

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

OVER - ORDER PREMIUM HEARING

ALL MILK MARKETING AREAS

March 1, 2016

Testimony of Dean Ellinwood

Presented on behalf of the Pennsylvania Association of Dairy Cooperatives,

Dairy Farmers of America, Inc., Dairy Marketing Services, LLC,

Lanco Dairy Farms Co-op, Inc., Land O'Lakes, Inc., and

Maryland and 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 Vice President of Sales and Marketing for Dairy Marketing Services. Dairy Marketing Services, or DMS, is a cooperative venture that markets approximately fifteen billion pounds of milk annually, representing approximately 5,400 dairy farms throughout the Northeast and Mid-Atlantic areas. DMS works with 140 independent milk haulers that pick-up an average of 700 loads of milk per day. DMS farm milk is delivered to approximately 60 customers representing more than 100 dairy plants.

My primary functions include managing the operations of the DMS sales and marketing, transportation, and dispatch teams, and overseeing our dairy economics.

Thank you for the opportunity to testify today on behalf of the Pennsylvania Association of Dairy Cooperatives (PADC) and specifically, on behalf of approximately three thousand eight hundred (3,800) producers in Pennsylvania who market their milk through PADC members and whose milk check is impacted every month by the PMMB over-order premium price.

Northeast Milk Marketing Conditions

Since the last Over-Order Premium hearing, there have been a few dairy plant developments in the Northeast marketplace surrounding Pennsylvania.

Fage's yogurt plant in Johnstown, NY, is receiving additional volumes of milk. Cayuga Milk Ingredients plant expansion in Aurelius, NY is expected to be completed in February 2016.

Lanco's Hancock, MD plant is expected to begin receiving milk this summer.

Comparison to Nearby Markets

For the immediate surrounding areas of Pennsylvania, milk is predominately sold to Class I plants at an over-order price that is the same for all milk delivered to the plant, regardless of the classification of the milk. Thus, this does not provide us with a direct comparison to the PMMB Over-Order Premium level for Class I milk only. For processing plants that are predominately Class I, the range of service provided by the milk Seller and the range of the over-order price on all milk delivered is negotiated between the Buyer and Seller.

Pennsylvania Farm Milk Production

The most recent USDA Milk Production Report, for the month of December 2015, (PADC Exhibit 2, page 3) estimates the top 23 states milk production increased 0.7 percent, while Pennsylvania's farm milk production did not show any growth compared to December 2014.

The USDA Milk Production report also estimates October through December 2015 Pennsylvania farm milk production declined 0.6 percent (PADC Exhibit 2, page 6) compared to the same timeframe of 2014.

As John Rutherford's testimony details, the US farm milk price has declined substantially from 2014 to 2015 and further declines are expected during 2016. Due to this, our office is receiving multiple calls per week from dairy farmers telling us they are having a very difficult time financially and are contemplating selling out.

Summary

Pennsylvania farm milk production has not kept pace with the national average and is losing ground over the fourth quarter of 2015. Our dairy farmers have seen a drastic reduction in the price paid to them, with little price change expected through the third quarter of 2016. We also continue to see some plant expansions in the Northeast that will draw upon the area milk supply. For these reasons, The Pennsylvania Association of Dairy Cooperatives requests the Board maintain the current Over-Order Premium of \$1.60/cwt. plus the current fuel adjuster formula.

On behalf of the approximately three thousand eight hundred (3,800) Pennsylvania dairy farmers I represent, thank you for the opportunity to present this important information to the Milk Marketing Board.



Milk Production

ISSN: 1949-1557

Released January 22, 2016, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

December Milk Production up 0.7 Percent

Milk production in the 23 major States during December totaled 16.4 billion pounds, up 0.7 percent from December 2014. November revised production at 15.6 billion pounds, was up 0.7 percent from November 2014. The November revision represented an increase of 26 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,894 pounds for December, 6 pounds above December 2014. This is the highest production per cow for the month of December since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.64 million head, 29,000 head more than December 2014, and 1,000 head more than November 2015.

October-December Milk Production up 0.6 Percent

Milk production in the United States during the October - December quarter totaled 51.2 billion pounds, up 0.6 percent from the October - December quarter last year.

The average number of milk cows in the United States during the quarter was 9.32 million head, 6,000 head more than the July - September quarter, and 33,000 head more than the same period last year.

Monthly Milk Production – 23 Selected States

Million pounds

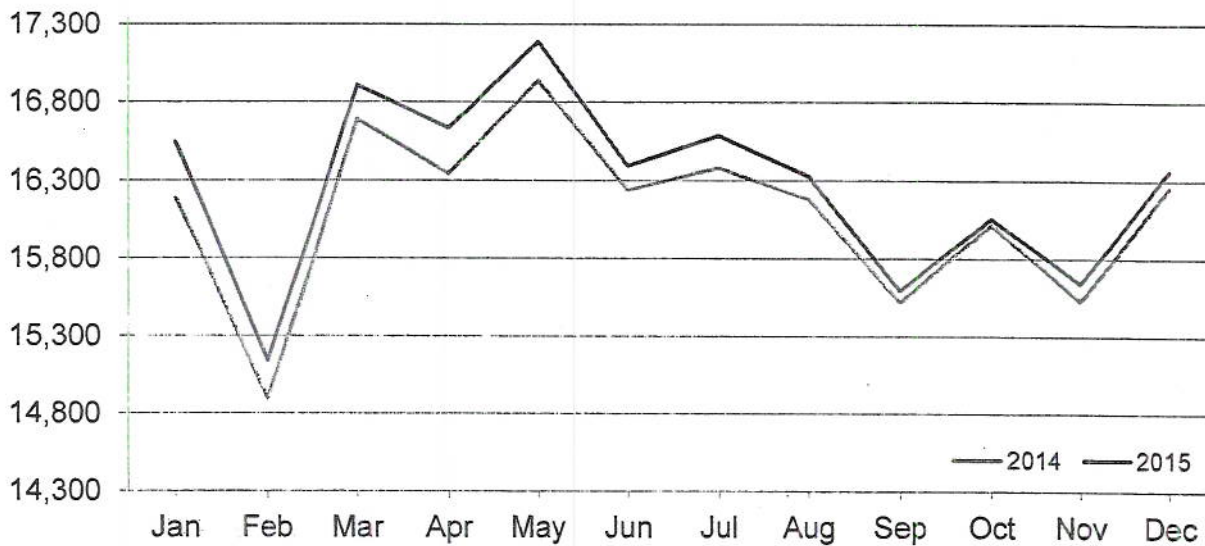


EXHIBIT 2

Milk Cows and Production by Quarter – United States: 2014-2015

[May not add due to rounding]

Quarter	Milk cows ¹		Milk per cow ²		Milk production ²		
	2014	2015	2014	2015	2014	2015	Change from 2014
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
January-March	9,216	9,305	5,536	5,583	51,020	51,949	1.8
April-June	9,253	9,320	5,717	5,757	52,897	53,654	1.4
July-September	9,270	9,314	5,520	5,546	51,173	51,651	0.9
October-December	9,287	9,320	5,487	5,498	50,956	51,240	0.6
Annual	9,257	9,315	22,258	22,383	206,046	208,494	1.2

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

Milk Cows and Production By Month – 23 Selected States: 2014-2015

Month	Milk cows ¹		Milk per cow ²		Milk production ²		
	2014	2015	2014	2015	2014	2015	Change from 2014
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
January	8,516	8,620	1,901	1,919	16,186	16,544	2.2
February	8,516	8,620	1,749	1,756	14,892	15,139	1.7
March	8,530	8,622	1,957	1,961	16,690	16,907	1.3
April	8,547	8,626	1,912	1,928	16,344	16,633	1.8
May	8,558	8,630	1,979	1,992	16,934	17,187	1.5
June	8,572	8,628	1,895	1,900	16,241	16,394	0.9
July	8,583	8,628	1,909	1,922	16,381	16,586	1.3
August	8,585	8,634	1,885	1,891	16,184	16,331	0.9
September	8,593	8,633	1,806	1,806	15,519	15,595	0.5
October	8,594	8,635	1,864	1,860	16,017	16,058	0.3
November	8,598	8,639	1,806	1,811	15,527	15,642	0.7
December	8,611	8,640	1,888	1,894	16,256	16,362	0.7
Annual	8,567	8,630	22,551	22,639	193,171	195,378	1.1

