrates the monthly milk price of each class beginning January 2018 through the current timeframe, along with estimates for Class III and IV for the remaining

months of 2019. Please note that 2018 prices were not good for our members. However, it is good to see substantial year over year price increases during 2019.

### Class I Utilization

Exhibit 4 is the Federal Order 1 Class I utilization by month, for the timeframe of January 2017 through June 2019. Unfortunately, fluid milk sales continue to slide year over year.

Exhibit 5 is the Federal Order 1 Class I utilization percentage by month, for the timeframe of January 2017 through June 2019.

Exhibit 6 is the PMMB Class I sales by month for the same timeframe. The results are similar to Federal Order 1.

### Over-Order Premiums

Dairy farm families have financially struggled over a period of years. We are hopeful with the increase in milk prices but wonder how sustained they may be.

While the PADC would prefer a much higher Over-Order Premium, we believe maintaining the current \$1.00/cwt. premium, along with the fuel adjuster, is reasonable, given the current competitive surrounding milk marketing conditions.

### Surrounding Markets

Since the PMMB increased the over-order premium by \$0.25/cwt. on April 1, 2019, surrounding markets have increased by a like amount. The Great Lakes South Milk Marketing Agency increased their premium to Class I customers by \$0.25/cwt. effective April 1, 2019.

Note that the increase is not only on Class I milk, but on ALL milk delivered to plants that are predominantly Class I. Members of PADC have also been successful with increasing premiums to Class I plants outside of Pennsylvania since April 1.

### Summary

Farm milk production in PA has declined substantially year over year. Farm gate prices have increased substantially year over year. Northeast processors are continuing to experience declines in fluid milk sales. These continue to be difficult times for our dairy industry.

Personally, I would love to request a higher premium for our members. However, if the Over-Order Premium is raised too high, it may incentivize additional packaged milk from outside Pennsylvania to displace our local farm milk.

As I've stated in previous hearings, the PMMB Over-Order Premium must balance protecting farmers from unprofitably low milk prices with requiring processors to pay competitive rates relative to surrounding markets.

