BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

OVER - ORDER PREMIUM HEARING

ALL MILK MARKETING AREAS

September 7, 2016

Testimony of Dean Ellinwood

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.

Submitted: August 11, 2016 **PADC Exhibit 1**

Good morning, my name is Dean Ellinwood. My business address is 5001 Brittonfield Parkway, Syracuse, New York, 13221. I am Vice President of Sales and Marketing for Dairy Marketing Services. Dairy Marketing Services, or DMS, is a cooperative venture that markets approximately fifteen billion pounds of milk annually, representing approximately 5,150 dairy farms throughout the Northeast and Mid-Atlantic areas. DMS works with 140 independent milk haulers that pick-up an average of 700 loads of milk per day. DMS farm milk is delivered to approximately 60 customers representing more than 100 dairy plants.

My primary functions include the sale and marketing of milk, contract negotiations and balancing the milk supply to meet the daily and seasonal requirements of our customers.

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 check is impacted every month by the PMMB over-order premium price.

The Pennsylvania Association of Dairy Cooperatives requests the Board maintain the current over-order Premium of $1.60/cwt. for the October 1, 2016 through March 31, 2017 time frame.

Northeast Milk Marketing Conditions

With schools out for the summer, farm milk production was 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 Reported Pennsylvania packaged milk sales (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 5,579,316 pounds of milk compared to the lowest daily packaged sales during August of 4,807,293 pounds is a difference of more than three quarters of a million pounds PER DAY. This is a swing of 16 percent, or approximately 24 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, has begun receiving milk and will be expanding its milk requirements over the upcoming months. Elmhurst Dairy is closing their fluid bottling plant located in Jamaica, New York, by October 31, 2016. Typically, when a fluid bottling plant closes, other Class I plants in the area pick up the sales. I expect this will be the case and there will be opportunity for Pennsylvania fluid bottlers to increase their sales. Also, three yogurt plants in the Northeast are adding production lines for increased sales demand.

<u>Pennsylvania Farm Milk Production and Projected Prices</u>

The most recent USDA Milk Production Report, for the month of June 2016, (Exhibit 3) estimated an increase in milk production in the 23 selected states of 1.6 percent compared to June 2015. According to the report, Pennsylvania's farm milk production increased by just 0.6 percent, with no increase in cow numbers, and milk per cow increasing by 10 pounds per cow. Overall this amounted to an increase of just 5 million pounds of milk produced in Pennsylvania compared to June 2015.

USDA Milk Production reports comparing the first six months of 2016 to the first six months of 2015, adjusted for a leap day in February, indicate milk production increased by 1.16 percent in the 23 selected states. This compares to USDA estimates for Pennsylvania at just 0.36 percent increase over the same time frame. While farm milk production in Pennsylvania is slightly increasing, it is lagging behind the 23 selected state average.

Many of our farmers are experiencing drought type conditions in Pennsylvania and Western New York State. Some have also had their wells go dry and are hauling in water to feed their cows. Per John Rutherford's testimony, we may see less corn silage available and some farms will have to purchase silage and have it hauled in to feed their cows. This creates additional costs to produce milk.

At the time of preparing this testimony in early August, the corn harvest is still a question mark. As harvest gets underway, we will continue to monitor reports. If our Pennsylvania farmers tell us the corn tonnage is down and it becomes more difficult and costly to maintain milk production, the PADC may request an emergency hearing for an increase in the over-order premium.

Over the past year alone, the number of Pennsylvania dairy farms marketed by PADC members that have sold their cows and discontinued producing milk is over 260. This should be eye-opening and highly concerning to all parties.

Summary

While the Northeast has had an ample milk supply, schools and colleges are 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. Many of our farmers are concerned about a lack of rain for their crops and are talking about reduced silage tonnage for their cows. For these reasons, The Pennsylvania Association of Dairy Cooperatives requests the Board maintain the current Over-Order Premium of $1.60/cwt. As we monitor the harvest conditions and if farmers find that drought conditions have impacted their harvest, we may ask for an emergency hearing later in the year.