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

Estimated Milk Cows and Production By Month – United States: 2014-2015

Month	Milk cows ¹		Milk per cow ²		Milk production ²		
	2014	2015	2014	2015	2014	2015	Change from 2014
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
January	9,212	9,304	1,876	1,900	17,284	17,680	2.3
February	9,212	9,304	1,727	1,740	15,907	16,189	1.8
March	9,223	9,306	1,933	1,943	17,829	18,080	1.4
April	9,240	9,315	1,892	1,911	17,480	17,800	1.8
May	9,252	9,323	1,956	1,970	18,094	18,369	1.5
June	9,267	9,321	1,869	1,876	17,323	17,485	0.9
July	9,268	9,312	1,881	1,897	17,435	17,666	1.3
August	9,268	9,314	1,858	1,867	17,224	17,385	0.9
September	9,274	9,315	1,781	1,782	16,514	16,600	0.5
October	9,277	9,317	1,840	1,837	17,071	17,118	0.3
November	9,284	9,321	1,783	1,789	16,551	16,675	0.7
December	9,299	9,322	1,864	1,872	17,334	17,447	0.7
Annual	9,257	9,315	22,258	22,383	206,046	208,494	1.2

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

EXHIBIT 2

Milk Cows and Production – 23 Selected States: December 2014 and 2015

[May not add due to rounding]

State	Milk cows ¹		Milk per cow ²		Milk production ²		Change from 2014
	2014	2015	2014	2015	2014	2015	
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
Arizona	194	195	2,055	2,000	399	390	-2.3
California	1,780	1,776	1,950	1,895	3,471	3,366	-3.0
Colorado	145	148	2,115	2,130	307	315	2.6
Florida	124	125	1,675	1,690	208	211	1.4
Idaho	579	587	1,995	1,990	1,155	1,168	1.1
Illinois	94	94	1,680	1,720	158	162	2.5
Indiana	180	184	1,865	1,890	336	348	3.6
Iowa	209	210	1,930	1,955	403	411	2.0
Kansas	143	142	1,870	1,855	267	263	-1.5
Michigan	402	412	2,080	2,125	836	876	4.8
Minnesota	460	460	1,705	1,755	784	807	2.9
New Mexico	323	319	2,060	1,955	665	624	-6.2
New York	615	620	1,890	1,940	1,162	1,203	3.5
Ohio	268	266	1,710	1,720	458	458	-
Oregon	125	126	1,655	1,690	207	213	2.9
Pennsylvania	530	530	1,705	1,705	904	904	-
South Dakota	98	110	1,890	1,900	185	209	13.0
Texas	470	461	1,870	1,850	879	853	-3.0
Utah	96	96	1,940	1,910	186	183	-1.6
Vermont	132	131	1,705	1,725	225	226	0.4
Virginia	93	91	1,630	1,620	152	147	-3.3
Washington	277	277	1,970	1,980	546	548	0.4
Wisconsin	1,274	1,280	1,855	1,935	2,363	2,477	4.8
23-State Total	8,611	8,640	1,888	1,894	16,256	16,362	0.7

- Represents zero.

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

Monthly Milk per Cow – 23 Selected States

Pounds

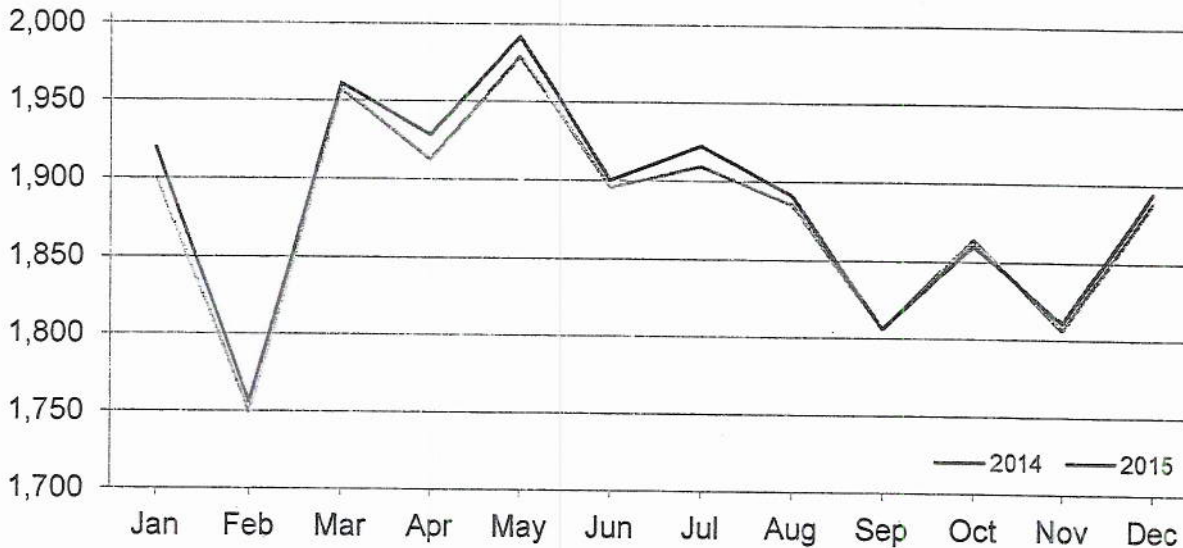


EXHIBIT 2

Milk Cows and Production – 23 Selected States: November 2014 and 2015

[May not add due to rounding]

	Milk cows ¹		Milk per cow ²		Milk production ²		Change from 2014
	2014	2015	2014	2015	2014	2015	
	(1,000 head)	(1,000 head)	(pounds)	(pounds)	(million pounds)	(million pounds)	(percent)
Arizona	193	195	1,945	1,900	375	371	-1.1
California	1,780	1,776	1,885	1,805	3,355	3,206	-4.4
Colorado	145	147	2,035	2,075	295	305	3.4
Florida	123	125	1,535	1,530	189	191	1.1
Idaho	579	587	1,925	1,935	1,115	1,136	1.9
Illinois	93	94	1,580	1,600	147	150	2.0
Indiana	179	184	1,775	1,800	318	331	4.1
Iowa	208	210	1,835	1,850	382	389	1.8
Kansas	143	142	1,790	1,770	256	251	-2.0
Michigan	399	411	1,970	2,050	786	843	7.3
Minnesota	460	460	1,610	1,660	741	764	3.1
New Mexico	323	322	1,975	1,915	638	617	-3.3
New York	615	620	1,805	1,850	1,110	1,147	3.3
Ohio	267	266	1,620	1,635	433	435	0.5
Oregon	124	125	1,615	1,630	200	204	2.0
Pennsylvania	530	530	1,615	1,615	856	856	-
South Dakota	98	109	1,795	1,830	176	199	13.1
Texas	470	462	1,785	1,785	839	825	-1.7
Utah	96	96	1,865	1,840	179	177	-1.1
Vermont	132	131	1,630	1,640	215	215	-
Virginia	92	90	1,550	1,545	143	139	-2.8
Washington	276	277	1,905	1,910	526	529	0.6
Wisconsin	1,273	1,280	1,770	1,845	2,253	2,362	4.8
23-State Total	8,598	8,639	1,806	1,811	15,527	15,642	0.7

- Represents zero.