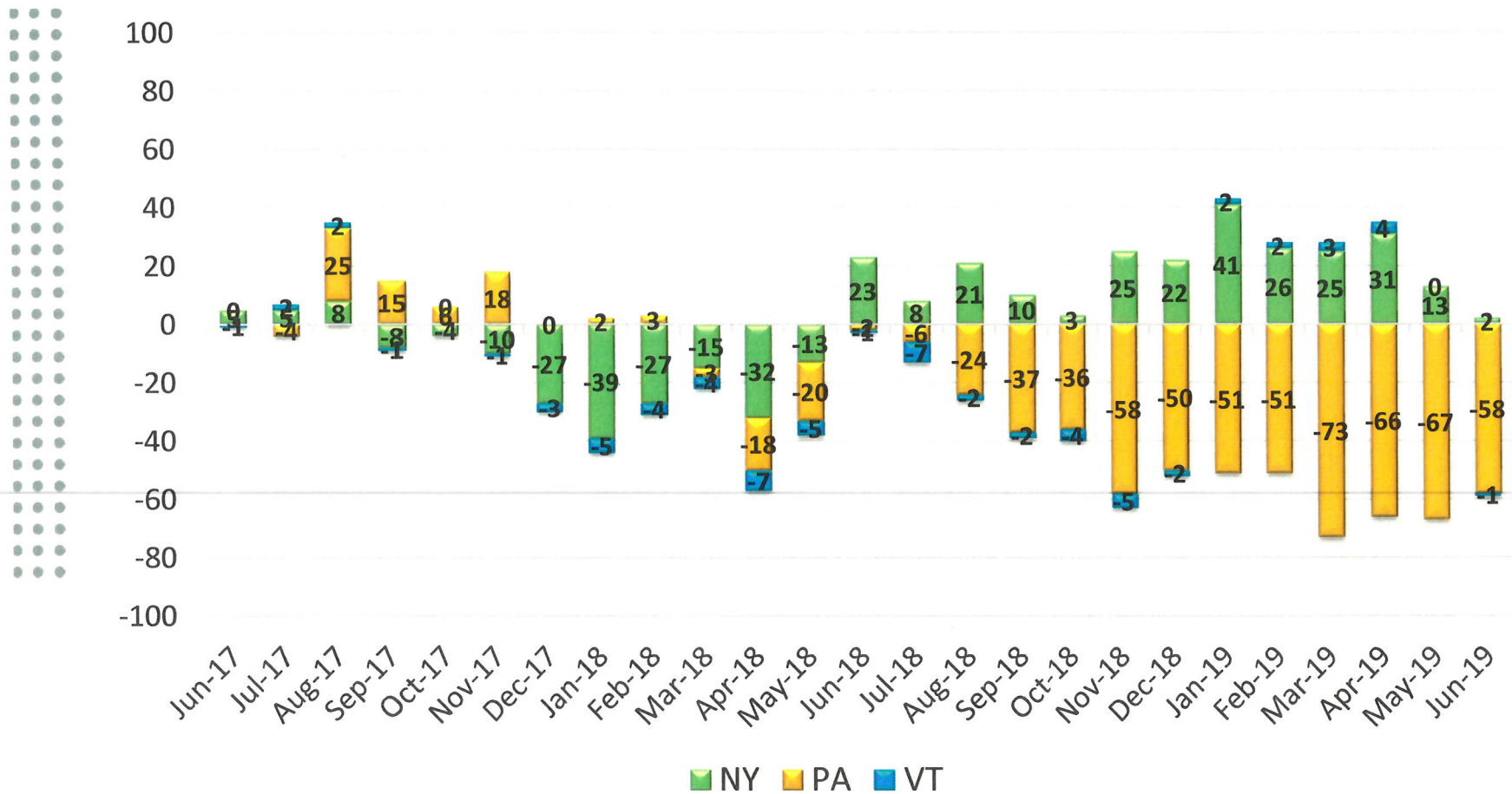
We recognize, however, that the PMMB cannot serve its vital function if there is a too significant gap between the Over-Order Premium and the prevailing premiums in surrounding markets. Such discordance can incentivize milk processors to bring milk into Pennsylvania from outside the state. In this situation, the Pennsylvania farmers do not receive the intended benefit of the premium, dealers incur greater transportation costs, and the market as a whole is made less efficient.

At this time, it is the PADC's position that the Over-Order Premium should be maintained at \$1.00/cwt. for the timeframe of October 1, 2019 through March 31, 2020.

On behalf of the approximately three thousand three hundred (3,300) Pennsylvania dairy farms PADC represents, thank you for the opportunity to present this important information to the Milk Marketing Board.

