

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
OVER – ORDER PREMIUM HEARING
ALL MILK MARKETING AREAS
March 3, 2021
Testimony of Bryan Stocks

Presented on behalf of 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.

Introduction:

Good morning, my name is Bryan Stocks. My business address is 5001 Brittonfield Parkway, East Syracuse, New York, 13057. I am the Director of Membership at Dairy Farmers of America, and a member of the Pennsylvania Association of Dairy Cooperatives (PADC). Members of PADC include Dairy Farmers of America, Inc., Lanco Dairy Farms Co-Op, Inc., Land O'Lakes, Inc., and Maryland and Virginia Milk Producers' Cooperative Association, Inc.

Thank you for the opportunity to testify today on behalf of the PADC and specifically, on behalf of the 3,171 dairy farms in Pennsylvania who market their milk through PADC members.

PADC recommends the PMMB Over -Order Premium be maintained at the current \$1.00 Per hundredweight level for the April 1, 2021, through September 30, 2021 timeframe.

Northeast Milk Marketing Conditions

According to USDA milk production data, (Exhibits 2 through 4) Pennsylvania milk production increased by approximately 450,000 pounds per day for the month of December 2020, compared to November 2020. Overall, for December 2020 compared to December 2019 the Northeast milk marketing region containing Pennsylvania, New York and Vermont production was up 1.4%.

Marketing conditions in the Northeast remain unstable due to the pandemic. With that, customer orders continue to fluctuate week to week as we see retailers adjusting constantly to react to consumer purchasing dynamics. School districts continue to switch between in-person and online classes with several reverting to hybrid solutions.

All of these factors have altered our normal supply and demand cycle, making it challenging to predict customer demand week to week or any part of 2021.

Price Forecast

Exhibits 5 through 8, demonstrate the monthly milk price of each class beginning January 2018 through the current timeframe, along with estimates for Class III and IV for 2021. As we saw with the Northeast Marketing Conditions, the uncertainty of 2020 resulted in market prices being volatile. Currently, 2021 futures pricing do not indicate improvement for classes III and IV compared to 2020.

Federal Order 1, Class I Utilization

Exhibit 9 is the Federal Order 1 Class I milk utilization by month, for the timeframe of January 2018 through December 2020. The Class I milk utilization continues to drop although we see a slight increase in November 2020 and December 2020 compared to November 2019 and December 2019 which may be attributed to USDA programs, milk donations and overall uncertainty due to the pandemic. As we look at 2020 compared to 2019, overall class I utilization declined 0.9%.

Crop Conditions

Crop conditions in 2020 continued to fall below previous years for corn, pastures, and soybeans. USDA NASS reported that the 2020 corn crop during harvest time was at less than 40% being good to excellent compared to approximately 70% in 2019 (Exhibit 10). Pastures and soybeans have followed similar downward trends in quality due to the lack of precipitation in Pennsylvania in 2020 with pastures being as low as 20% in good to excellent and soybeans being at approximately 40% good to excellent around harvest time (Exhibit 11 and 12).

Summary

There has been a lot of uncertainty in the milk market throughout the year and this continues as we look at forward through 2021. With the volatility of the retail customer demand and customers adjusting orders; daily, weekly, and monthly demand is hard to predict.

With that, Northeast dairy processors are continuing to experience declines in fluid milk sales and the unknown of whether the USDA food box program will continue or to what capacity.

In taking many factors into consideration, including milk production, price forecasts, along with the uncertainty that the pandemic is causing, it is the PADC's position that the Over-Order Premium be maintained at \$1.00 per hundredweight for the timeframe of April 1, 2021 through September 30, 2021. In the interim, PADC will continue to closely monitor crop and input price uncertainty for impact on milk marketing conditions.

On behalf of the 3,171 Pennsylvania dairy farms PADC represents, thank you for the opportunity to present this important information to the Milk Marketing Board.