BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

OVER - ORDER PREMIUM HEARING

ALL MILK MARKETING AREAS

September 2, 2015

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 and Virginia Milk Producers' Cooperative Association, Inc.

PADC Exhibit 6

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 5,400 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 sales 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 eight hundred (3,800) 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.

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 (PADC Exhibit 1) along with the seasonal decrease in farm milk production (PADC Exhibit 2).

Since the last Over-Order Premium hearing, plant expansions are continuing to occur in the Northeast marketplace.

Fage's yogurt plant expansion in Johnstown, NY was completed earlier this year. Cayuga Milk Ingredients will be expanding their manufacturing plant in Aurelius, NY. HP HOOD has added capacity at its Oneida, NY plant. Together, these plant expansions represent an additional capacity of 75 million pounds of milk per month, or 900 million pounds of milk annually. This is the equivalent of 50 truckloads per day, with each carrying 50,000 pounds of milk.

Comparison to Nearby Markets

For the immediate surrounding areas of Pennsylvania, milk is predominately sold to Class I plants at an over-order price that is the same for all milk delivered to the plant, regardless of the classification of the milk. Thus, this does not provide us with a direct comparison to the PMMB Over-Order Premium level for Class I milk only. For processing plants that are predominately Class I, the range of service provided by the milk Seller and the range of the over-order price on ALL milk delivered is negotiated between the Buyer and Seller.

Pennsylvania Farm Milk Production and Projected Prices

The most recent USDA Milk Production Report, for the month of June 2015, (PADC Exhibit 3) estimated an increase in milk production in the 23 selected states of 0.7% compared to one year ago. According to the report, Pennsylvania's farm milk production increased by 3.1 percent, with no increase in cow numbers, and milk per cow increasing by 50 pounds per cow. Overall this amounted to an increase of 27 million pounds of milk produced in Pennsylvania compared to June 2014.

The US farm milk price has declined substantially from last year with little recovery expected through the first quarter of 2016. PADC Exhibits 4 and 5 are Class III and IV prices respectively, comparing actual 2014, and year to date 2015 prices along with forecasts for the remainder of 2015 and into 2016. The estimates are an average of several sources, including the CME Group futures markets, dairy economic firms, and land-grant-university based forecasting groups. When combining the Class III and IV prices, today's prices paid to dairy farmers are down approximately one third from last year, making it important that the premium be kept at the current level.

Summary

While current Pennsylvania milk production is up compared to last year, dairy farmers have seen a drastic reduction in the price paid to them, with little price change expected through the first quarter of 2016. Schools and colleges are back in session and will require additional milk volumes compared to the summer months. We also continue to see plant expansions in the Northeast that will draw upon the area milk supply. For these reasons, The Pennsylvania Association of Dairy Cooperatives requests the Board maintain the current Over-Order Premium of $1.60/cwt. plus the current fuel adjuster formula.

On behalf of the approximately three thousand eight hundred (3,800) 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 2014

	PA Total	1-0	2-0	3-0	4-0	5-0	6-0	Total	Days Per Month	Per day
January	168,896,472	36,382,281	13,461,509	22,776,792	40,732,542	40,889,006	14,654,342	168,896,472	31	5,448,273
February	155,565,474	33,708,920	12,876,259	22,037,799	36,703,779	36,541,838	13,696,879	155,565,474	28	5,555,910
March	165,864,421	35,178,477	13,458,212	23,068,082	40,024,773	39,568,860	14,566,017	165,864,421	31	5,350,465
April	160,825,358	33,083,191	13,091,816	23,104,458	39,976,738	36,970,328	14,598,827	160,825,358	30	5,360,845
May	159,647,444	33,787,337	13,129,829	22,878,330	38,005,518	37,655,342	14,191,088	159,647,444	31	5,149,918
June	143,146,994	30,192,510	11,610,727	20,537,203	35,228,906	33,158,214	12,419,434	143,146,994	30	4,771,566
July	148,949,411	30,436,151	11,765,372	22,526,685	36,476,370	34,446,141	13,298,692	148,949,411	31	4,804,820
August	152,311,505	30,911,799	12,218,796	22,519,501	37,552,247	35,804,902	13,304,260	152,311,505	31	4,913,274
September	156,961,668	32,955,079	12,824,168	22,844,118	37,374,418	37,326,525	13,637,360	156,961,668	30	5,232,056
October	167,550,070	35,562,451	13,369,458	24,340,402	41,136,223	38,165,649	14,975,887	167,550,070	31	5,404,841
November	165,090,075	37,593,061	12,902,855	23,451,943	39,699,372	36,255,922	15,186,922	165,090,075	30	5,503,003
December	174,911,026	39,337,721	13,569,006	25,147,021	42,118,174	38,661,122	16,077,982	174,911,026	31	5,642,291
	1,919,719,918	409,128,978	154,278,007	275,232,334	465,029,060	445,443,849	170,607,690		365	