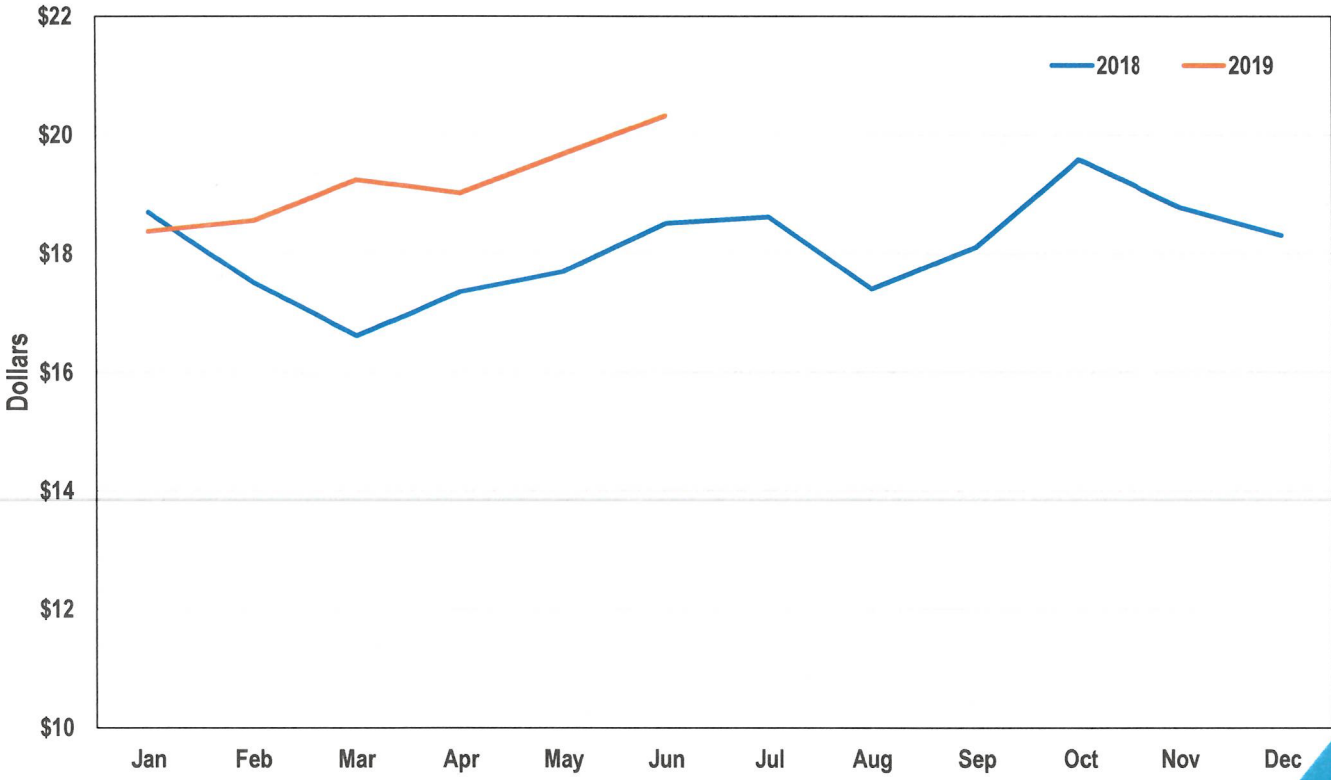
# Northeast Milk Production

Millions of pounds change same month year over year

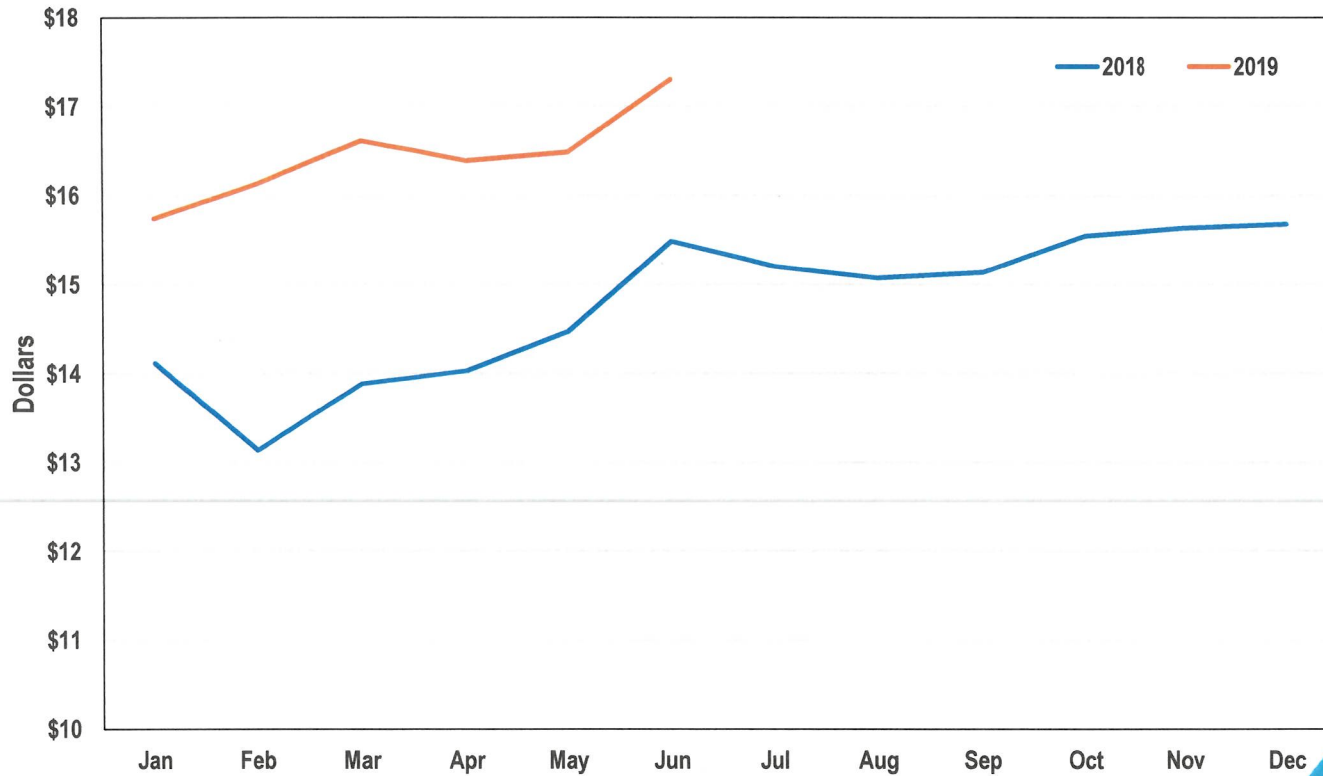


Source: National Agricultural Statistics Service (NASS), Agricultural Statistics Board, and United States Department of Agriculture (USDA).

