

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
OVER – ORDER PREMIUM HEARING
ALL MILK MARKETING AREAS
September 2, 2020
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 Fluid Milk Marketing at Dairy Farmers of American, and a member of the Pennsylvania Association of Dairy Cooperatives (PADC). Members of PADC include Maryland & Virginia Milk Producers' Cooperative Association, Inc., Lanco Dairy Farms Co-op, Inc., Land O'Lakes, Inc. and Dairy Farmers of America Inc.

As my first time testifying, I wanted to share a little information about my background. I grew up on a 65-cow dairy farm on the Pennsylvania/New York border, where my parents still farm today. I have a bachelor's degree from Cornell University in Dairy Science with a minor in Farm Management and Finance. I am also currently pursuing my Master's in Business Administration from Syracuse University. I have worked for Dairy Farmers of America for more than 11 years and it is my privilege to represent our dairy farm families in the state of Pennsylvania.

Thank you for the opportunity to testify today on behalf of the PADC and specifically, on behalf of the nearly 3,500 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 October 1, 2020, through March 31, 2021 timeframe.

Northeast Milk Marketing Conditions

According to USDA milk production data, (Exhibits 2 through 4) Pennsylvania milk production increased by approximately 200,000 pounds per day for the month of June 2020, compared to May 2020. Overall, for June 2020 compared to June 2019 the Northeast milk marketing region containing Pennsylvania, New York and Vermont production was relatively stable, being up just 0.2%.

Customer orders continue to fluctuate week to week with the uncertainty of the marketplace due to the pandemic. With many school districts and states still developing re-opening plans, fall demand is hard to predict.

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 the remaining months of 2020. As you can see, class prices started out strong the first part of the year but have been trending down over the last several months, except for June's Class III price. Futures pricing are showing an upward trend for the second half of the year for Class IV but are projected to be below previous years.

When looking at the previous 10 year data (Exhibit 9), we can see the lowest Class III price was in May 2020 at \$12.14 with June jumping to \$21.04 or an increase of 42.30%, which is the largest single month increase when comparing the prior months. This followed the 24.33% decrease that we saw from March 2020 to April 2020, once again showing the uncertainty that the markets are currently experiencing.

Federal Order 1, Class I Volume

Exhibit 10 is the Federal Order 1 Class I milk volume by month, for the timeframe of January 2018 through June 2020. The Class I milk volume continues to drop although we see a slight increase in June 2020 compared to June 2019 which may be attributed to USDA programs, milk donations and overall uncertainty due to the pandemic.

Crop Conditions

According to the National Weather Service (Exhibit 11), 60-day average precipitation (May 30, 2020 through July 28, 2020) in Pennsylvania showed one (1) county that was 51% to 75% below average (indicated by red on the map), thirty-one (31) counties that fell between 26% and 50% below average (dark yellow), and nineteen (19) counties that were 11% to 25% below average (bright yellow) on precipitation. Along with this, USDA NASS reported that the 2020 corn crop during this time frame has decreased from 90% of the crop being good to excellent to only 50% being good to excellent (Exhibit 12). Pastures and soybeans have also followed a similar trend.

Summary

There has been a lot of uncertainty in the milk market throughout the year and this continues as we look at the remainder of 2020. With the school year quickly approaching, there are still a lot of unknowns as to how schools will reopen, whether it will be with full sessions, a hybrid approach, or through an online platform. The impact this will have on dairy demand for school programs is unknown. With that, Northeast dairy processors are continuing to experience declines in fluid milk sales.

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 October 1, 2020 through March 31, 2021.

On behalf of the nearly 3,500 Pennsylvania dairy farms PADC represents, thank you for the opportunity to present this important information to the Milk Marketing Board.