Source: Board staff

PADC Exhibit 1

State	Month	Pounds	Daily	% DIFF from JANUARY
PENNSYLVANIA	Jan-14	903,000,000	29,129,032	
PENNSYLVANIA	Feb-14	831,000,000	29,678,571	102%
PENNSYLVANIA	Mar-14	929,000,000	29,967,742	103%
PENNSYLVANIA	Apr-14	905,000,000	30,166,667	104%
PENNSYLVANIA	May-14	933,000,000	30,096,774	103%
PENNSYLVANIA	Jun-14	882,000,000	29,400,000	101%
PENNSYLVANIA	Jul-14	896,000,000	28,903,226	99%
PENNSYLVANIA	Aug-14	890,000,000	28,709,677	99%
PENNSYLVANIA	Sep-14	864,000,000	28,800,000	99%
PENNSYLVANIA	Oct-14	890,000,000	28,709,677	99%
PENNSYLVANIA	Nov-14	856,000,000	28,533,333	98%
PENNSYLVANIA	Dec-14	904,000,000	29,161,290	100%

Source: USDA, NASS, Milk Production

PADC Exhibit 2

Milk Production

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Released July 21, 2015, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

June Milk Production up 0.7 Percent

Milk production in the 23 major States during June totaled 16.4 billion pounds, up 0.7 percent from June 2014. May revised production at 17.2 billion pounds, was up 1.5 percent from May 2014. The May revision represented an increase of 12 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,895 pounds for June, no change from the record high of June 2014. The 23 State series began in 2003.

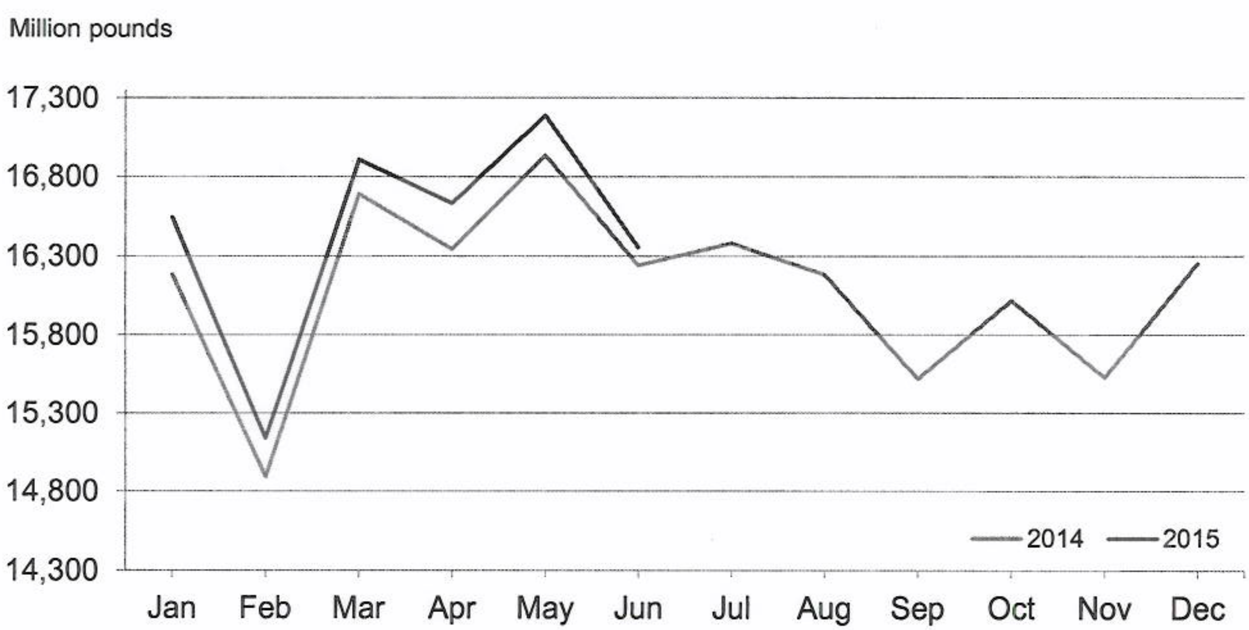
The number of milk cows on farms in the 23 major States was 8.63 million head, 56,000 head more than June 2014, but 2,000 head fewer than May 2015.