# Federal Order 1 Class I Price

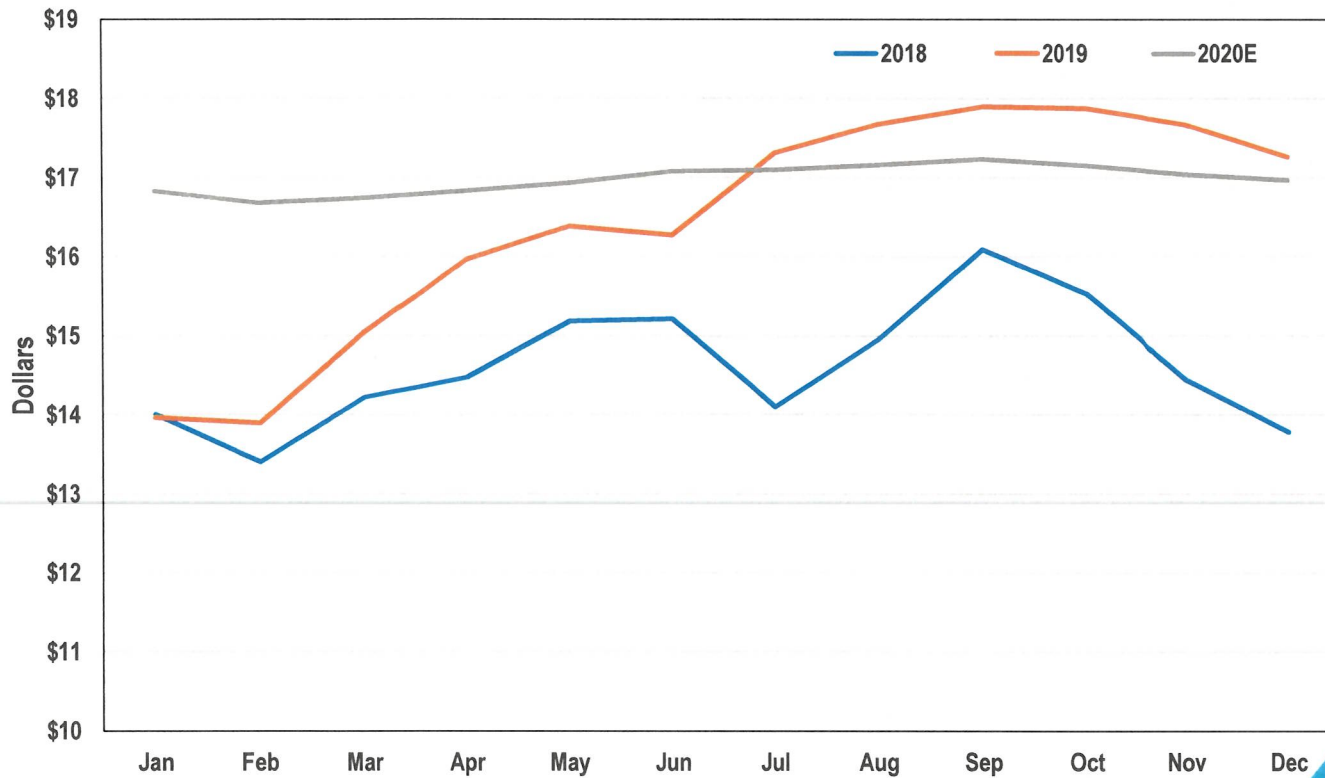


# Federal Order 1 Class II Price



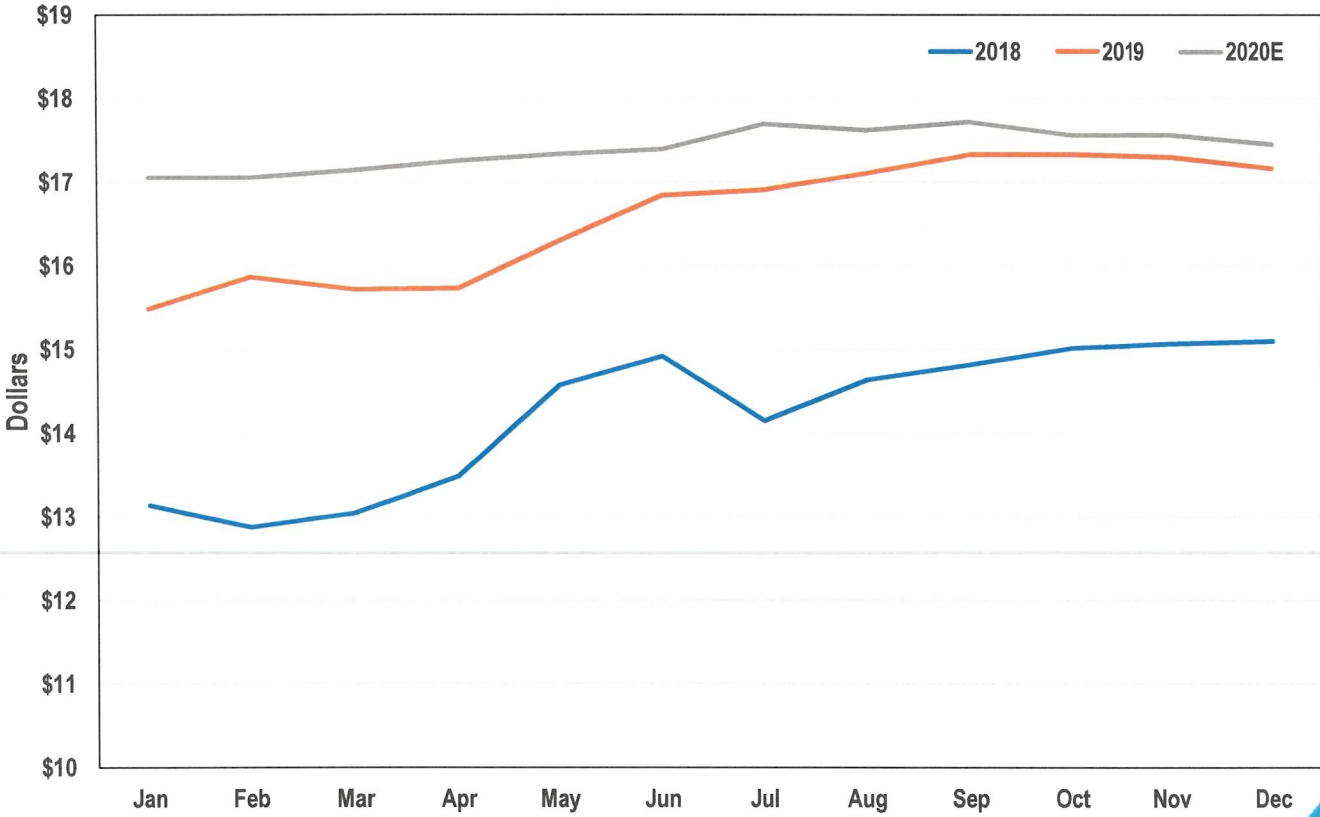