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

Monthly Milk Cows – 23 Selected States

Thousand head

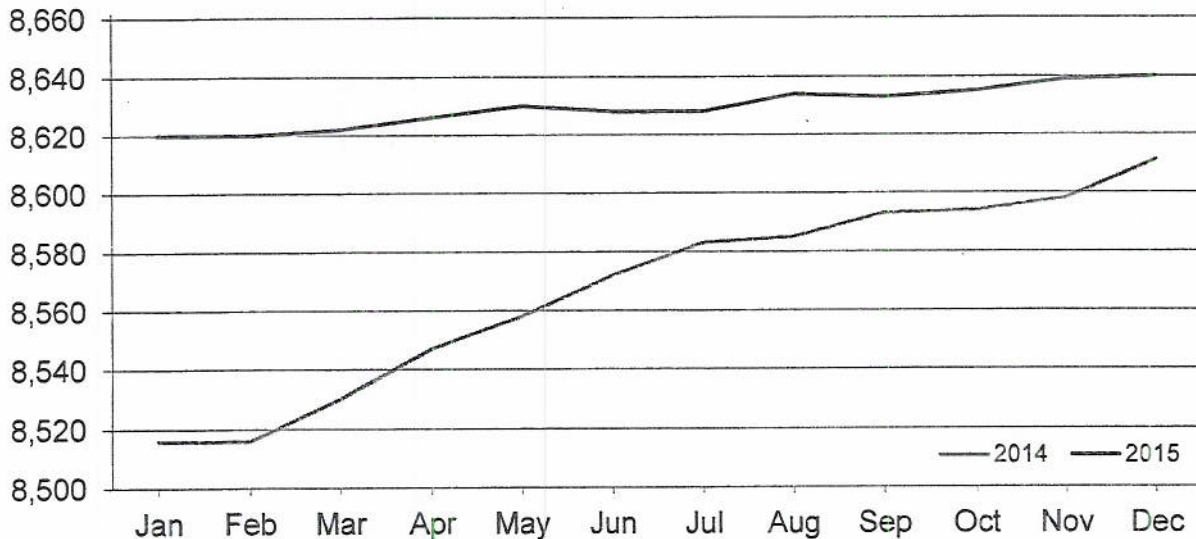


EXHIBIT 2

Milk Cows and Production – States and United States: Revised July - September 2014 and 2015

[May not add due to rounding]

State	July - September milk cows ¹		July - September milk production ²		Change from 2014
	2014	2015	2014	2015	
	(1,000 head)	(1,000 head)	(million pounds)	(million pounds)	(percent)
Alabama	8.0	7.5	23.0	21.0	-8.7
Alaska	0.3	0.3	0.9	0.9	-
Arizona	193.0	195.0	1,092.0	1,102.0	0.9
Arkansas	7.5	7.0	22.0	20.0	-9.1
California	1,779.0	1,778.0	10,264.0	9,920.0	-3.4
Colorado	145.0	145.0	920.0	953.0	3.6
Connecticut	19.0	19.5	95.0	98.0	3.2
Delaware	4.8	5.0	23.0	23.0	-
Florida	123.0	125.0	578.0	589.0	1.9
Georgia	81.0	84.0	392.0	421.0	7.4
Hawaii	2.2	2.2	7.5	9.0	20.0
Idaho	579.0	586.0	3,582.0	3,623.0	1.1
Illinois	94.0	94.0	443.0	450.0	1.6
Indiana	179.0	182.0	973.0	995.0	2.3
Iowa	208.0	211.0	1,153.0	1,185.0	2.8
Kansas	143.0	144.0	774.0	780.0	0.8
Kentucky	60.0	60.0	229.0	249.0	8.7
Louisiana	14.0	13.0	42.0	37.0	-11.9
Maine	30.0	30.0	154.0	151.0	-1.9
Maryland	49.0	48.0	238.0	239.0	0.4
Massachusetts	12.5	12.0	58.0	54.0	-6.9
Michigan	395.0	410.0	2,460.0	2,591.0	5.3
Minnesota	460.0	460.0	2,270.0	2,358.0	3.9
Mississippi	12.5	10.5	40.0	31.0	-22.5
Missouri	88.0	88.0	337.0	324.0	-3.9
Montana	14.0	14.0	76.0	75.0	-1.3
Nebraska	54.0	57.0	297.0	323.0	8.8
Nevada	28.0	29.0	176.0	179.0	1.7
New Hampshire	14.0	14.0	70.0	70.0	-
New Jersey	7.0	7.0	31.0	31.0	-
New Mexico	323.0	323.0	2,012.0	1,941.0	-3.5
New York	615.0	619.0	3,488.0	3,576.0	2.5
North Carolina	45.0	46.0	228.0	235.0	3.1
North Dakota	16.0	16.0	80.0	84.0	5.0
Ohio	266.0	266.0	1,363.0	1,376.0	1.0
Oklahoma	40.0	38.0	163.0	161.0	-1.2
Oregon	123.0	122.0	635.0	622.0	-2.0
Pennsylvania	530.0	530.0	2,650.0	2,658.0	0.3
Rhode Island	0.9	0.9	4.3	4.0	-7.0
South Carolina	15.0	15.0	59.0	58.0	-1.7
South Dakota	97.0	107.0	533.0	605.0	13.5
Tennessee	45.0	43.0	176.0	172.0	-2.3
Texas	470.0	462.0	2,524.0	2,507.0	-0.7
Utah	96.0	96.0	562.0	566.0	0.7
Vermont	132.0	132.0	673.0	667.0	-0.9
Virginia	93.0	91.0	433.0	432.0	-0.2
Washington	273.0	275.0	1,665.0	1,662.0	-0.2
West Virginia	9.0	8.5	34.0	34.0	-
Wisconsin	1,271.0	1,280.0	7,037.0	7,354.0	4.5
Wyoming	6.0	6.0	33.0	35.0	6.1
United States	9,270.0	9,314.0	51,173.0	51,651.0	0.9

- Represents zero.

¹ Includes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

EXHIBIT 2

Milk Cows and Production – States and United States: Preliminary October - December 2014 and 2015

[May not add due to rounding]

State	October - December milk cows ¹		October - December milk production ²		
	2014	2015	2014	2015	Change from 2014
	(1,000 head)	(1,000 head)	(million pounds)	(million pounds)	(percent)
Alabama	8.0	7.0	25.0	22.0	-12.0
Alaska	0.3	0.3	0.9	0.8	-11.1
Arizona	194.0	195.0	1,155.0	1,137.0	-1.6
Arkansas	7.0	7.0	22.0	20.0	-9.1
California	1,780.0	1,776.0	10,259.0	9,815.0	-4.3
Colorado	145.0	147.0	907.0	939.0	3.5
Connecticut	19.0	19.0	95.0	98.0	3.2
Delaware	4.9	5.0	24.3	23.6	-2.9
Florida	123.0	125.0	578.0	586.0	1.4
Georgia	81.0	85.0	397.0	431.0	8.6
Hawaii	2.2	2.2	7.2	7.8	8.3
Idaho	579.0	587.0	3,434.0	3,499.0	1.9
Illinois	93.0	94.0	454.0	463.0	2.0
Indiana	179.0	184.0	980.0	1,018.0	3.9
Iowa	208.0	210.0	1,175.0	1,198.0	2.0
Kansas	143.0	142.0	788.0	775.0	-1.6
Kentucky	62.0	60.0	248.0	256.0	3.2
Louisiana	14.0	13.0	47.0	42.0	-10.6
Maine	30.0	30.0	149.0	149.0	-
Maryland	49.0	49.0	243.0	240.0	-1.2
Massachusetts	12.5	12.0	55.0	53.0	-3.6
Michigan	399.0	411.0	2,438.0	2,580.0	5.8
Minnesota	460.0	460.0	2,286.0	2,351.0	2.8
Mississippi	12.0	10.0	45.0	34.0	-24.4
Missouri	88.0	88.0	337.0	326.0	-3.3
Montana	14.0	14.0	74.0	73.0	-1.4
Nebraska	54.0	58.0	304.0	340.0	11.8
Nevada	28.0	28.0	174.0	166.0	-4.6
New Hampshire	14.0	14.0	69.0	70.0	1.4
New Jersey	7.0	7.0	31.0	30.0	-3.2
New Mexico	323.0	321.0	1,965.0	1,884.0	-4.1
New York	615.0	620.0	3,428.0	3,534.0	3.1
North Carolina	47.0	47.0	239.0	241.0	0.8
North Dakota	16.0	16.0	79.0	83.0	5.1
Ohio	267.0	266.0	1,341.0	1,347.0	0.4
Oklahoma	40.0	37.0	170.0	167.0	-1.8
Oregon	124.0	125.0	616.0	623.0	1.1
Pennsylvania	530.0	530.0	2,650.0	2,635.0	-0.6
Rhode Island	0.9	0.9	4.1	3.8	-7.3
South Carolina	15.0	15.0	61.0	61.0	-
South Dakota	98.0	109.0	541.0	614.0	13.5
Tennessee	47.0	43.0	189.0	173.0	-8.5
Texas	470.0	462.0	2,576.0	2,530.0	-1.8
Utah	96.0	96.0	550.0	542.0	-1.5
Vermont	132.0	131.0	662.0	660.0	-0.3
Virginia	92.0	90.0	440.0	430.0	-2.3
Washington	276.0	277.0	1,621.0	1,625.0	0.2
West Virginia	9.0	8.5	34.0	33.0	-2.9
Wisconsin	1,273.0	1,280.0	6,956.0	7,277.0	4.6
Wyoming	6.0	6.0	32.0	34.4	7.5
United States	9,287.0	9,320.0	50,956.0	51,240.0	0.6

- Represents zero.