April - June Milk Production up 1.4 Percent

Milk production in the United States during the April - June quarter totaled 53.6 billion pounds, up 1.4 percent from the April - June quarter last year.

The average number of milk cows in the United States during the quarter was 9.32 million head, 14,000 head more than the January – March quarter, and 66,000 head more than the same period last year.

Monthly Milk Production – 23 Selected States



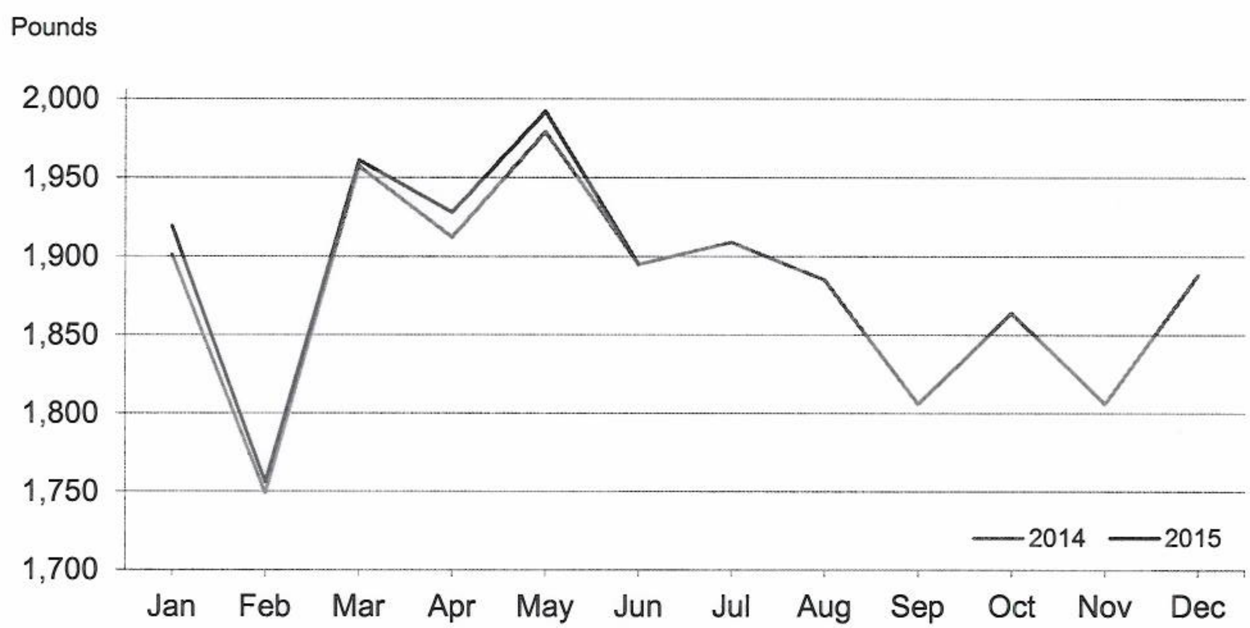
Milk Cows and Production – 23 Selected States: June 2014 and 2015

[May not add due to rounding]