# Federal Order 1 Class III Price



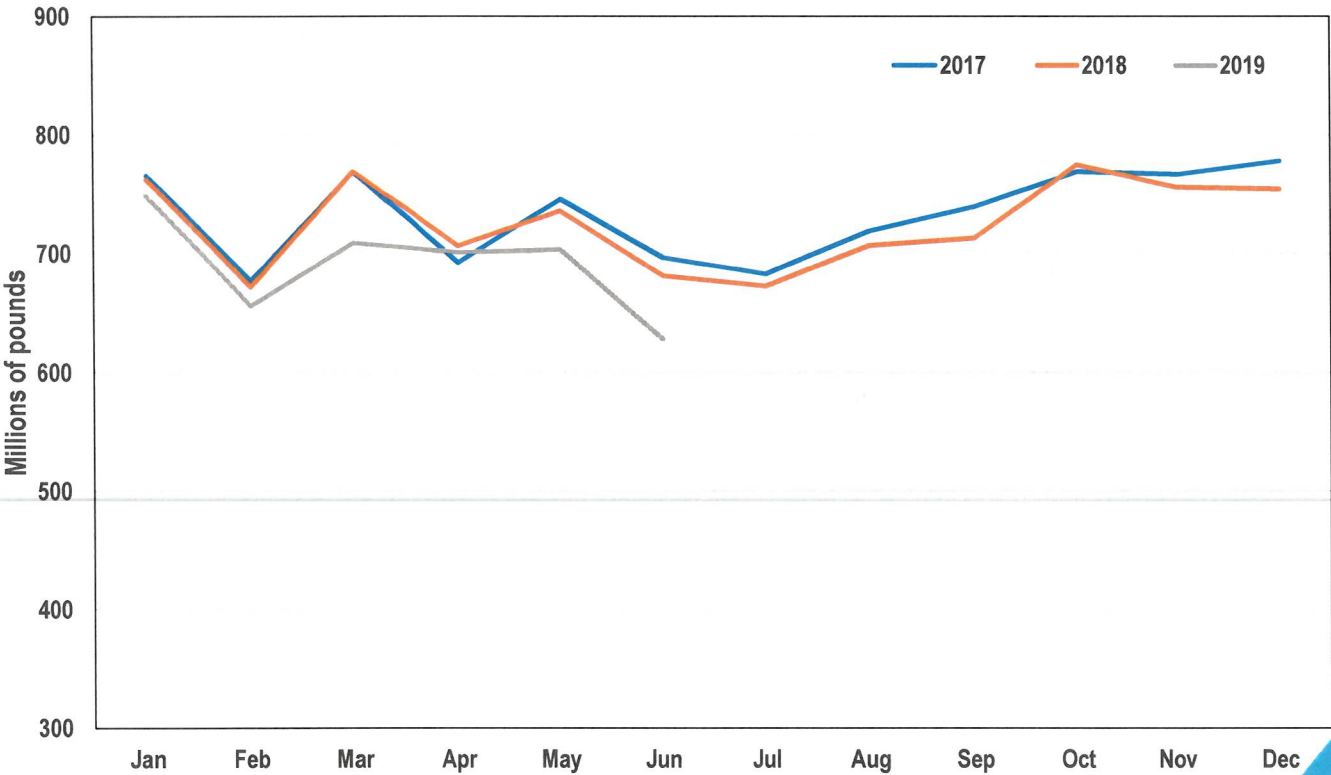
\*Jul 2019 – Dec 2020 pricing is from the CME

