

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

**March 4, 2020**

**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 the nearly 3500 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 April 1, 2020, through September 30, 2020 timeframe.

#### Northeast Milk Marketing Conditions

According to the USDA milk production numbers (Exhibit 2), in the three major dairy states of the Northeast- Pennsylvania, New York, and Vermont - comparing December 2019 to December 2018, Pennsylvania declined 13 million pounds, Vermont declined 1 million pounds, and New York gained 24 million pounds. For the full year 2019, USDA-NASS reported Pennsylvania production declined 572 million pounds or 5.4%. New York increased 235 million or 1.6%. Vermont increased 14 million pounds or .6%.

Per the USDA, comparing December 2019 to December 2018, the number of cows in Pennsylvania declined by 22,000, however, milk production per cow increased by 50 pounds.

The number of Pennsylvania farms marketed by the PADC continues to decline along with all farms in the Commonwealth. As of December 31, 2019, PADC represents 3494 farms. This compares to 3931 as of December 31, 2018, a loss in farm numbers of 11.1% As these figures indicate, the loss in farm numbers is disproportionately among smaller farms.

#### Price Forecast

Exhibit 3 is the Federal Order 1 announced monthly milk price for each class of milk during the January 2018 through December 2019 timeframe, along with 2020 estimates of the monthly Class III (Exh. 3.3) and IV (Exh. 3.4) prices on the Chicago Mercantile Exchange (CME).

#### Federal Order 1, Class I Utilization

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

#### Federal Order 1, Class I Percentage

Exhibit 5 is the Federal Order 1 Class I milk percentage by month, for the timeframe of January 2017 through December 2019. The Class I milk percentage continues to drop.

#### PMMB Packaged Milk Sales in Pennsylvania

Exhibit 6 is the PMMB Class I sales by month for comparable timeframes, January to November, in 2017—2019. The results are similar to Federal Order 1.

## Surrounding Markets

The marketplace directly to our West increased their premium by \$0.25/cwt. on April 1, 2019, at the same time the PMMB increased the Over-Order Premium by \$0.25/cwt. Since that time, there have been no further premium changes to customers in that area.

In the Southeastern US marketplace the Dairy Cooperative Marketing Agency (DCMA) is increasing their Class I premium to \$1.10/cwt. effective April 1, 2020.

## Summary

Farm milk production in PA continues to decline year over year. The number of dairy farms is also declining, however milk production per cow is increasing.

Farm gate milk prices increased during 2019 and the CME indicates milk prices during 2020 will be higher than 2019.

Northeast processors are continuing to experience declines in fluid milk sales. In addition, the Chapter 11 bankruptcy announcement of the nation's largest fluid milk processor creates uncertainty in the marketplace.

In taking many factors into consideration, including farm numbers, milk production, price forecasts for 2020, surrounding market prices, along with packaged fluid milk sales trends, it is the PADC's position that the Over-Order Premium be maintained at \$1.00/cwt. for the timeframe of April 1, 2020 through September 30, 2020.

On behalf of the nearly 3500 Pennsylvania dairy farms PADC represents, thank you for the opportunity to present this important information to the Milk Marketing Board.