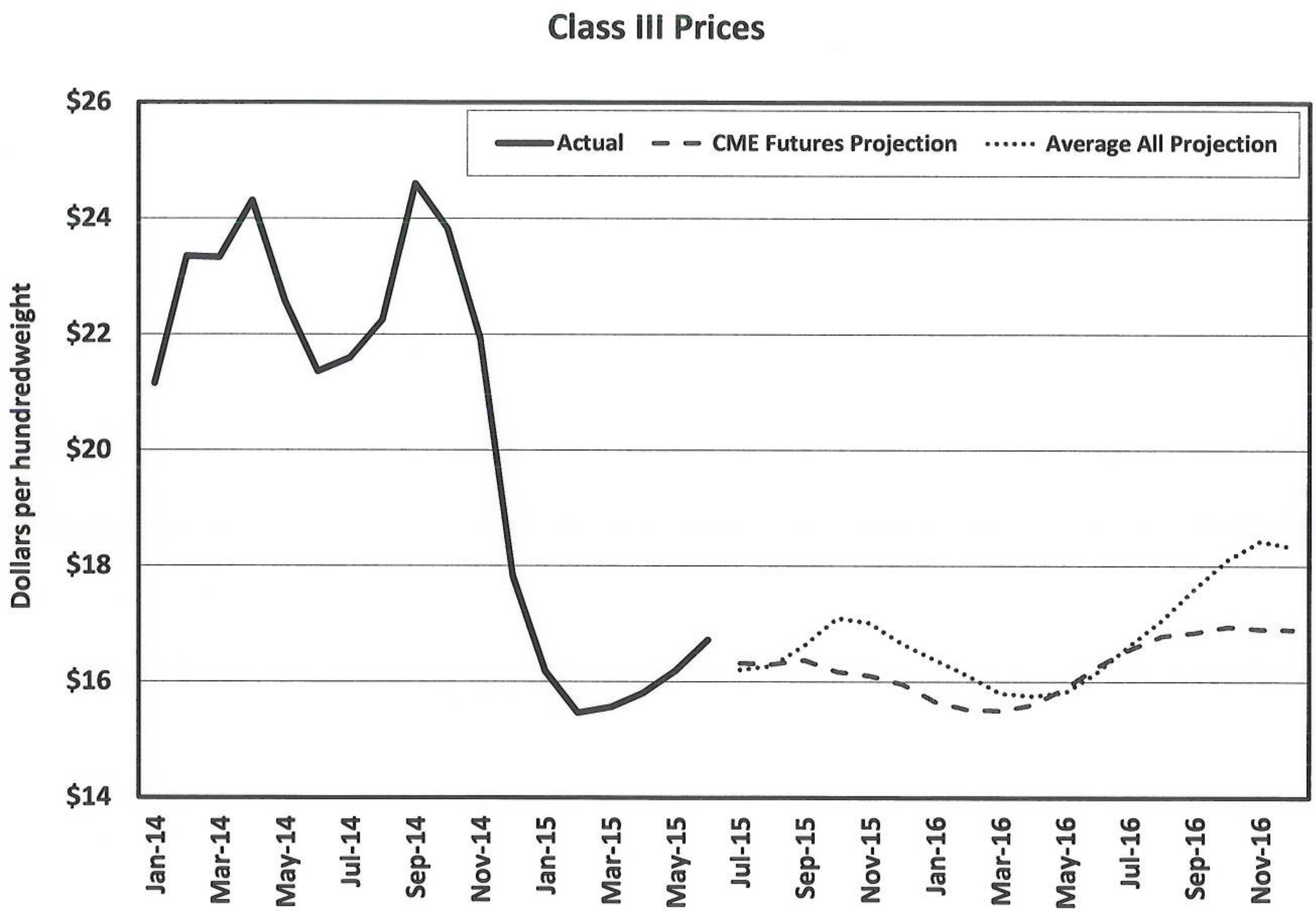
State	Milk cows [1]		Milk per cow [2]		Milk production [2]		
	2014	2015	2014	2015	2014	2015	Change from 2014
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
Arizona	193	195	2,065	2,085	399	407	2.0
California	1,779	1,778	1,995	1,910	3,549	3,396	-4.3
Colorado	145	145	2,105	2,160	305	313	2.6
Florida	123	125	1,770	1,785	218	223	2.3
Idaho	577	586	2,065	2,055	1,192	1,204	1.0
Illinois	94	94	1,640	1,680	154	158	2.6
Indiana	178	181	1,840	1,860	328	337	2.7
Iowa	207	212	1,860	1,910	385	405	5.2
Kansas	142	143	1,830	1,835	260	262	0.8
Michigan	387	408	2,085	2,120	807	865	7.2
Minnesota	460	460	1,645	1,715	757	789	4.2
New Mexico	323	323	2,130	2,035	688	657	-4.5
New York	615	618	1,885	1,930	1,159	1,193	2.9
Ohio	266	266	1,720	1,710	458	455	-0.7
Oregon	125	123	1,735	1,705	217	210	-3.2
Pennsylvania	530	530	1,665	1,715	882	909	3.1
South Dakota	97	106	1,805	1,850	175	196	12.0
Texas	468	462	1,850	1,835	866	848	-2.1
Utah	95	96	1,945	1,990	185	191	3.2
Vermont	131	132	1,720	1,710	225	226	0.4
Virginia	93	91	1,570	1,620	146	147	0.7
Washington	274	276	2,050	2,030	562	560	-0.4
Wisconsin	1,270	1,278	1,830	1,880	2,324	2,403	3.4
23-State Total	8,572	8,628	1,895	1,895	16,241	16,354	0.7

