

**OVER-ORDER PREMIUM
SEPTEMBER 5, 2018 HEARING
PENNSYLVANIA MILK MARKETING BOARD STAFF
SURREBUTTAL TESTIMONY OF STEVEN ZALMAN**

The Board is being asked at this hearing to set the Over Order Premium (OOP) for the period October 1, 2018 to March 31, 2019. We reviewed the submissions of the parties. The petitioner, the Pennsylvania Association of Dairy Cooperatives (PADC), has submitted information about milk production, but nothing about milk prices or producer costs. Pennsylvania Farm Bureau (PFB) has re-submitted testimony and exhibits which were submitted at last year's hearing, which provide information about 2016. PFB has submitted testimony and exhibits describing the financial information for one farm for 2017. The Pennsylvania Association of Milk Dealers has not submitted any testimony or any exhibits.

There are many things to consider when setting the OOP, but Board Staff thought at a minimum the record ought to include more information about 2017 and 2018 milk prices and producer costs. Therefore, we are submitting information about Pennsylvania income over feed costs as a source of information for the Board about producer costs and income. Board Staff is not taking a position about the amount or duration of the OOP.

Board Staff Surrebuttal Exhibit 1 compiles the Pennsylvania income over feed costs as reported in the monthly *Penn State Dairy Outlook Newsletter* for August 2016 through June 2018, which is the most recent month available at this time. ¹

The PA All Milk Price is reported by the National Agricultural Statistics Service (NASS) of the US Department of Agriculture. It is the price per hundredweight (cwt). ²

The PA Feed Cost is based on the USDA alfalfa hay and corn grain prices for Pennsylvania and a soybean price based on other indices because USDA does not publish a price. It is the cost per hundredweight. ³

The PA Milk Margin is the difference between the PA All Milk Price and the PA Feed Cost.

The PA Income Over Feed Cost (IOFC) is based on production of 75 pounds per day per cow. *Dairy Outlook* used to use 65 pounds per cow, but it has now changed to 75 pounds. The IOFC is therefore 75% of the PA Milk Margin.

We have also included the OOP for this time period.

We know the IOFC formula is not a comprehensive picture of producer profitability. Every farm has its own individual costs and income. We offer this as a source of information about the relative income and costs for Pennsylvania producers over this period of time. We ask the Board to take official notice of this information, as we did of similar information at the February 2, 2017 OOP hearing.

Thank you.

Submitted August 29, 2018

¹ <https://extension.psu.edu/dairy-outlook-june-2018> , <https://extension.psu.edu/dairy-outlook-september-2017>
Retrieved August 23, 2018.

² <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1002> Retrieved August 23, 2018.

³ <https://extension.psu.edu/dairy-outlook-june-2018> Retrieved August 23, 2018.

BOARD STAFF SURREBUTTAL EXHIBIT 1 – OVER-ORDER PREMIUM HEARING – SEPTEMBER 5, 2018

	<u>PA All Milk Price (cwt)</u>	<u>PA Feed Cost (cwt)</u>	<u>PA Milk Margin (cwt)</u>	<u>PA Income Over Feed Cost (per cow @ 75 lbs)</u>	<u>Over Order Premium</u>
<u>2016</u>					
August	17.20	6.26	10.94	8.20	1.60
September	18.10	6.26	11.84	8.88	1.60
October	17.60	6.43	11.17	8.38	1.75
November	17.70	6.29	11.41	8.56	1.75
December	19.70	6.50	13.20	9.90	1.75
<u>2017</u>					
January	20.00	6.35	13.65	10.24	1.75
February	19.60	6.12	13.48	10.11	1.60
March	18.80	6.09	12.71	9.53	1.60
April	17.60	6.28	11.32	8.49	1.60
May	17.40	6.10	11.30	8.47	1.60
June	18.00	5.97	12.03	9.02	1.60
July	18.70	6.53	12.17	9.13	1.60
August	19.30	6.06	13.24	9.93	1.60
September	19.20	5.89	13.31	9.98	1.60
October	18.80	5.80	13.00	9.75	1.60
November	18.90	6.15	12.75	9.56	1.60
December	18.40	6.08	12.32	9.24	1.60
<u>2018</u>					
January	17.00	6.11	10.89	8.17	0.75
February	15.90	5.82	10.08	7.56	0.75
March	16.00	6.10	9.90	7.43	0.75
April	16.40	6.15	10.25	7.69	0.75
May	15.81	6.13	9.68	7.26	0.75
June	15.73	6.07	9.66	7.25	0.75

**PENNSYLVANIA MILK MARKETING BOARD STAFF
OVER-ORDER PREMIUM HEARING
SEPTEMBER 5, 2018
LIST OF WITNESSES**

The following individual will testify at the Over-Order Premium Hearing on September 5, 2018 on behalf of the Milk Marketing Board Staff. Copies of his curriculum vitae will be available upon request at the hearing.

Steven Zalman, Milk Marketing Board Auditor Supervisor, is as an expert on milk industry cost accounting. However, his testimony for this hearing is only for the purpose of presenting published information for the Board's information.

Date: August 29, 2018

Respectfully submitted,

Andrew L. Saylor

Staff Attorney

Pennsylvania Milk Marketing Board

**OVER-ORDER PREMIUM
SEPTEMBER 5, 2018 HEARING
CERTIFICATE OF SERVICE**

I hereby certify that on August 29, 2018, I have served true and correct copies of the foregoing by email on behalf of the Milk Marketing Board Staff to the following (all of whom will accept service by email):

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