

**BEFORE THE PENNSYLVANIA MILK MARKETING BOARD**  
**OVER - ORDER PREMIUM HEARING**  
**ALL MILK MARKETING AREAS**

**March 8, 2019**

**Testimony of Dean Ellinwood**

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 Dean Ellinwood. My business address is 5001 Brittonfield Parkway, Syracuse, New York, 13221. I am 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.

Thank you for the opportunity to testify today on behalf of the PADC and specifically, on behalf of approximately three thousand three hundred (3,300) dairy farms in Pennsylvania who market their milk through PADC members.

The Pennsylvania Association of Dairy Cooperatives recommends the PMMB Over-Order Premium be increased to \$1.00/cwt. for the April 1, 2019, through September 30, 2019 timeframe.

#### Northeast Milk Marketing Conditions

According to USDA milk production numbers (Exhibit 2), overall farm milk production in the three major dairy states of the Northeast, Pennsylvania, New York, and Vermont, continues to decrease. Note that the USDA numbers do not include December 2018, due to the federal government shutdown. Comparing November 2018 to November 2017 milk production, Pennsylvania declined 36 million pounds, Vermont declined 5 million pounds, and New York decreased 3 million pounds.

Exhibit 3 is USDA data that demonstrates the change in milk production in 2018 for the same month year over year of the three largest milk producing states in the Northeast:

Pennsylvania, New York and Vermont. Note the declining trend line throughout 2018. In particular, Pennsylvania farm milk production declined significantly during Q3 and Q4 2018.

Exhibit 4 is three pages of line graphs of USDA data that demonstrate the change in milk production on a daily basis for Pennsylvania, New York and Vermont. Note that Pennsylvania production has dropped at a faster rate in comparison to the other two Northeast states.

Exhibit 5 is USDA data that demonstrates a major reduction in milk production per cow of 30 pounds per month in Pennsylvania, for the month of November 2018 compared to November 2017.

Exhibit 6 is USDA data that shows a decrease of 12,000 cows in Pennsylvania comparing November year over year numbers.

Elvin Hollon will provide additional data to the Board from the PADC members, with an update of the number of our member farms that have recently discontinued dairy farming.

### Over-Order Premiums

Our dairy farm families are struggling. We believe strongly that the PMMB has played a critical role in maintaining the stability and strength of Pennsylvania's dairy industry. While the PADC would prefer a much higher Over-Order Premium, we believe increasing the current \$0.75/cwt. premium, to \$1.00/cwt., along with the fuel adjuster, is reasonable, given the current competitive surrounding milk marketing conditions.

The PMMB Over-Order Premium must balance protecting farmers from unprofitably low milk prices with requiring processors to pay competitive rates relative to surrounding markets. We recognize, however, that the PMMB cannot serve its vital function if there is a too significant

gap between the Over-Order Premium and the prevailing premiums in surrounding markets. Such discordance can incentivize milk processors to bring milk into Pennsylvania from outside the state. In this situation, the Pennsylvania farmers do not receive the intended benefit of the premium, dealers incur greater transportation costs, and the market as a whole is made less efficient.

### Summary

Northeast processors are continuing to experience declines in fluid milk sales. At the same time, we have struggling dairy farmers that are having to make hard decisions to either stay in or discontinue their family business. These continue to be difficult times for our dairy industry.

If the Over-Order Premium is raised too high, it may incentivize additional packaged milk from outside Pennsylvania to displace our local farm milk.

At this time, it is the PADC's position that the Over-Order Premium should be increased to \$1.00/cwt. for the timeframe of April 1, 2019 through September 30, 2019.

On behalf of the approximately three thousand three hundred (3,300) Pennsylvania dairy farms PADC represents, thank you for the opportunity to present this important information to the Milk Marketing Board.