¹ Excludes dry cows. Excludes heifers not yet fresh.

² Excludes milk sucked by calves.

EXHIBIT 2

Statistical Methodology

Survey Procedures: Primary data used to determine these estimates were obtained from a sample of producers. Individual States maintain a list of all known milk producers and information on the size of their herd. States use all known sources of producers to ensure that their lists are as complete as possible. Generally, all large producers and a sample of small producers are included in the survey. Questionnaires are mailed to producers near the end of the month to obtain data for the first day of the month. Additional reports are obtained by telephone, as needed, to supplement the mail response. Where feasible, States utilize state and federal administrative data to estimate milk production. This eliminates duplication of data gathering by different government agencies. Indications of milk cow inventory are also obtained in the January Cattle Surveys.

Estimation Procedures: State offices prepare these estimates by using a combination of survey indications, historic trends, and any available administrative data. Individual State estimates are reviewed by the Agricultural Statistics Board for reasonableness.

Revision Policy: Milk production, milk per cow, and number of milk cows are subject to revision the following month after initial publication for monthly States or the following quarter for the quarterly States. Normally, administrative data from Federal Market Orders, State Departments of Agriculture, or other sources are the main basis for revisions. However, administrative data for all States may not be available in time for these revisions. Estimates are again subject to revisions in February each year based on additional administrative data. In the event that additional changes are necessary, a third revision is possible in February the following year. Estimates are again reviewed after data from the five-year Census of Agriculture are available. No revisions are made after that date.

Reliability: Since all operations with dairy animals are not included in the sample, survey estimates are subject to sampling variability. Survey results are also subject to non-sampling errors such as omissions, duplications, and mistakes in reporting, recording, and processing the data. The effects of these errors cannot be measured directly. They are minimized through rigid quality controls in the data collection process and through a careful review of all reported data for consistency and reasonableness.

To assist users in evaluating the reliability of the estimates in this report, the "Root Mean Square Error" is shown for selected items on the next page. The "Root Mean Square Error" is a statistical measure based on past performance and is computed using the differences between first and final estimates. The "Root Mean Square Error" for milk cow inventory estimates over the past 20 quarters is 0.1 percent. This means that chances are 2 out of 3 that the final estimate will not be above or below the current estimate of 9.32 million head by more than 0.1 percent. Chances are 9 out of 10 that the difference will not exceed 0.1 percent.

Reliability of Quarterly Milk Production Estimates

[Based on data for the past 20 quarters]

Item	Root mean square error	90 percent confidence level	Difference between first and latest estimate				
			Average	Smallest	Largest	Quarters	
						Below latest	Above latest
	(percent)	(percent)	(1,000)	(1,000)	(1,000)	(number)	(number)
Milk production	0.1	0.2	48	2	141	17	3
All milk cows	0.1	0.1	4	0	13	14	4

EXHIBIT 2

Information Contacts

Listed below are the commodity specialists in the Livestock Branch of the National Agricultural Statistics Service to contact for additional information. E-mail inquiries may be sent to nass@nass.usda.gov.

Dan Kerestes, Chief, Livestock Branch	(202) 720-3570
Scott Hollis, Head, Livestock Section	(202) 690-2424
Sherry Bertramsen – Livestock Slaughter	(202) 720-3240
Doug Bounds – Hogs and Pigs	(202) 720-3106
David Colwell – Sheep and Goats	(202) 720-8784
Donnie Fike – Dairy Products	(202) 690-3236
Michael Klamm – Cattle, Cattle on Feed	(202) 720-3040
Mike Miller – Milk Production and Milk Cows	(202) 720-3278

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- All reports are available electronically, at no cost, on the NASS web site: <http://www.nass.usda.gov>
- Both national and state specific reports are available via a free e-mail subscription. To set-up this free subscription, visit <http://www.nass.usda.gov> and click on “National” or “State” in upper right corner above “search” box to create an account and select the reports you would like to receive.

For more information on NASS surveys and reports, call the NASS Agricultural Statistics Hotline at (800) 727-9540, 7:30 a.m. to 4:00 p.m. ET, or e-mail: nass@nass.usda.gov.

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BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

OVER - ORDER PREMIUM HEARING

ALL MILK MARKETING AREAS

March 1, 2016

Testimony of John Rutherford

Presented on behalf of the Pennsylvania Association of Dairy Cooperatives,

Dairy Farmers of America, Inc., Dairy Marketing Services, LLC,

Lanco Dairy Farms Co-op, Inc., Land O'Lakes, Inc., and

Maryland and Virginia Milk Producers' Cooperative Association, Inc.

Submitted February 4, 2016

PADC Exhibit 3

My name is John Rutherford. I am the newly installed Director of Economics, Planning, and Operations for DFA-Northeast Council, in Syracuse New York. I come to DFA after 8 years as Director of Milk/Dairy procurement for two cheese companies located here in the Northeast. The most recent company had a patron supply in nearby Lancaster County. I have testified in two hearings in California (to CDFA and the State Legislature) regarding dairy pricing issues. Prior to the cheese companies, I worked for the Legislative and Economic Affairs Department at the International Dairy Foods Association (IDFA) where I also testified at a Class I differential hearing for the Southeast and provided analysis of the various proposals included in the most recent hearing of the Class III and IV make allowances in the FMMO system. Before IDFA I was a Farm Management Agent for Penn State Extension, working in Lebanon, Berks, and Dauphin counties where most of my work was with dairy farmers. I have a Bachelor's degree in Economics from the University of Michigan and an MS in Agricultural Economics from Michigan State University. For more information on my background, a CV is attached as PADC Exhibit 4.

Thank you for the opportunity to testify today on behalf of the Pennsylvania Association of Dairy Cooperatives (PADC), whose members include: Dairy Farmers of America, Inc.; Dairy Marketing Services, LLC; Lanco Dairy Farms Co-op, Inc.; Maryland and Virginia Milk Producers' Cooperative Association, Inc. ("The Cooperatives"). Together these cooperatives represent more than one-half of the Commonwealth's dairy farmers.

The Notice of Hearing declares this hearing is concerned with the level and duration of the Class I over-order premium to become effective April 1, 2016. The cooperatives request that the Board continue the current premium as directed in OGO A-991 of \$1.60/cwt for a period of six months.

The economic conditions that warranted OGO A-991 have not improved for Pennsylvania dairy producers over the past year. It is not reasonable to expect improvement in the resulting margin per cwt of milk that will be produced in 2016. The price of milk declined in 2015 and is predicted to remain depressed in 2016. Feed price outlooks are mixed- some potentially rising, some flat, some potentially falling. Any change in feed price is not expected to be of the magnitude to offset lower milk prices.

Milk Price

The Pennsylvania All-Milk price in 2015 averaged \$18.41/cwt through November, down 29% from \$25.86/cwt over the same period in 2014 (see PADC Exhibit 5). The All-Milk price is the amount that producers were paid in a month, including premiums, based on prices and component levels from the previous month. Because prices reached all-time record highs in 2014, comparison to that year may appear skewed. Even if we took an average of the 4 years prior (2010-2013) we would find that the 2015 All-Milk price was down \$1.99/cwt, or 10%.

For 2016, prices are expected to be flat or even lower for the majority of the year, if not all year long. Most of the milk in Pennsylvania is subject to the rules of Federal Milk Marketing Order #1 (the "Northeast" order). The price for milk in the Northeast order is a blended average of the values of milk and milk solids utilized in one of four use classifications of milk. The starting points for setting these prices are the reported market prices for cheese, butter, NFDM, and dry whey. These prices are converted into Class III or Class IV prices, and then differentials are added to determine the Class II and Class I prices. PADC Exhibit 5 shows these

Class price averages for 2015, what they are expected to average using CME futures for 2016, and what USDA has recently predicted.

