

**BEFORE THE PENNSYLVANIA MILK MARKETING BOARD**

**OVER - ORDER PREMIUM HEARING**

**ALL MILK MARKETING AREAS**

**August 30, 2022**

**Surrebuttal Testimony of Troye Cooper**

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 day, my name is Troye Cooper. My business address is 1985 Isaac Newton Square West, Reston, VA 20190. I am currently the Director of Operations, Milk Marketing and Member Services for Maryland and Virginia Milk Producers Cooperative Association, Inc. I am also the 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 present our rebuttal testimony to you today. We are here today to testify in support of the testimony submitted by the Pennsylvania Department of Agriculture (PDA) of Secretary Redding and in support of the testimony submitted by the Pennsylvania State Grange of Matt Espenshade. PADC supports the continuation of the PMMB Over-Order Premium at the current \$1.00/cwt plus applicable fuel add-on for whatever period this Board finds to be appropriate. We understand that the Grange has requested continuation at the current level for the next six months, while the PDA has testified that they would not be opposed to a 60-day extension of the current order. Either argument has merit, however we should note that in the past when we have experienced robust milk prices paid to dairy farmers like we have seen in the most recent six months, we will likely be approaching a cliff soon. Sitting here today, there is no way of knowing when we might get to the edge of that cliff. When we do, farmers in Pennsylvania will need a bit of a safety net, perhaps in the form of an increased Over-Order Premium to help soften the landing when that time comes. We would like to be able to act swiftly to address this when it happens; however, we also recognize that the premium level must be able to be supported by the marketplace. Therefore, we will leave it up to this Board to use its knowledge and experience and consider all the testimony it receives in this hearing when deciding the appropriate duration of the current premium.

We believe that the PDA raised some points in its rebuttal testimony in the last Over-Order-Premium hearing in March of this year and has reiterated those points in its pre-submission for this hearing that are worthy of further evaluation. We are especially interested in learning the findings of the Temple University Fox School of Business related to the collection of retail sales data. A full review of this data will assuredly shed more light on not only consumer purchasing trends (as compared to those in surrounding states) but also reveal whether these transactions are benefitting Pennsylvania producers and to what extent. This information will be critical to be able to tailor any suggestions for alternatives to the current Over-Order Premium.

The PADC cooperatives join the PDA in that Over-Order Premium dollars must be uniformly distributed among all Pennsylvania dairy producers. As it stands today, the current method of distribution does not accomplish that objective. This is very much evidenced when comparing the testimony of Matt Espenshade (a cooperative producer) and Doug Sattazahn (an independent producer) both representing the Pennsylvania State Grange.

In summary, Matt has testified that he receives four and a half cents “special premium” (which he indicates is at least in part funded by the Over-Order Premium) on a farm his size that produces approximately 100,000 lbs. of milk a month or approximately \$45. He also testified that he receives a volume premium of \$0.10 and an additional \$0.10 for being under contract with his co-op. Using his approximate 100,000 lbs. of monthly milk production, this would be an additional \$200. He further testified that in order to help cover balancing costs, his cooperative’s members are assessed a “Market Adjustment” fee. On his most recent statement that figure was \$0.62. Standardizing over the same approximately 100,000 lbs. would be minus \$620 dollars. Finally, without getting into the intricacies of the Base Excess Program that he describes in certain detail, he testified that his farm has lost nearly \$15,000 in revenue over just 15 months which had a

significant financial impact on his farm. Assume that \$15,000 was spread evenly over the 15 months, that would be another minus \$1,000 on last month's statement. Netting everything together, plus \$45 plus \$200 minus \$620 minus \$1,000, Matt's net price would be minus \$1,375 or minus \$1.375/cwt. Said differently, since Matt testified that he milks 75 cows, his milk price reflects a discount of \$18.33 per cow.

Comparing that to Doug's testimony where he indicates that the purchaser of his farm's milk had eliminated quantity bonuses last year and eliminated quality bonuses in March of this year. However, he continues to receive the Over-Order Premium which he indicated was \$0.35/cwt on his June milk statement which added over \$2,000 to his milk check. Doug also testified that he and his brother milk 250 cows. Not knowing how much milk Doug's farm shipped, his milk price reflects a bonus of \$8.00 per cow.

These two examples very clearly demonstrate the disparity that the PDA is asking this Board to address. While the differences between cooperative and independent producers reflect in part different marketing expenses, the distribution of the Over-Order Premium unjustifiably exacerbates this disparity. PADC remains supportive of exploring Over-Order Premium alternatives to more uniformly distribute Over-Order Premium dollars. We also believe legislative change is necessary in order to have impactful discussions and allow us to propose real solutions. Until industry stakeholders get finality on various pieces of legislation affecting PMMB's ability to implement an Over-Order Premium alternative, it is difficult to propose a workable solution. PADC is appreciative of PDA's efforts toward the passage of HB 224 and SB 840, both of which could give the PMMB authority to establish an Over-Order Premium alternative. When we have finality on HB 224 and SB 840, all interested parties will have a more concrete idea on what alternatives may be available.

The Over-Order Premium should not be continued indefinitely without scrutiny as to whether the current system is reflective of today's marketplace and treats all Pennsylvania producers equitably. PADC continues to support an alternative to the Over-Order Premium which distributes market derived premium dollars more fairly and equitably. However, PADC supports the continuation of the Over-Order Premium at status quo until sufficient data is collected and legislation is enacted which will allow industry stakeholders to formulate meaningful alternatives.

Thank you for the opportunity to present our testimony before this Board today.