

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD
OVER - ORDER PREMIUM HEARING
ALL MILK MARKETING AREAS
August 30, 2017
Testimony of Troye Cooper

Presented on behalf of the Pennsylvania Association of Dairy Cooperatives:

Dairy Farmers of America, Inc., Dairy Marketing Services, LLC,
Lanco Dairy Farms Co-op, Inc., Land O'Lakes, Inc., and
Maryland & Virginia Milk Producers' Cooperative Association, Inc.

Good morning, my name is Troye Cooper, Director of Operations, Milk Marketing for Maryland & Virginia Milk Producers Cooperative Association, Inc. My business address is 1985 Isaac Newton Square West, Reston, VA 20190. My primary functions include the day-to-day marketing of member milk from farm to plant. I oversee the field services for all of our nearly 1400 members throughout our membership area with approximately 2/3 of those members being in Pennsylvania.

Thank you for the opportunity to testify today on behalf of the Pennsylvania Association of Dairy Cooperatives (PADC) and specifically, on behalf of approximately three thousand five hundred (3,500) producers in Pennsylvania who market their milk through PADC members and whose milk checks are impacted every month by the PMMB over-order premium price.

The Pennsylvania Association of Dairy Cooperatives requests that the Board maintain the current over-order Premium of \$1.60/cwt. for the October 1, 2017 through March 31, 2018 time frame.

Northeast Milk Marketing Conditions

With schools out for the summer, farm milk production is more than adequate to meet the milk demand in the Northeast and Mid-Atlantic areas. As students return to schools and colleges during the end of August and beginning of September, we fully expect to see the normal seasonal uptick in Class I Pennsylvania packaged milk sales (PADC Exhibit 2) as reported by PMMB staff. In reviewing the Exhibit, you will note the difference between the highest daily packaged milk sales during January of 5,245,892 pounds of milk compared to the lowest daily packaged sales during July of 4,553,028 pounds is a difference of 692,864 pounds PER DAY. This is a

swing of approximately 21.5 million pounds of milk in a thirty-one day month, when the PA Class I processors don't request as much milk and they turn it back to cooperatives for balancing.

Since the last over-order premium hearing, plant changes have continued within the Northeast marketplace. Lanco's plant located in Hancock, Maryland is receiving additional milk volumes to produce cheese. Dairy Farmers of America (DFA) is currently expanding its Middlebury Center, PA plant to manufacture additional dairy products. The expansion is on schedule to be completed before Thanksgiving. Also, Albertson's is planning to begin fluid processing at the old Rosenberger's Dairy plant located in Hatfield, PA.

In western New York State, DFA is expanding its Craigs Station Creamery plant to begin cheese manufacturing, in a joint venture with Arla Foods. The expansion is planned to be completed prior to Christmas (PADC Exhibit 3).

Also, in western New York State, Upstate Niagara Cooperative purchased a cheese plant in Campbell, NY, from Kraft Heinz. After months of speculation if the plant would close, it has been announced that the plant will stay open (PADC Exhibit 4).

All of these investments in the Northeast dairy industry will help increase dairy farmer income and support the local economies through additional jobs.

Lower milk prices have made it more difficult for dairy farms to cash flow. Although milk production has been abundant recently, every dollar is needed to pay bills.

Summary

While the Northeast has had an excess milk supply, schools and colleges are going back in session and will require additional milk volumes compared to the summer months.

We continue to see plant expansions in the Northeast that will draw upon the area milk supply.

Our members have had to endure lower milk prices over the past months and every dollar is needed to pay bills.

For these reasons, the Pennsylvania Association of Dairy Cooperatives requests the Board maintain the current Over-Order Premium of \$1.60/cwt. In particular we would point out that during the last over-order premium hearing, as we headed into the spring flush no parties opposed maintaining the status quo premium level and the Board agreed. Consequently, it would not seem appropriate to do anything other than maintain the status quo as we head into the time of year when milk production tails off and seasonal demand is ramped up.

On behalf of the approximately three thousand five hundred (3,500) Pennsylvania dairy farmers I represent, thank you for the opportunity to present this important information to the Milk Marketing Board.