Class III prices in 2016 are expected to be \$1 or more below where they were in 2015, according to USDA (PADC Exhibit 6). Class IV is forecasted to be anywhere from slightly higher to \$0.65 lower. If these base prices are going to be flat to lower in 2016, the ultimate prices received by Pennsylvania dairy producers in the coming year will be similar, at best, or lower than in 2015.

The lower futures prices for Class III and IV are due to growing inventories of dairy products, low international prices, and a strong US dollar exchange rate. According to the last USDA Cold Storage report (PADC Exhibit 7), butter stocks are up 46% over December 31, 2014, and natural cheese stocks are 13% higher. Nonfat-dry milk and dry whey are slightly below or even (respectively) with last year's inventory levels, but those levels are 35% higher than the 5-year averages for those products (PADC Exhibit 5). As long as these stock situations continue, the milk price outlook will remain depressed.

Feed Cost

Feed costs are less easy to pinpoint, since any given farm can feed its own ration for a number of different reasons. As a proxy to the general movement of feed costs, I suggest looking at the costs of the ingredients included in USDA's 16% protein dairy feed ration used to calculate the Milk:Feed ratio. This ratio is an indicator of tight margins on a per cwt basis on dairy farms. To calculate a ratio, USDA has to imply a feed cost. This feed cost stems from the costs of corn grain, soybean meal, and alfalfa hay. I will not include any proportionality to these

prices, as I am only presenting their individual movements as an indicator of total feed costs on the farm.

The average price of corn in Pennsylvania dropped 37 cents in 2015 to \$3.97/bu (PADC Exhibit 8). This is the lowest average price for corn grain since before 2010. USDA reports that corn grain for the US averaged \$3.70/bu over the 2014-2015 marketing year [Sept- Aug] (PADC Exhibit 6). Comparing this to the USDA prediction of \$3.30-\$3.90/bu for the 2015-2016 marketing year shows that corn grain through this marketing season is likely to remain similar to last year.

There is not an average price of soybean meal reported for Pennsylvania (see PADC Exhibit 9). In fact, the closest is a price series on soybeans in only the neighboring state of Ohio. Similar to Pennsylvania corn, Ohio soybeans experienced its lowest price in 2015 since 2010, at \$9.73/bu, down 23% from 2014 (PADC Exhibit 8). USDA's reported marketing year average price of soybeans was \$10.10/bu, down 22% from the prior year (PADC Exhibit 6), which are relatively close to those for Ohio over a calendar year (PADC Exhibit 8). USDA is calling for soybeans to average between \$8.05 and \$9.55 over the 2015-16 marketing year (PADC Exhibit 6). This indicates another drop in the cost of soybeans in Ohio is coming, and one can reasonably expect that whatever the cost of soybeans in Pennsylvania for 2015, it should be lower for 2016. Further, USDA does make a prediction that the US average cost of soybean meal will be down 21% in 2016 (PADC Exhibit 6). Unless there is a localized incident from weather, transportation, or some other 'event', it is safe to conclude that soybean meal cost in Pennsylvania will be lower in 2016.

Contradicting the above movements of grain costs, the Alfalfa Hay price was up 11% last year in Pennsylvania, averaging more than \$237/ ton (PADC Exhibit 8). Potential exists for feeding a slightly lower quality (hence cheaper) hay and making up the nutritional difference by increasing soybean meal supplement, especially since the soybean meal price is expected to decline. This substitution effect would slow the rate of further price increases farmers are willing to pay for alfalfa hay.

Reviewing the feed ingredients separately has provided mixed results. Corn is likely to be flat-to-down, soybean meal is expected to be cheaper, and alfalfa hay likely to be more expensive with competitive pressure to hold the increase in check.

Conclusion

Dairy farm margins are expected to decrease in 2016. The price levels for feeds are not expected to change significantly while the price of milk is expected to fall. With less revenue per cwt, even if the cost stays the same, there will be less money available to the producer. I showed above that the outlook for milk points to lower prices through 2016. On the cost side, there is some potential for relief, but that is limited. Costs for feed to maintain high-output cows appears more stable (relative to milk price expectations) but depending on the ingredient could rise or fall somewhat in the next year. Lower milk prices coupled with flat feed costs mean that margins for dairy farmers will be reduced over the coming months. The situation warrants continuation of the \$1.60/ cwt over-order premium.

Thank you, Members of the Board, for this opportunity to testify.

EXHIBIT 4

John D. Rutherford, Jr. *Curriculum Vitae*

Education

Michigan State University, East Lansing, MI (1993-1995)
Master of Science Degree in Agricultural Economics
Thesis entitled "An Analysis of the Managerial Decision to Purchase All Feedstuffs on Michigan Dairy Farms".
University of Michigan, Ann Arbor, MI (1984-1989)
Bachelor of Arts Degree in Economics
Minor line of study in Accounting

Employment

Dairy Farmers of America- Northeast Council, East Syracuse, NY
December 2015 to present
Director of Economics, Planning, and Operations
Alouette Cheese-USA, New Holland, PA
March 2012- December 2015
Director- Dairy Procurement
Lactalis American Group, Buffalo, NY
2008- 2012
Corporate Director- Milk Procurement
International Dairy Foods Association, Washington, DC
2000-2008
Assistant Director of Economic Analysis
Penn State University Extension, Lebanon, Berks, and Dauphin Counties
1997 – 2000
Farm Management Agent
Pennsylvania Dairy-MAP
1996 - 1997
West Region Coordinator

Professional Designations

Board Member- Dairy Institute of California (2010-2012)
Board Member- Northeast Dairy Foods Association (2011-2012)
Member- Northeast Dairy Leadership Team (2009-2011)

Professional/Community Activities

Coordinator- Lebanon County Hazardous Waste Collection (2000)
Manager- Capital Hill Ice Cream Party (2001-2007)

Publications

Extension Corner- articles for Lebanon Daily News (1997-2000)
Dairy Herd Management Software pamphlet for Lebanon County Extension (1999)
Farm Accounting Software pamphlet for Lebanon County Extension (1999)
Dairy Herd Management Software article for Hoards Dairyman (1999)
Quarterly Fluid Market research reports for MilkPEP (2000-2008)
Quarterly Market Research Reports for Frozen Dairy, Cultured Dairy, and Cheese for member subscribers (2000-2008)

Testimony

Class I Differentials in FMMOs 5, 6 and 7 Tampa Bay, FL (May 2007)
California Legislature Hearing for Assembly Bill 31 Sacramento, CA (May 2013)
CDFA hearing on whey price adjuster (June 2015)

EXHIBIT 5

	2015	Predicted for 2016 by	
	Actual	CME Futures	USDA
Class III	15.80	14.86	14.05 - 14.85
Class IV	14.35	14.40	13.70 - 14.60

Sources: USDA, World Agricultural Supply and Demand Estimates; and Chicago Mercantile Exchange (CME)

	<u>III</u>	<u>IV</u>
Jan	13.73	13.31
Feb	13.89	13.76
Mar	13.88	14.02
Apr	14	14.11
May	14.25	14.35
Jun	14.65	14.43
Jul	15.04	14.53
Aug	15.5	14.69
Sep	15.74	14.97
Oct	15.92	14.92
Nov	15.88	14.91
Dec	15.85	14.84
Average	14.86	14.40

Source: CME website

NFDM/SMP	2014	218,942	
	2015	200,524	
	5yr avg	146,919	-36.5%
Whey	2014	64,288	
	2015	64,643	
	5yr avg	47,898	-35.0%

Source: USDA-NASS, Dairy Products

EXHIBIT 6



World Agricultural Supply and Demand Estimates

ISSN: 1554-9089

Office of the
Chief Economist

Agricultural Marketing Service
Farm Service Agency

Economic Research Service
Foreign Agricultural Service

WASDE - 549

Approved by the World Agricultural Outlook Board

January 12, 2016

WHEAT: Feed and residual use for 2015/16 is lowered 30 million bushels reflecting disappearance for June-November as indicated by the December 1 stocks released in the *Grain Stocks* report. Seed use is lowered 6 million bushels on the winter wheat planted area reported today in the *Winter Wheat Seedings* report. U.S. supplies for 2015/16 are lowered 6 million bushels on reduced imports and slightly lower beginning stocks. Projected 2015/16 ending stocks are raised 30 million bushels. The 2015/16 season average farm price range is narrowed 10 cents on both the high and low ends to \$4.90 to \$5.10 per bushel.