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

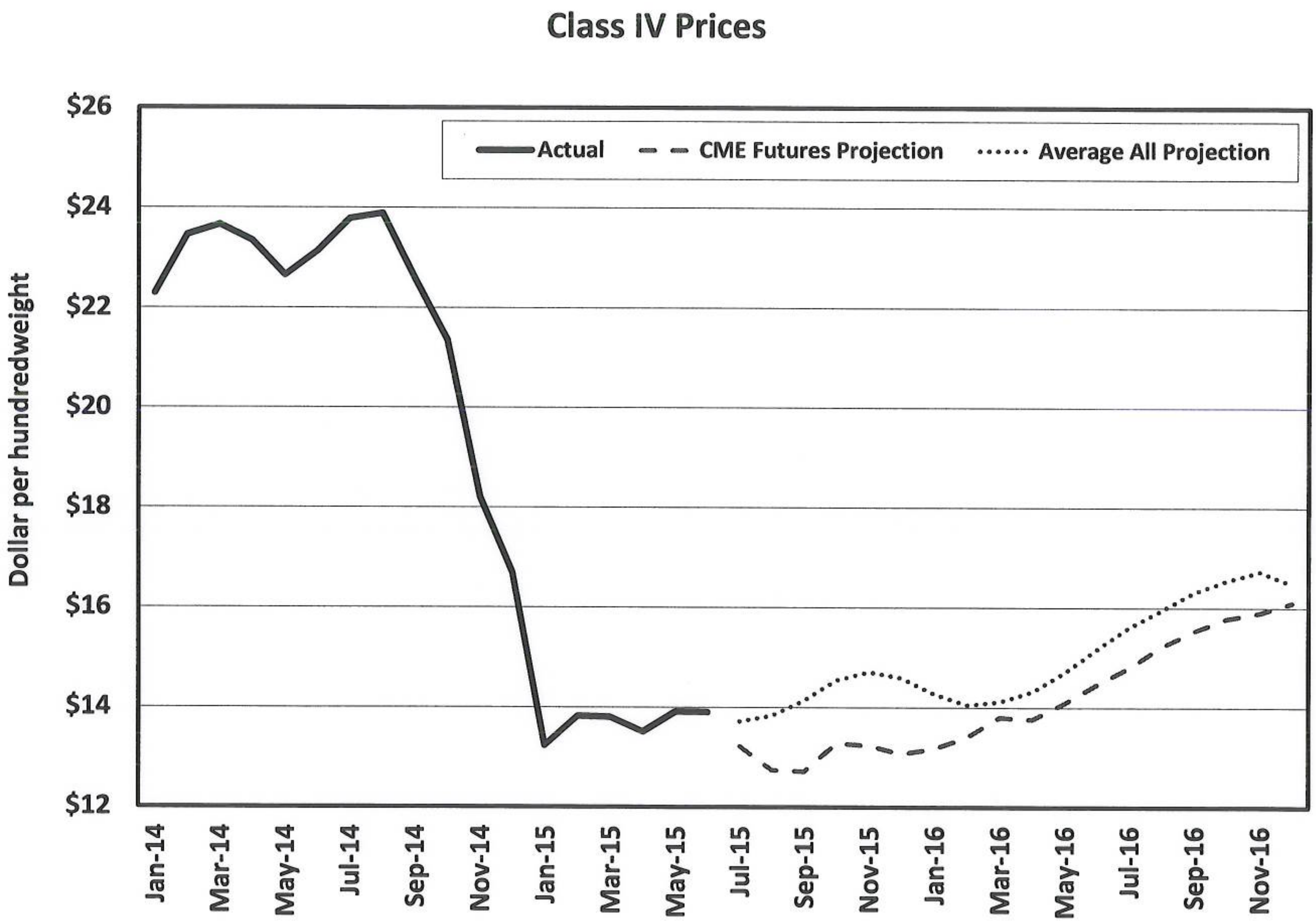
Monthly Milk per Cow – 23 Selected States



PADC Exhibit 3, p. 2



PADC Exhibit 4



PADC Exhibit 5