**Packaged Sales by Area 2016
(numbers in pounds)**

1/31/2016		162,622,668
1-0	36,448,101	
2-0	14,256,591	
3-0	21,650,908	
4-0	38,021,728	
5-0	35,943,978	
6-0	16,301,362	
2/28/2016		153,716,947
1-0	33,849,929	
2-0	13,723,681	
3-0	20,879,012	
4-0	35,233,902	
5-0	34,507,083	
6-0	15,523,340	
3/31/2016		159,698,451
1-0	34,963,972	
2-0	14,406,066	
3-0	22,348,067	
4-0	36,667,578	
5-0	35,553,918	
6-0	15,758,850	
4/30/2016		156,049,113
1-0	35,418,142	
2-0	13,981,366	
3-0	21,166,715	
4-0	36,035,534	
5-0	34,035,561	
6-0	15,411,795	
5/31/2016		154,498,891
1-0	34,337,189	
2-0	13,831,739	
3-0	20,923,500	
4-0	36,309,715	
5-0	34,101,595	
6-0	14,993,153	
6/30/2016		139,761,476
1-0	31,136,188	
2-0	12,356,128	
3-0	18,942,259	
4-0	33,832,438	
5-0	29,979,916	
6-0	13,514,547	
7/31/2016		141,143,857
1-0	30,881,389	
2-0	12,337,201	
3-0	19,884,771	
4-0	33,528,681	
5-0	30,539,585	
6-0	13,972,230	
8/31/2016		150,578,011
1-0	31,909,482	
2-0	13,414,269	
3-0	20,891,341	
4-0	36,081,865	
5-0	33,224,432	
6-0	15,054,622	
9/30/2016		153,702,027
1-0	34,016,785	
2-0	13,821,465	
3-0	20,454,889	
4-0	35,996,763	
5-0	33,856,062	
6-0	15,556,063	
10/31/2016		153,469,383
1-0	33,547,222	
2-0	14,797,216	
3-0	21,663,778	
4-0	32,642,252	
5-0	35,036,963	
6-0	15,781,952	
11/30/2016		150,903,675
1-0	31,547,962	
2-0	14,436,323	
3-0	21,611,530	
4-0	32,785,451	
5-0	34,802,039	
6-0	15,720,370	
12/31/2016		157,523,064
1-0	32,855,129	
2-0	14,942,883	
3-0	22,456,489	
4-0	33,956,039	
5-0	37,109,987	
6-0	16,202,537	

Source: Board staff

Submitted: July 27, 2017

PADC Exhibit 2

DFA and Arla Foods have formalized an agreement to enter into a joint venture that includes construction of a small dairy facility to be used for the production of premium cheddar cheeses.

The plant will be built in western New York at DFA's Craigs Station Creamery site in Pavilion. DFA, along with eight dairy farm family investors, constructed Craigs Station in 2014. Situated on one of the dairies, the plant allows for the production of top-quality dairy products using the freshest, locally sourced, premium milk available.

The construction of a second plant at the site will allow Arla Foods to expand its brand portfolio in the U.S. market and will enable DFA to introduce a new line of quality cheeses for its Craigs Station brand and for private label customers.

"We are pleased to be entering into this partnership with Arla," says Rick Smith, president and CEO of DFA. "Arla and DFA share the same passion for providing the highest quality products to consumers, and are even more committed to sourcing these products from dairy farmers who employ sustainable and transparent farm practices."

Kraft Heinz Signs Agreement with Upstate Niagara Cooperative to Sell its Campbell, N.Y. Facility

June 30, 2017 09:00 AM Eastern Daylight Time

CAMPBELL, N.Y.--(BUSINESS WIRE)--The Kraft Heinz Company (NASDAQ: KHC) and Upstate Niagara Cooperative announced today that they have signed an agreement by which Upstate Niagara will purchase the Kraft Heinz cheese plant located in Campbell, N.Y. Closing of the deal is expected to be completed within the next 30 to 60 days.

"We're thrilled to announce that Upstate Niagara Cooperative has agreed to purchase our Campbell dairy facility and has signed a long-term co-packing agreement with Kraft Heinz," said Michael Mullen, SVP of Corporate & Government Affairs at The Kraft Heinz Company. "This deal guarantees that at least 125 jobs will remain in Campbell with anticipated growth to 150 within a year, during which our business customers will experience zero disruption in the service of our dairy products. As part of our commitment to this transaction, Kraft Heinz has pledged an ongoing investment of \$3 to 5 million to improve and maintain the Campbell facility."

"We look forward to adding the Campbell cheese facility to our organization in the coming weeks," stated Larry Webster, CEO of Upstate Niagara Cooperative. "As a dairy cooperative owned by farm families throughout the region, this acquisition is an investment by our member owners towards continued and long-term growth for our cooperative and the Campbell facility. We are proud to be able to keep manufacturing jobs within the community while offering additional products and manufacturing capabilities to our customers."