

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

Cooperative Milk Procurement Costs Hearing

ALL MILK MARKETING AREAS

October 5, 2020

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 morning, 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.

I am offering this surrebuttal testimony in response to all the testimony that has been heard to date in this continuation of the Cooperative Procurement Cost hearing.

Specifically, I would like to summarize the testimony that was offered by Steve Zalman on behalf of the Pennsylvania Milk Marketing Board Staff and by Ron Mong on behalf of the Pennsylvania Association of Milk Dealers. Both parts which were very insightful, and I believe shed some bright light on the very reasons that we are here today. Two of those reasons are TRANSPARENCY and FAIRNESS.

I believe it is with good intent that Mr. Zalman offers in his testimony that "Board Staff continues to believe in the spirit of transparency". However, as the record of this entire hearing makes clear, calling out the cooperative procurement charge as a "premium" would add neither transparency nor fairness to the Board's price sheets. It would not add transparency because it would imply that only cooperatives receive a "premium" for procurement costs. It would not reveal that independent procurement costs are embedded elsewhere. It would not meet Merriam-Webster's definition of "transparent" as "easily detected or seen through; readily understood; characterized by visibility or accessibility of information". Transparency and fairness are furthered by treating the cooperative procurement costs in the very same manner as

the independent procurement costs, as I proposed in my prior testimony. This is the type of fairness that the cooperatives have been asking for from the outset of this hearing.

Treating cooperative procurement costs as we have requested will be fair and equally transparent with dealer costs as Mr. Mong's Exhibits D3A and D3B demonstrate. Those exhibits show how dealer costs of procurement of independent milk are built into wholesale and retail prices. The dealer costs are in the "Other Cost Center Costs" line of the exhibit. As Mr. Mong then shows, those costs are then "diluted" by non-PA and/or non-Class I points and then "diluted again" by cross-section dealers who may not have similar costs. That is how dealer procurement costs are built into prices today and how the cooperative costs should be built in. Both fairness and equal transparency are achieved.

Cooperatives have been asking for fairness from the outset of this hearing. The Pennsylvania dairy value chain is made up of several key components: the dairy farmer; the dealer; the consumer; and sometimes dairy farmers who join together and market their milk collectively known as cooperatives. Cooperatives are unique in Pennsylvania because sometimes they are viewed as "a producer" and sometimes they are viewed as "a dealer". Regardless of which role cooperatives are playing, cooperatives provide a very important function to the health of the Pennsylvania dairy industry - balancing. Mr. Mong's testimony references the fact that cooperatives provide balancing. In order to provide this service, dairy farmer member owners have invested their own hard-earned dollars into cooperative (member-owned) balancing plants. While Mr. Mong suggests in his testimony that cooperatives "can and do pay below Class prices on milk that they balance for processors supplied by independent milk". They are also often in a position (depending on market conditions) to have to discount their own member-owners' milk. This is certainly a burden

that member-owners bear that independent producers do not have to and the PADC cooperatives are not requesting those costs in this hearing. But cooperatives do incur costs of procuring milk for Pennsylvania Class I dealers.

Acting as dealers, we have proven that cooperatives indeed incur costs. These costs are not directly associated in any way with the relative value of milk. These costs are not wholly associated with the servicing of any particular customer. These are simply costs associated with the day-to-day operations of cooperatives which provide the Class I milk as needed, when needed to Pennsylvania's Class I plants.

Time and again, we have demonstrated that cooperatives provide a litany of services to many Pennsylvania producers. We have also demonstrated that cooperatives provide value to many Pennsylvania dealers. More than ever, the Pennsylvania dairy industry needs cooperatives to continue to provide those services and that value. On behalf of the members of the PADC and the nearly three thousand five hundred (3,500) producers that we collectively represent, all we are asking for is fairness. We ask this Board to acknowledge the costs as they have been presented and to mandate recovery of those costs in the same manner which other dealers recover theirs.