Global wheat supplies for 2015/16 are raised 1.2 million tons on both increased beginning stocks and production. World wheat production remains record high and is raised 0.5 million tons led by 0.5-million-ton increases for both Russia and Pakistan and a 0.3-million-ton increase for the EU. Partly offsetting is a 0.7-million-ton reduction for Uruguay and a 0.4-million-ton reduction for Brazil; both reductions are on updated government statistics and reflect crop damage from excessive rain. World wheat trade for 2015/16 is down fractionally with several, mostly offsetting, changes. Global use is reduced, mostly in the United States. With supplies increasing and use reduced, ending stocks are raised 2.2 million tons to a record 232.0 million tons. This total is 9 percent larger than the previous stocks record set last year.

COARSE GRAINS: U.S. feed grain supplies for 2015/16 are lowered as small increases in corn and sorghum imports and sorghum production are more than offset by a reduction in corn production. Harvested area for corn is raised slightly, but the national average yield is estimated 0.9 bushel per acre lower than the previous forecast at 168.4 bushels per acre. Corn production for 2015/16 is estimated 53 million bushels lower, but remains the third largest crop on record at 13.6 billion. Sorghum production is estimated 3 million bushels higher as an increase in harvested area more than offsets a reduction in yield.

Total projected corn use for 2015/16 is reduced slightly with lower projected food, seed, and industrial use and exports. Feed and residual use is unchanged as September-November disappearance, as indicated by the December 1 stocks, was largely in line with expectations. Corn used to produce ethanol is unchanged, but projected use for sweeteners is lowered 10 million bushels. Exports are lowered 50 million bushels based on the slow pace of sales and shipments to date and continued strong competition from South American suppliers. Corn ending stocks are projected 17 million bushels higher at 1.8 billion bushels, stocks remain the highest since 2005/06. The projected range for the 2015/16 season-average corn farm price is lowered 5 cents on each end to \$3.30 to \$3.90 per bushel reflecting weakness in export demand and recent declines in cash and futures prices. The sorghum farm price is lowered 20 cents at the midpoint to a range of \$3.05 to \$3.55 per bushel reflecting the weakening relationship to cash corn prices in interior markets.

Global coarse grain supplies for 2015/16 are projected 6.8 million tons lower mostly on lower corn production for South Africa and the United States and lower rye production for Russia. Foreign coarse grain supplies are lowered 5.9 million tons. Corn production is lowered 4.0

EXHIBIT 6

January 2016

WASDE - 549 - 12

U.S. Feed Grain and Corn Supply and Use 1/

FEED GRAINS	2013/14	2014/15 Est.	2015/16 Proj. Dec	2015/16 Proj. Jan
		<i>Million Acres</i>		
Area Planted	109.9	103.5	103.7	103.1
Area Harvested	98.1	93.1	92.7	93.0
		<i>Metric Tons</i>		
Yield per Harvested Acre	3.74	4.05	3.97	3.94
		<i>Million Metric Tons</i>		
Beginning Stocks	23.5	34.3	46.9	46.9
Production	366.9	377.1	367.9	366.6
Imports	3.0	3.2	2.8	3.2
Supply, Total	393.4	414.5	417.6	416.7
Feed and Residual	133.5	139.3	140.7	140.7
Food, Seed & Industrial	171.1	171.6	174.1	173.9
Domestic, Total	304.6	310.9	314.9	314.6
Exports	54.5	56.7	53.0	51.7
Use, Total	359.1	367.6	367.8	366.3
Ending Stocks	34.3	46.9	49.8	50.4
CORN				
		<i>Million Acres</i>		
Area Planted	95.4	90.6	88.4	88.0
Area Harvested	87.5	83.1	80.7	80.7
		<i>Bushels</i>		
Yield per Harvested Acre	158.1	171.0	169.3	168.4
		<i>Million Bushels</i>		
Beginning Stocks	821	1,232	1,731	1,731
Production	13,829	14,216	13,654	13,601
Imports	36	32	30	40
Supply, Total	14,686	15,479	15,415	15,372
Feed and Residual	5,040	5,315	5,300	5,300
Food, Seed & Industrial 2/	6,493	6,568	6,580	6,570
Ethanol & by-products 3/	5,124	5,209	5,200	5,200
Domestic, Total	11,534	11,883	11,880	11,870
Exports	1,920	1,864	1,750	1,700
Use, Total	13,454	13,748	13,630	13,570
Ending Stocks	1,232	1,731	1,785	1,802
Avg. Farm Price (\$/bu) 4/	4.46	3.70	3.35 - 3.95	3.30 - 3.90

Note: Totals may not add due to rounding. 1/ Marketing year beginning September 1 for corn and sorghum; June 1 for barley and oats. 2/ For a breakout of FSI corn uses, see Feed Outlook table 5 or access the data on the Web through the Feed Grains Database at www.ers.usda.gov/data-products/feed-grains-database.aspx. 3/ Corn processed in ethanol plants to produce ethanol and by-products including distillers' grains, corn gluten feed, corn gluten meal, and corn oil. 4/ Marketing-year weighted average price received by farmers.

EXHIBIT 6

January 2016

WASDE - 549 - 15

U.S. Soybeans and Products Supply and Use (Domestic Measure) 1/

SOYBEANS	2013/14	2014/15 Est.	2015/16 Proj. Dec	2015/16 Proj. Jan
		<i>Million Acres</i>		
Area Planted	76.8	83.3	83.2	82.7
Area Harvested	76.3	82.6	82.4	81.8
		<i>Bushels</i>		
Yield per Harvested Acre	44.0	47.5	48.3	48.0
		<i>Million Bushels</i>		
Beginning Stocks	141	92	191	191
Production	3,358	3,927	3,981	3,930
Imports	72	33	30	30
Supply, Total	3,570	4,052	4,203	4,150
Crushings	1,734	1,873	1,890	1,890
Exports	1,638	1,843	1,715	1,690
Seed	97	96	92	92
Residual	10	49	41	39
Use, Total	3,478	3,862	3,738	3,711
Ending Stocks	92	191	465	440
Avg. Farm Price (\$/bu) 2/	13.00	10.10	8.15 - 9.65	8.05 - 9.55
<hr/>				
SOYBEAN OIL				
		<i>Million Pounds</i>		
Beginning Stocks	1,655	1,165	1,820	1,820
Production 4/	20,130	21,399	21,850	21,925
Imports	165	264	225	265
Supply, Total	21,950	22,828	23,895	24,010
Domestic Disappearance	18,908	18,994	19,450	19,600
Biodiesel 3/	5,010	5,037	5,400	5,500
Food, Feed & other Industrial	13,898	13,958	14,050	14,100
Exports	1,877	2,014	2,300	2,300
Use, Total	20,785	21,008	21,750	21,900
Ending stocks	1,165	1,820	2,145	2,110
Avg. Price (c/lb) 2/	38.23	31.60	28.50 - 31.50	28.50 - 31.50
<hr/>				
SOYBEAN MEAL				
		<i>Thousand Short Tons</i>		
Beginning Stocks	275	250	260	260
Production 4/	40,685	45,062	44,865	44,715
Imports	383	333	325	325
Supply, Total	41,343	45,645	45,450	45,300
Domestic Disappearance	29,547	32,235	33,300	33,300
Exports	11,546	13,150	11,850	11,700
Use, Total	41,093	45,384	45,150	45,000
Ending Stocks	250	260	300	300
Avg. Price (\$/s.t.) 2/	489.94	368.49	290.00 - 330.00	270.00 - 310.00

Note: Totals may not add due to rounding. Reliability calculations at end of report. 1/ Marketing year beginning September 1 for soybeans; October 1 for soybean oil and soybean meal. 2/ Prices: soybeans, marketing year weighted average price received by farmers; oil, simple average of crude soybean oil, Decatur; meal, simple average of 48 percent protein, Decatur. 3/ Reflects only biodiesel made from methyl ester as reported by the U.S. Energy Information Administration. 4/ Based on an October year crush of 1,903 million bushels for 2014/15 and 1,890 million bushels for 2015/16.



Cold Storage

ISSN: 1948-903X

Released January 22, 2016, by the National Agricultural Statistics Service (NASS), Agricultural Statistics Board, United States Department of Agriculture (USDA).

Highlights

Total natural cheese stocks in refrigerated warehouses on December 31, 2015 were down slightly from the previous month but up 13 percent from December 31, 2014.