# Federal Order 1 Class IV Price



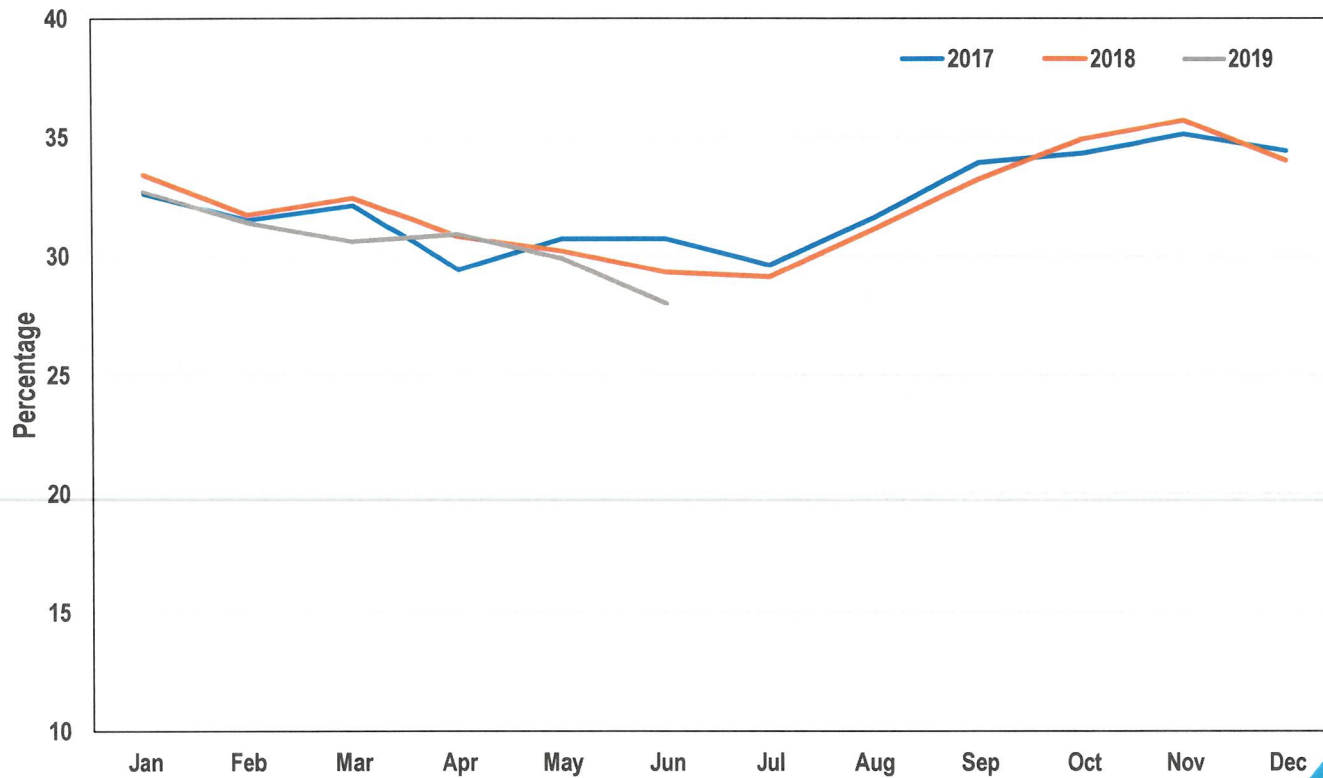
\*Jul 2019 – Dec 2020 pricing is from the CME

