

**BEFORE THE PENNSYLVANIA MILK MARKETING BOARD**  
**COOPERATIVE MILK PROCUREMENT COSTS HEARING**  
**(Continued)**

**ALL MILK MARKETING AREAS**

**July 7, 2020**

**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.,  
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 Vice-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 here today to testify in this continuation of the Cooperative Procurement Cost hearing to speak specifically on how this Board could implement recovery of the procurement costs charged by the cooperatives and borne by Pennsylvania milk dealers to which they deliver milk.

In my previous testimony that was pre-submitted on May 24<sup>th</sup>, 2019 we had offered two possibilities or options, if you will. Since that testimony was pre-submitted, the PADC and PAMD entered into discussions regarding an interim order. After some healthy negotiation, between the two parties, along with input from other interested parties we reached an acceptable temporary compromise. As stated by all interested parties and the Board, the compromise was intended to be just that. Temporary. And on January 1, 2020, the Board implemented OGA-A-1004 which directed that "In all milk marketing areas, effective 12:01 a.m. January 1, 2020, through midnight on December 31, 2020, the price of Class I milk produced, processed and sold in Pennsylvania by a cooperative to a dealer shall include \$0.20 per cwt as an interim additional charge applicable to Pennsylvania produced, processed and sold cooperative milk." This Order demonstrates that all parties, including this Board recognize that cooperatives do in fact incur costs while operating as an important cog in the entire PA dairy supply chain and that those costs should be recognized at least to some extent. PADC very much appreciates this

acknowledgement from all the interested parties involved in this hearing and we especially appreciate the Board's adoption of this interim order.

Since this temporary order was adopted, we have had some additional time to contemplate the most equitable way for Pennsylvania Dealers to recover their costs of the additional charge long-term. The temporary solution, in the eyes of many, created an "over-recovery" of this additional charge and would not be acceptable for the long-term.

So I went back and reviewed the two options that were laid out in my previous testimony and we have concluded that, from PADC's perspective, the most equitable way for the Dealers to be able to recover those additional costs would be what I will refer to as "Option 1" which would be:

**Blending directly into Dealer costs.** Each dealer that purchases milk from a cooperative will pay its calculated obligation (see Board Staff Exhibit 6 from the previous portion of this hearing). Those costs would then be reported annually by that dealer as a line item on the schedule B-2 of the PMMB form 60L into its 'receiving, lab, and fieldwork' cost category. This cost would then be blended throughout the cross-section like any other similar procurement related costs that are borne by the dealers.

We believe that this methodology most closely mirrors how costs of Dealers who purchase milk directly from producers are reflected in the monthly minimum wholesale and retail prices. I will redraw your attention to PADC Exhibit 28 which shows the impact of using the \$0.29 per cwt factor as the Cooperative Procurement Charge on wholesale and retail prices.

(If it would be helpful, at this point we can put a computer on a projection screen, pull up the PMMB website and I can walk through instructions 1 through 3 of Exhibit 28 and plug in

updated costs to show in real time the impact of using this methodology, with the updated cooperative cross-section costs which Matt Hartland of RKL has presented).

To again reiterate our comments from our previous testimony, “Our point is and remains that these costs for cooperative dairy farmers should be [permanently] reflected in the PMMB system to the same extent and with the same annual updating as are the costs related to the dealers’ procurement of milk from Pennsylvania farms of non-cooperative members. So long as the system treats the costs the same...”

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