Butter stocks were up 15 percent from last month and up 46 percent from a year ago.

Total frozen poultry supplies on December 31, 2015 were down 1 percent from the previous month but up 18 percent from a year ago. Total stocks of chicken were down 2 percent from the previous month but up 21 percent from last year. Total pounds of turkey in freezers were up 5 percent from last month and up 3 percent from December 31, 2014.

Total frozen fruit stocks were down 8 percent from last month but up 7 percent from a year ago.

Total frozen vegetable stocks were down 6 percent from last month but up 3 percent from a year ago.

Total red meat supplies in freezers were down 1 percent from the previous month but up 12 percent from last year. Total pounds of beef in freezers were up 1 percent from the previous month and up 16 percent from last year. Frozen pork supplies were down 3 percent from the previous month but up 8 percent from last year. Stocks of pork bellies were up 30 percent from last month and up 13 percent from last year.

EXHIBIT 7

Nuts, Dairy Products, Frozen Eggs, and Frozen Poultry in Cold Storage – United States: December 31, 2015 with Comparisons

Commodity	Stocks in all warehouses			December 31, 2015 as a percent of		Public warehouse stocks
	December 31, 2014	November 30, 2015	December 31, 2015	December 31, 2014	November 30, 2015	December 31, 2015
	(1,000 pounds)	(1,000 pounds)	(1,000 pounds)	(percent)	(percent)	(1,000 pounds)
Nuts						
Shelled						
Pecans	45,067	32,057	34,221	76	107	
In-Shell						
Pecans	84,740	42,466	106,998	126	252	
Dairy products						
Butter	104,728	132,740	152,890	146	115	131,837
Natural cheese						
American	627,769	698,313	700,688	112	100	
Swiss	21,282	22,665	24,587	116	108	
Other	368,885	425,601	420,541	114	99	
Total natural cheese	1,017,936	1,146,579	1,145,816	113	100	722,572
Frozen eggs						
Whites	3,574	3,634	3,817	107	105	
Yolks	1,471	1,096	1,169	79	107	
Whole and mixed	10,148	16,419	19,030	188	116	
Unclassified	15,525	14,864	16,887	109	114	
Total frozen eggs	30,718	36,013	40,903	133	114	40,487
Frozen poultry						
Chicken						
Broilers, fryers, and roasters	11,425	10,955	15,041	132	137	
Hens, mature chickens	3,030	10,382	7,657	253	74	
Breasts and breast meat	159,121	171,403	171,432	108	100	
Drumsticks	26,331	31,377	37,300	142	119	
Leg quarters	128,638	156,951	139,878	109	89	
Legs	15,748	23,599	19,199	122	81	
Thigh and thigh quarters	13,088	17,407	18,323	140	105	
Thigh Meat	24,547	27,846	24,719	101	89	
Wings	58,720	84,073	78,564	134	93	
Paws and feet	29,346	20,209	21,650	74	107	
Other	242,512	327,693	328,362	135	100	
Total chicken	712,506	881,895	862,125	121	98	
Turkey						
Whole turkeys						
Toms	30,715	24,341	22,379	73	92	
Hens	28,841	34,334	31,218	108	91	
Total whole turkeys	59,556	58,675	53,597	90	91	
Breasts	29,860	30,415	35,806	120	118	
Legs	9,964	11,200	13,649	137	122	
Mechanically deboned meat	6,582	7,189	8,118	123	113	
Other	28,465	22,658	26,025	91	115	
Unclassified	59,002	60,131	62,867	107	105	
Total turkey	193,429	190,268	200,062	103	105	
Ducks	2,231	6,488	6,581	295	101	
Total frozen poultry	908,166	1,078,651	1,068,768	118	99	996,120

EXHIBIT 8

Monthly Prices Received by Farmers

Source: USDA- National Ag Statistics Service, Agricultural Prices

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average	
PA Corn	2010	3.89	3.89	3.92	3.74	3.79	3.84	4.03	4.15	4.90	5.44	5.59	5.86	4.42
	2011	6.34	6.82	6.88	7.23	7.08	7.73	7.54	8.52	7.02	6.91	6.79	6.63	7.12
	2012	6.73	7.07	7.03	6.99	6.89	6.89	7.75	8.59	7.45	7.37	7.19	7.31	7.27
	2013	7.39	7.36	7.30	6.99	7.14	7.27	6.67	6.10	5.15	4.15	3.99	4.16	6.14
	2014	4.50	4.61	4.87	5.05	5.10	4.74	4.21	3.97	3.69	3.52	3.75	3.95	4.33
	2015	4.11	4.07	4.08	4.06	3.70	3.94	4.01	4.08	3.97	3.79	3.77	3.93	3.96

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average	
PA Alfalfa	2010	156	153	160	135	130	145	149	140	150	142	135	145	145
	2011	153	163	159	165	155	175	217	177	161	187	180	194	174
	2012	183	224	228	216	200	172	175	198	189	180	221	238	202
	2013	199	209	204	235	221	201	207	189	178	194	200	200	203
	2014	198	199	204	233	230	224	198	187	204	234	223	240	215
	2015	242	238	244	245	238	244	240	205	217	249	253	231	237

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average	
OH Beans	2010	9.93	9.87	9.73	9.68	9.50	9.82	10.20	10.70	10.20	10.60	11.60	12.10	10.33
	2011	11.90	12.60	12.90	12.90	13.50	13.40	13.50	13.60	13.50	11.90	11.80	11.80	12.78
	2012	12.20	12.60	13.50	13.70	14.30	14.20	15.70	16.50	14.80	14.30	14.30	14.50	14.22
	2013	14.60	14.80	14.80	14.50	14.90	15.30	15.70	14.60	13.00	12.30	12.70	13.10	14.19
	2014	13.10	13.40	14.10	14.50	15.00	14.80	13.30	13.10	11.10	10.10	10.40	10.60	12.79
	2015	10.70	10.30	10.10	9.83	9.71	10.10	10.30	10.20	8.88	8.80	8.83	9.06	9.73



Agricultural Prices

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Special Note

USDA's National Agricultural Statistics Service is updating the rounding for the Prices Received and Prices Paid 2011=100 Index series beginning with the February 2016 *Agricultural Prices* report.
http://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Prices/updateFeb2016.pdf

December Farm Prices Received Index Decreased 2.2 Percent

The December Prices Received Index (Agricultural Production), at 90, decreased 2.2 percent from November. At 84, the Crop Production Index increased 2.4 percent. At 97, the Livestock Production Index decreased 7.6 percent. Producers received lower prices for market eggs, cattle, milk, and calves but higher prices for broilers, grapes, corn, and celery. In addition to prices, the indexes are influenced by the monthly mix of commodities producers market. Increased monthly movement of oranges, milk, broilers, and wheat offset the decreased marketing of corn, grapes, soybeans, and calves.

The Prices Received Index is down 11 percent from the previous year. The Food Commodities Index, at 97, decreased 4.0 percent from the previous month and is down 16 percent from December 2014.

December Prices Paid Index Down 1.9 Percent

The December Index of Prices Paid for Commodities and Services, Interest, Taxes, and Farm Wage Rates (PPITW), at 104, is down 1.9 percent from November and 6.3 percent below December 2014. Lower prices in December for feeder cattle, concentrates, complete feeds, and diesel offset higher prices for nitrogen, feeder pigs, feed grains, and hay & forages.