# Federal Order 1 Class I Utilization



**Total volume by year**  
2017: 8,778.5 million lbs.  
2018: 8,700.8 million lbs.

# Federal Order 1 Class I Utilization Percentage



## **SALES ALL AREAS PA STATEWIDE**

(pounds of milk)

	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>YOY CHANGE</u></b>
<b>JAN</b>	152,137,027	152,022,150	-114,877
<b>FEB</b>	134,879,872	132,981,445	-1,898,427
<b>MAR</b>	153,458,562	150,930,751	-2,527,811
<b>APR</b>	137,436,179	135,318,462	-2,117,717
<b>MAY</b>	145,508,663	134,956,778	-10,551,885
<b>JUN</b>	132,380,474	121,307,710	-11,072,764
<b>JUL</b>	130,124,685	120,819,915	-9,304,770
<b>AUG</b>	137,924,991	132,352,270	-5,572,721
<b>SEP</b>	148,671,366	127,813,979	-20,857,387
<b>OCT</b>	148,566,880	140,114,150	-8,452,730
<b>NOV</b>	147,902,688	139,705,640	-8,197,048
<b><u>DEC</u></b>	<b><u>154,504,591</u></b>	<b><u>136,095,359</u></b>	<b><u>-18,409,232</u></b>
<b>TOTAL</b>	<b>1,723,495,978</b>	<b>1,624,418,609</b>	<b>-99,077,369</b>

Source: PMMB Staff

## CERTIFICATE OF SERVICE

I, Marvin Beshore, Esquire, certify that on July 31, 2019, I served true and correct copies of the foregoing to the following interested parties, all of whom accept service by email:

Andrew L. Saylor, Esquire  
*PA Milk Marketing Board*  
[asaylor@pa.gov](mailto:asaylor@pa.gov)

Josh A. Pollet, CPA  
*Pennsylvania Food Merchants Association*  
[japollet@herbein.com](mailto:japollet@herbein.com)

Wendy Yoviene, Esquire  
*Pennsylvania Association of Milk Dealers*  
[wyoviene@bakerdonelson.com](mailto:wyoviene@bakerdonelson.com)

John H. Howard, Esquire  
*Pennsylvania Department of Agriculture*  
[johoward@pa.gov](mailto:johoward@pa.gov)

David W. Stonesifer, CPA  
*Pennsylvania Association of Milk Dealers*  
[dwestonesifer@herbein.com](mailto:dwestonesifer@herbein.com)

Charles M. English, Jr., Esquire  
*Dean Foods Company*  
[chipenglish@dwt.com](mailto:chipenglish@dwt.com)

Ron Mong, CPA  
*Pennsylvania Association of Milk Dealers*  
[rwmong@herbein.com](mailto:rwmong@herbein.com)

Matthew Espenshade  
*Pennsylvania State Grange*  
[in.the.shade@comcast.net](mailto:in.the.shade@comcast.net)

John J. Bell, Esquire  
*Pennsylvania Farm Bureau*  
[jjbell@pfb.com](mailto:jjbell@pfb.com)

Arden Tewksbury  
*Progressive Agriculture Organization*  
[progressiveagricultureorg@gmail.com](mailto:progressiveagricultureorg@gmail.com)

Allen Warshaw, Esquire  
*Pennsylvania Food Merchants Association*  
[allen.warshaw@gmail.com](mailto:allen.warshaw@gmail.com)

Respectfully submitted,



Marvin Beshore, Esquire