

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

Over-Price Premium Cross Section Hearing

ALL MILK MARKETING AREAS

August 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 Newtown 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 and Virginia Milk Producers' Cooperative Association, Inc., Lanco Dairy Farms Co-Op, Inc., Dairy Farmers of America, Inc., and Land O' Lakes, Inc.

I would first like to commend the Board Staff for their rebuttal testimony for this hearing. That testimony presents a wealth of important data pertinent to the issues in this hearing and explanatory of the operation of the over-price premium itself. The Board Staff's presentation provides the foundation for the Board to make an informed decision on the issue presented in this hearing and for that, as interested parties, we are appreciative.

As the marketers of milk for more than half of Pennsylvania's dairy farmers, PADC has an interest in all aspects of the PMMB's regulations as they pertain to the pricing of our farmer-member-owners' milk production from the farm to the consumer. This interest includes the over-price premium. The PADC member cooperatives, through their predecessor organization GNEMMA, have previously expressed their conviction that the Over-Price Premium should be eliminated because it improperly attributes certain payments for milk to the Pennsylvania Class I price when those payments could very well be competitive payments for milk that is used for other markets and purposes, however may not be able to be easily designated as such on a milk invoice or producer statement. We hold to that conviction and may renew our request for elimination of the program at a later date when there is a full Board. However, that issue is not before the Board in this hearing and we are therefore not pursuing it in this surrebuttal testimony.

On behalf of PADC in surrebuttal, we note that the Board Staff has documented that the PAMD's proposed method of calculation for the OPP results in a gross over recovery to Dealers of the costs calculated to be paid in over-price premiums. The Board Staff's data further shows that under the current cross-section formulation an over recovery already occurs. It is PADC's position that OPP cost recovery should be limited to just that: 100% recovery of costs. This can be achieved by retaining the current dealer cross-section, as proposed by Board Staff, and using the cross-section dealers' "Class I PA sales" volume – the sales to which the over-price premium is a component of the minimum wholesale price – as the volume by which the "OPP Paid by Dealers" is divided to calculate the OPP rate. This calculation ensures that Dealers would recover for what was paid without creating recovery above that which is actually paid.

Thank you for the opportunity to present this important information to the Milk Marketing Board.