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.

Class I Pennsylvania Reported Packaged Sales by All Dealers in 2015

	PA Total	1-0	2-0	3-0	4-0	5-0	6-0	Total	Days Per Month	Per Day
January	172,958,803	40,739,311	13,414,302	24,917,381	39,834,964	37,994,163	16,058,682	172,958,803	31	5,579,316
February	151,344,148	35,145,558	11,685,804	21,779,185	34,275,555	34,237,480	14,220,566	151,344,148	28	5,405,148
March	163,487,814	37,427,284	12,608,859	23,684,886	37,412,046	36,918,961	15,435,778	163,487,814	31	5,273,800
April	156,388,346	36,329,422	12,258,060	22,489,984	35,954,529	34,607,194	14,749,157	156,388,346	30	5,212,945
May	152,789,509	34,717,678	12,253,090	22,433,478	35,179,941	33,952,621	14,252,701	152,789,509	31	4,928,694
June	146,480,515	33,088,618	11,480,334	21,725,091	33,998,931	32,680,815	13,506,726	146,480,515	30	4,882,684
July	149,613,851	33,182,773	11,759,109	23,230,660	35,326,976	32,693,736	13,420,597	149,613,851	31	4,826,253
August	149,026,082	31,978,797	11,716,080	22,469,312	35,069,812	33,635,111	14,156,970	149,026,082	31	4,807,293
September	156,468,095	33,957,084	13,245,464	23,232,186	35,999,112	34,943,636	15,090,613	156,468,095	30	5,215,603
October	163,884,890	36,416,357	14,477,239	23,896,901	36,195,534	36,965,178	15,933,681	163,884,890	31	5,286,609
November	158,072,247	34,008,221	13,469,890	23,329,868	36,855,688	35,571,758	14,836,822	158,072,247	30	5,269,075
December	168,038,635	36,028,633	14,704,531	24,453,731	38,464,541	38,342,576	16,044,623	168,038,635	31	5,420,601
Total	1,888,552,935	423,019,736	153,072,762	277,642,663	434,567,629	422,543,229	177,706,916	1,888,552,935	365	

Milk Production

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Released July 21, 2016, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

June Milk Production up 1.6 Percent

Milk production in the 23 major States during June totaled 16.7 billion pounds, up 1.6 percent from June 2015. May revised production at 17.4 billion pounds, was up 1.2 percent from May 2015. The May revision represented a decrease of 2 million pounds or less than 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,926 pounds for June, 26 pounds above June 2015. This is the highest production per cow for the month of June since the 23 State series began in 2003.

