

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
OVER – ORDER PREMIUM HEARING
ALL MILK MARKETING AREAS
September 2, 2020
Testimony of Amanda Rife

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.

Good morning, my name is Amanda Rife, I am the Eastern Regional Member Relations Manager for Land O' Lakes. My business address is 405 Park Drive, Carlisle, Pennsylvania, 17015. I am a member of the Pennsylvania Association of Dairy Cooperatives (PADC). Members of the PADC include Dairy Farmers of America, Inc., Lanco Dairy Farms Co-op, Inc., Maryland & Virginia Milk Producers' Cooperative Association, Inc., and Land O' Lakes, Inc.

Thank you for the opportunity to testify today on behalf of the PADC and more specifically, on behalf of the nearly 3500 dairy farmers in Pennsylvania who market their milk through PADC members.

The Pennsylvania Association of Dairy Cooperatives recommends the Pennsylvania Milk Marketing Board (PMMB) Over-Order Premium (OOP) be maintained at the current \$1.00/cwt. for the October 1, 2020, through March 31, 2021 timeframe.

Given the uncertainty of the future in the dairy industry, now is not the time to either increase or decrease the OOP, but rather maintain some sense of consistency for the Pennsylvania dairy farmers. Let us reflect on the first half of 2020. 2020 started out very hopeful for the dairy farmers, supply and demand marketing dynamics were beginning to stabilize, milk prices appeared to be rebounding after several years of depressed pricing, there was a very good forage quality from the 2019 harvest, pounds of milk per cow was on the rise, then March 2020 introduced us to the Coronavirus or COVID-19 (COVID) and the dairy industry took a different turn with decreased prices and supply demands. There are several variables to what the next six months will have in store for the Pennsylvania dairy industry.

Northeast Milk Marketing Conditions

The June 2020 Blimling and Associates report shows May milk production in the Northeast decreased 3.7% year-over-year (YOY). The Northeast includes New York, Pennsylvania, and Vermont. Pennsylvania specifically decreased production by 3% and decreased YOY in daily milk per cow and in number of cows. (Exhibit 14 – Blimling and Associates). By June the Northeast increased production, but only slightly by .02% YOY as compared to the increase by other regions across the country. (Exhibit 15 – Blimling and Associates).

Pennsylvania farms have also experienced the most severe drop in PPD in the past 20 years of Federal Order 1. (Exhibit 16 – USDA Ag Marketing Services). The Penn State Extension says that, “With the dramatic drop in milk price in the last two months, IOFC is entering levels not experienced since 2009.” They go on to say that with Income Over Feed Costs (IOFC) around \$5.00/cow, after paying for lactating cattle feed there is very little income left to cover other expenses. In 2019 the average IOFC breakeven was \$5.18/cow/day, this means that many Pennsylvania farms will have issues with cash flow for the foreseeable future. (Exhibit 17 – Penn State Extension Figure 2: Historical Pennsylvania Estimate of Income Over Feed Cost).

COVID Impacts

The most uncontrollable and unknown variable for the second half of 2020 is certainly COVID and its potential impact to the Pennsylvania dairy industry. COVID cases are on the rise across the United States, including Pennsylvania, and the government agencies have reacted with additional regulations. Due to these regulations, many Pennsylvania schools are not able to reopen at full population levels and the food service industry is once again finding itself with

significant capacity restrictions. Such changes have an uncertain impact on the Class I supply and demand dynamics. With COVID on the rise, other variables (as experienced in the Spring) may include logistical challenges with transportation of products and supplies, food insecurities and hoarding effects at the store gate, dairy processors needing to meet the customers packaging demands, and the obvious labor concerns such as employee health, increased unemployment and the overall ability to remain open from the “farm to fork” levels of production throughout the dairy industry.

Government Subsidies

I would like to commend all levels of the government: federal, state and local for the current subsidy programs within the agriculture industry. These programs are currently keeping many Pennsylvania farmers in business. Programs such as the USDA’s Coronavirus Food Assistance Program (CFAP), the Paycheck Protection Program (PPP), Economic Injury Disaster Loans for small businesses (EIDL), and the Pennsylvania Dairy Cares Act have been fundamental at subsidizing many farmers expenses during this time of depressed pricing and COVID related market instabilities. There is concern as to what will happen to many Pennsylvania farmers when the government funding expires.

Base

Milk Marketers have also had to implement their own restrictions within the dairy industry to aide with these indeterminable COVID impacts. Base or Quota systems have been enacted to assist in meeting the supply and demand dynamics. While many have had such systems in place for years, COVID implications on the market were the cause for implementation. Prior to COVID, the Base system had generally been used across the eastern region to manage over production during the Spring flush. Currently, the Base system is being

used as a tool to enact during abnormal times of the year to help milk supplies meet the unknown COVID market demands. No one can predict the long-term implication of such programs and how they might impact Pennsylvania's dairy industry going forward.

Weather

Farms in the Pennsylvania countryside are already making reference to the "drought of 2020". The unprecedented record heat in July may have lasting effects on the pregnancy rates of Pennsylvania dairy cattle. Farmers are also concerned about the below average rainfall this summer. (Exhibit 18: 60 Day Mean Area Precipitation and Departure from Average Chart, National Weather Service). Both the warmer climate and lack of rainfall could negatively affect germination of corn and other feedstuffs.

Summary

The dairy industry is confronted with a plethora of variables, including but not limited to: COVID-related restrictions, government subsidy programs, base programs and unusually hot and dry weather patterns. PADC's position is that the OOP be maintained at \$1.00/cwt for the timeframe of October 1, 2020 through March 31, 2021. This would be the best course of action for Pennsylvania dairy farmers to provide stability and consistency. With this looming cloud of uncertainty surrounding so many in this industry, this will provide the Pennsylvania farmer with some small sense of stability.

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