

PA Milk Marketing Board
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PMMB and the Four-Legged Stool Revisited

I wrote some time ago about the relationship that we are trying to build with our constituent groups—producers, processors, retailers and consumers—and how the health of the dairy industry depends on their interdependence. One group that was not mentioned specifically as part of those we serve is the cooperative.

If you are a dairy farmer in Pennsylvania there is about a 70 percent chance that you are a cooperative member. For some, this provides great convenience, for others it is not a matter of choice. Cooperatives are owned by their members, are operated by a board that is made up of members and, generally, pool resources for distribution as determined by the member board.

The relationship between PMMB and dairy cooperatives is unique in that in certain circumstances they function as a single producer and at other times they are milk dealers. Some cooperatives own fluid milk processing plants or they manufacture non-Class I products. They also function as producers to market members' milk to other processing facilities.

I would estimate that at least 50 percent of the questions that are posed to me and others in our office relate to cooperatives and how they distribute their income, particularly the Over Order Premium (OOP). Our responses are always to tell people that we have no authority under the law to tell the cooperatives how to distribute income, including the OOP. We know there are issues but can do nothing without changes in the law.

That said, I want to talk about the positive aspects of cooperatives in Pennsylvania, especially since I have previously written about how we work with independent milk dealers. Specifically, I want to talk about what I have observed and read about in recent months regarding milk dumping due to COVID-19 disruptions in the supply chain.

How about these three scenarios? One involves independent dairy producers who dump milk two days and do not get paid for the milk. The second scenario involves cooperative members who dump milk and are paid something for it; the third, members of that same cooperative who did not dump milk yet receive deductions on their checks related to other members' dumping. Each of these scenarios occurred in Pennsylvania.

I have spoken on the phone with farmers who did not get paid for their dumped milk; I have spoken with the processors who painfully had to make the decision to ask their farmers for help. I have also spoken with cooperative members who dumped milk and were paid something for it. And, let's not forget the persons who work for the cooperatives and had to make decisions how to handle the millions of pounds of milk that could not be sold.

Perhaps the most empathy can be given to the coop farmers who did not dump yet received a deduction on their milk checks—part of the cost of being a cooperative member, yet I think it

should also be looked at as part of the strength of the cooperative. As with any business, they operate to generate revenue, but that revenue belongs to and is shared by their individual members. In times of distress, the members also share in losses.

The Board and Staff view cooperatives as our equal partners with producers, independent milk processors, retailers and consumers to work toward the health of the overall dairy industry. Our goal is to move forward with consideration of solutions to problems in the industry, utilizing our role to bring all our constituent groups, including cooperatives, to the table for meaningful discussions. We have found them (cooperatives) to be willing partners in these efforts.

PMMB is always available to address questions and concerns. I can be reached at 717-210-8244 or by email at chardbarge@pa.gov.