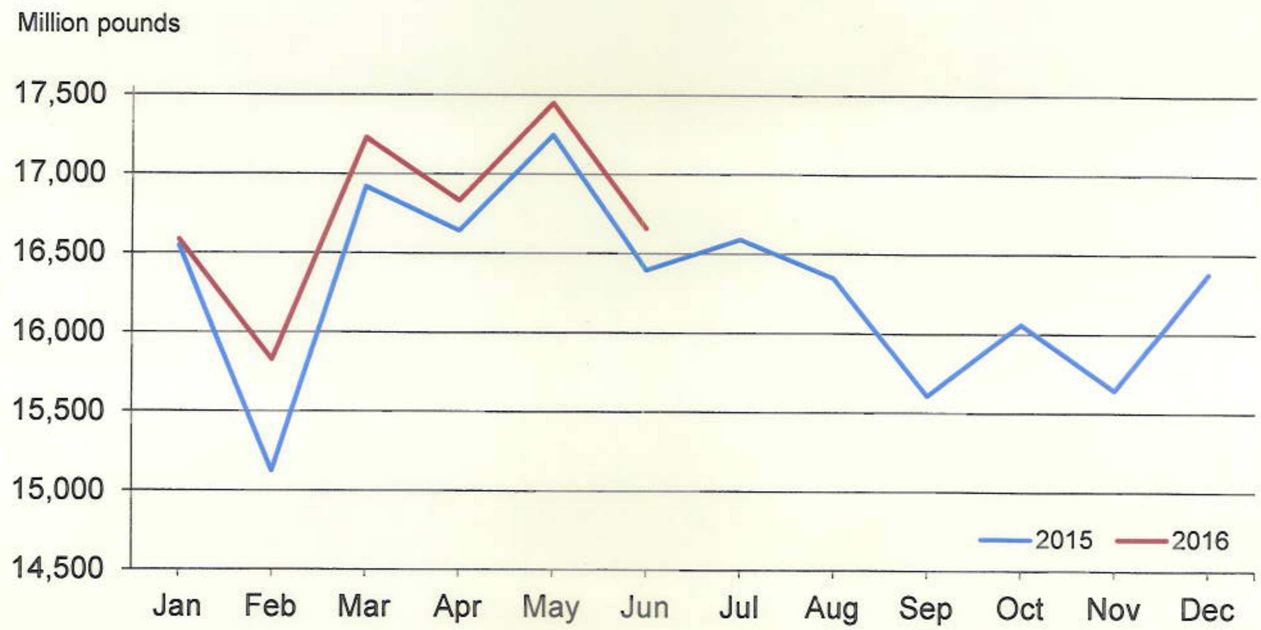
The number of milk cows on farms in the 23 major States was 8.65 million head, 17,000 head more than June 2015, and 3,000 head more than May 2016.

April-June Milk Production up 1.2 Percent

Milk production in the United States during the April - June quarter totaled 54.4 billion pounds, up 1.2 percent from the April - June quarter last year.

The average number of milk cows in the United States during the quarter was 9.33 million head, 8,000 head more than the January - March quarter, and 6,000 head more than the same period last year.

Monthly Milk Production – 23 Selected States



Milk Cows and Production – 23 Selected States: June 2015 and 2016

[May not add due to rounding]

State	Milk cows [1]		Milk per cow [2]		Milk production [2]		
	2015	2016	2015	2016	2015	2016	Change from 2015
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
Arizona	195	198	2,045	2,070	399	410	2.8
California	1,778	1,770	1,910	1,900	3,396	3,363	-1.0
Colorado	145	149	2,140	2,130	310	317	2.3
Florida	125	122	1,790	1,755	224	214	-4.5
Idaho	586	591	2,040	2,070	1,195	1,223	2.3
Illinois	94	94	1,690	1,700	159	160	0.6
Indiana	181	184	1,825	1,830	330	337	2.1
Iowa	212	211	1,910	1,955	405	413	2.0
Kansas	143	145	1,810	1,845	259	268	3.5
Michigan	408	419	2,135	2,190	871	918	5.4
Minnesota	460	463	1,730	1,755	796	813	2.1
New Mexico	323	310	2,035	2,045	657	634	-3.5
New York	618	620	1,940	2,015	1,199	1,249	4.2
Ohio	266	266	1,730	1,750	460	466	1.3
Oregon	124	126	1,735	1,740	215	219	1.9
Pennsylvania	530	530	1,715	1,725	909	914	0.6
South Dakota	106	115	1,860	1,830	197	210	6.6
Texas	462	468	1,835	1,880	848	880	3.8
Utah	96	92	1,990	1,950	191	179	-6.3
Vermont	132	131	1,710	1,750	226	229	1.3
Virginia	91	90	1,620	1,590	147	143	-2.7
Washington	275	275	2,010	2,010	553	553	-
Wisconsin	1,280	1,278	1,915	1,990	2,451	2,543	3.8
23-State Total	8,630	8,647	1,900	1,926	16,397	16,655	1.6

- Represents zero.
[1] Includes dry cows. Excludes heifers not yet fresh.
[2] Excludes milk sucked by calves.

Monthly Milk per Cow – 23 Selected States