

**Testimony of Earl B. Fink, Executive Vice President
of the Pennsylvania Association of Milk Dealers**

Good morning Chairman Brubaker and members of the Board.

My name is Earl Fink and I am the Executive Vice-President of the Pennsylvania Association of Milk Dealers (PAMD).

PAMD is a trade association of fluid milk processors. Our members sell most of the milk produced, processed and sold in Pennsylvania to which the state Class I premium applies.

Class I milk sales have been declining in recent years and remain soft. Fluid milk plants continue to be at risk. Recently, Rosenberger's Dairy shut down and this year Elmhurst Dairy, a large New York City fluid milk plant announced its intent to close at the end of October.

Despite lower milk prices over the last several months, milk supplies in the region are sufficient to supply the Class I market. This spring we saw a tremendous volume of milk pooled in the Northeast and of milk dumped in Federal Order 1 and 33. Compilation of Letters Requesting Adjustment of Shipping Percentages (June 6, 2016) (PAMD E1); Market Administrator Decision Extension of Temporary Dumped Milk Policy (PAMD E2); Order 1 Disposition of Receipts http://www.fmmone.com/Statistical_Report.htm, and Order 33 Disposition of Receipts available at <http://www.fmmaclev.com/NEWTTemplateStats.htm>.

According to the National Agriculture Statistics Service milk production in July 2016 was up 4.0% in New York and up 4.5% in Michigan over July 2015. NASS Milk Production Report (Aug. 19, 2016) available at <http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-08-19-2016.pdf>.

Tom Wegner of Land O' Lakes recently testified before the Joint House and Senate Agriculture Committees that New York farms produced 158 additional loads per day in May 2016 compared to last May, while Pennsylvania farmers produced 21 more loads per day.

During this Spring and Summer, PAMD members with independent supply have been forced to sell loads of raw milk to manufacturing facilities at deep discounts below class. For some the discount below class was as much as \$6.00. Other members were assessed penalties when they were unable to accept milk. In addition, I am aware of a small amount of dumping of milk by members in June and July. Pennsylvania's own Center for Dairy Excellence has recognized the oversupply situation has crept into Pennsylvania as well. They recently asked milk processors for input on a solution to help address oversupply in Pennsylvania. (Center for Dairy Excellence Letter, PAMD E3).

PAMD strives to support the highest mandated over-order premium the marketplace can bear. However, with milk prices on the upswing and with there still being a lot of milk out there, fluid milk plants cannot carry so much of the burden of the recovery process.

Nor do we think it is wise to raise the premium and put our Class I market at risk to cheaper out-of-state milk. As we have said before, milk bids can be decided based on small price differences even as small as mills. We experienced how serious things can get when the over-order premium gets too high relative to market conditions in 2012 and 2013 when dealers lost substantial volumes to cheaper out of state milk and we do not want to end up there again.

We recognize the financial squeeze dairy farmers have been experiencing. However, Class I prices rose by \$1.49 per hundredweight in September. Announcement of Advanced Class I Prices for August and September available at http://www.fmmone.com/Price_Announcements_Advance.htm. According to PADC's own witness and Penn State's Jim Dunn, additional increases are expected through 2016 and into 2017. (Lancaster Farming, Saturday, Aug. 13, 2016, PAMD E4).

According to the Northeast Regional Field Office of USDA's National Agricultural Statistics Service, the corn harvest in Pennsylvania is expected to increase by 2% over last year and the soybean forecast is up 8%. (Lancaster Farming, Saturday, Aug. 27, 2016,; Crop Production Report, Aug. 12, 2016, <http://usda.mannlib.cornell.edu/usda/current/CropProd/CropProd-08-12-2016.pdf> PAMD E5). That could help improve things for Pennsylvania farmers.

We do not support raising the premium at this time.

Our Association recommends that the Board adopt an over-order premium that is no higher than the current \$1.60 level for no longer than six months.

Thank you for considering our views.