

PA Milk Marketing Board
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A Lot of Unanswered Questions for 2021

Some of you may have seen the television ad for a popular online dating site that pairs up a young woman named “2020” with Satan. Many of us, including those of us in the “senior” category, consider 2020 to have been perhaps the most challenging year we’ve ever experienced. For the dairy industry it has been somewhat of a roller coaster ride with both processors and producers experiencing a lot of ups and downs.

What will the industry likely face in 2021, or do we even know?

According to USDA, September and October saw about 2.3% increases in milk production from 2019. The increases were due to a 0.5% increase in the number of milk cows plus a 1.9% increase in the production per cow. If this trend continues it will be difficult for domestic sales and exports to support higher milk prices.

In Pennsylvania, some dairy cooperative members have experienced production controls imposed by the cooperative. Will 2021 see a continuance of those controls? What impact will that have on our small farms?

On October 23rd, USDA authorized an additional \$500 million for a 4th round of the Farmers to Families Food Box Program. States are allocated boxes based on their respective needs. This most recent round was to cover boxes distributed between November 1, 2020 and the end of the year; however, some parts of the country saw the program run out of funds.

According to Feeding America, 1 in 9 Pennsylvanians and 1 in 7 Pennsylvania children experience food insecurity. In addition to the impact on these individuals, a loss of the Farmers to Families Food Box Program would impact both our processors and producers that have been able to keep afloat due to its implementation.

Fortunately for families in need and our dairy industry, Congress and President Trump recently approved a bill that allocates significant dollars to both SNAP and a program that is similar to the Farmers to Families Food Box.

The volatility in milk market pricing affects our PA processors in other ways, ultimately affecting the producers from whom they buy raw milk. Since March and the onslaught of the COVID-19 pandemic, some processors, particularly those with less diverse sales opportunities, have not been as able to deal with slight changes to their individual markets as in a pre-pandemic era.

We are currently dealing with situations of uncertainty with restaurants, on-site schooling and, most importantly, the differences in the milk class prices. A few processors have been forced to ask their farmers to once again dump milk on the farm. This resulted in lost income to both the processing plant and the farmer, with no funds available this time to reimburse either for the loss.

How much volatility in the market will continue into 2021 as a result of the pandemic? This can be an especially devastating situation when considering that approximately 60% of our milk is sold out of state. When those markets change, sometimes drastically (e.g. closure of New York City Schools that are served by PA processors), the effects can be devastating. In this most recent situation with milk dumping I have been told that a lack of balancing capacity to handle the oversupply resulting from lower milk prices is a major culprit.

I suppose it is time to dust off the soapbox and reiterate my calls to address 2017 and 2019 recommendations by the Center for Dairy Excellence and Legislative Budget and Finance Committee reports, respectively, for construction of at least two dairy manufacturing plants within the commonwealth. I also would like to see some creative financing opportunities for a processors' collective to construct a balancing operation.

PMMB supports efforts to finance and construct facilities that will aid farmers and processors in addressing ongoing milk market volatility. We are also available to respond to questions and concerns. I can be reached at 717-210-8244 and by email at chardbarge@pa.gov.