Prices Received, Prices Paid, and Ratio of Prices Received to Prices Paid Indexes 2011 Base – United States: December 2015 with Comparisons

Index Group	December 2014	November 2015	December 2015
Prices received by farmers	101	92	90
Prices paid by farmers	111	106	104
Ratio of prices received to prices paid	91	87	87

EXHIBIT 9

Prices Received for Corn – States and United States: December 2015 with Comparisons

State	December 2014 (dollars per bushel)	November 2015 (dollars per bushel)	December 2015 (dollars per bushel)
Colorado	4.13	3.72	3.66
Illinois	3.81	3.69	3.79
Indiana	3.80	3.99	3.88
Iowa	3.79	3.53	3.53
Kansas	3.90	3.72	3.63
Kentucky	3.95	3.76	3.96
Michigan	3.63	3.50	3.56
Minnesota	3.73	3.43	3.44
Missouri	3.62	3.75	3.80
Nebraska	3.79	3.62	3.64
North Carolina	4.51	4.21	4.41
North Dakota	3.49	3.26	3.23
Ohio	3.90	3.87	4.01
Pennsylvania	3.95	3.77	3.93
South Dakota	3.43	3.28	3.32
Tennessee	4.26	3.98	4.01
Texas	4.50	4.03	4.12
Wisconsin	3.69	3.42	3.38
United States	3.79	3.60	3.65

Prices Received for Soybeans – States and United States: December 2015 with Comparisons

State	December 2014 (dollars per bushel)	November 2015 (dollars per bushel)	December 2015 (dollars per bushel)
Arkansas	10.70	9.25	9.32
Illinois	10.50	8.92	8.99
Indiana	10.50	8.77	8.95
Iowa	10.00	8.58	8.45
Kansas	9.75	8.21	8.27
Kentucky	10.70	9.11	9.22
Louisiana	10.90	9.89	9.67
Michigan	10.10	8.30	8.40
Minnesota	10.10	8.51	8.55
Mississippi	11.10	9.62	9.83
Missouri	10.30	8.89	8.91
Nebraska	9.88	8.33	8.36
North Carolina	10.10	8.49	8.36
North Dakota	9.82	8.21	8.23
Ohio	10.60	8.83	9.06
South Dakota	9.85	8.51	8.26
Tennessee	10.70	9.15	9.21
Wisconsin	10.00	8.36	8.44
United States	10.30	8.68	8.76

EXHIBIT 9

Prices Received for Hay by Type – States and United States: December 2015 with Comparisons

State	All hay			Alfalfa hay			Other hay		
	December 2014	November 2015	December 2015	December 2014	November 2015	December 2015	December 2014	November 2015	December 2015
	(dollars per ton)	(dollars per ton)	(dollars per ton)	(dollars per ton)	(dollars per ton)	(dollars per ton)	(dollars per ton)	(dollars per ton)	(dollars per ton)
Arizona	201.00	141.00	141.00	200.00	140.00	140.00	220.00	200.00	200.00
California	207.00	152.00	157.00	220.00	160.00	165.00	160.00	120.00	120.00
Colorado	200.00	159.00	159.00	200.00	160.00	160.00	195.00	150.00	150.00
Idaho	199.00	178.00	188.00	200.00	180.00	190.00	170.00	150.00	150.00
Illinois	159.00	145.00	150.00	180.00	160.00	170.00	115.00	100.00	110.00
Iowa	132.00	120.00	110.00	144.00	125.00	120.00	105.00	95.00	94.00
Kansas	140.00	101.00	105.00	154.00	110.00	114.00	92.00	80.00	76.00
Kentucky	118.00	131.00	139.00	195.00	215.00	220.00	95.00	110.00	115.00
Michigan	163.00	187.00	144.00	180.00	200.00	160.00	140.00	170.00	130.00
Minnesota	140.00	93.00	93.00	158.00	109.00	105.00	94.00	76.00	73.00
Missouri	91.00	93.00	95.00	170.00	160.00	170.00	75.00	75.00	80.00
Montana	123.00	124.00	119.00	125.00	125.00	120.00	115.00	120.00	110.00
Nebraska	94.00	84.00	85.00	98.00	89.00	89.00	85.00	75.00	76.00
Nevada	235.00	166.00	161.00	235.00	165.00	160.00	220.00	195.00	175.00
New Mexico	223.00	179.00	179.00	235.00	185.00	185.00	145.00	145.00	145.00
New York	136.00	192.00	173.00	222.00	200.00	225.00	132.00	192.00	170.00
North Dakota	83.00	79.00	77.00	85.00	80.00	78.00	59.00	58.00	57.00
Ohio	144.00	152.00	150.00	175.00	200.00	200.00	120.00	120.00	110.00
Oklahoma	93.00	124.00	136.00	193.00	162.00	180.00	86.00	68.00	83.00
Oregon	216.00	207.00	186.00	240.00	220.00	200.00	190.00	190.00	170.00
Pennsylvania	212.00	241.00	234.00	240.00	253.00	231.00	208.00	235.00	234.00
South Dakota	112.00	102.00	107.00	119.00	107.00	111.00	94.00	87.00	92.00
Texas	82.00	95.00	97.00	233.00	212.00	205.00	67.00	76.00	82.00
Utah	179.00	160.00	160.00	180.00	160.00	160.00	145.00	130.00	130.00
Washington	210.00	169.00	169.00	210.00	165.00	160.00	210.00	180.00	185.00
Wisconsin	154.00	88.00	91.00	165.00	93.00	98.00	95.00	68.00	64.00
Wyoming	136.00	117.00	111.00	140.00	120.00	115.00	125.00	100.00	100.00
United States ...	156.00	142.00	142.00	180.00	150.00	150.00	122.00	127.00	129.00

Prices Received for Apples – States and United States: December 2015 with Comparisons

[Equivalent packinghouse-door returns for California, Michigan, New York, Pennsylvania, and Washington. Prices at point of first sale for other States]

State	Apples, fresh use		
	December 2014	November 2015	December 2015
	(dollars per pound)	(dollars per pound)	(dollars per pound)
California	(S)	(S)	(S)
Michigan	0.385	0.330	0.335
New York	0.300	0.326	0.298
Pennsylvania	0.312	0.294	0.379
Virginia	0.270	0.250	0.250
Washington	0.314	0.430	0.477
United States	0.318	0.403	0.454

(S) Insufficient number of reports to establish an estimate.

EXHIBIT 9

Prices Received for All Milk – States and United States: December 2015 with Comparisons

[Before deduction for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies]

State	December 2014		November 2015		December 2015	
	Price	Fat test	Price	Fat test	Price	Fat test
	(dollars per cwt)	(percent)	(dollars per cwt)	(percent)	(dollars per cwt)	(percent)
Arizona	19.60	3.57	17.60	3.63	16.70	3.62
California	17.90	3.81	16.12	3.82	15.82	3.88
Colorado	21.60	3.70	19.00	3.75	18.10	3.78
Florida	26.90	3.65	22.20	3.64	21.50	3.62
Idaho	19.40	3.92	17.60	3.97	16.70	4.02
Illinois	21.20	3.98	18.30	3.89	17.40	3.89
Indiana	21.20	3.82	19.00	3.84	17.50	3.85
Iowa	20.90	3.82	18.00	3.93	17.20	3.93
Kansas	20.60	3.90	18.20	3.85	16.70	3.89
Michigan	20.50	3.78	17.80	3.75	16.50	3.74
Minnesota	20.50	3.96	17.70	4.00	17.00	4.01
New Mexico	19.40	3.70	17.50	3.72	16.00	3.78
New York	22.30	3.90	20.00	3.88	18.80	3.86
Ohio	21.80	3.91	19.60	3.86	17.80	3.89
Oregon	21.70	4.09	19.80	4.12	18.80	4.14
Pennsylvania	22.60	3.86	20.30	3.85	19.20	3.85
South Dakota	21.20	4.08	19.00	4.16	18.20	4.18
Texas	20.70	4.00	19.10	4.04	17.80	4.08
Utah	21.50	3.84	18.40	3.95	17.80	4.00
Vermont	22.80	3.93	20.10	3.89	19.00	3.86
Virginia	25.00	3.81	21.40	3.81	20.20	3.79
Washington	21.30	4.09	19.40	4.12	18.30	4.14
Wisconsin	20.70	3.85	18.20	3.85	17.20	3.85
United States	20.40	3.86	18.20	3.87	17.20	3.89

Prices Received for Milk Cows – States and United States: January 2016 with Comparisons

[Animals sold for dairy herd replacement only. Quarterly United States milk cow prices are based on revised milk cow inventory]

State	January 2015	October 2015	January 2016
	(dollars per head)	(dollars per head)	(dollars per head)
Arizona	2,000.00	2,100.00	1,900.00
California	1,800.00	2,100.00	1,800.00
Colorado	2,100.00	2,000.00	1,900.00
Florida	2,170.00	2,030.00	1,800.00
Idaho	2,000.00	2,050.00	1,850.00
Illinois	2,100.00	1,900.00	1,850.00
Indiana	2,100.00	1,900.00	1,800.00
Iowa	2,030.00	1,980.00	1,860.00
Kansas	2,100.00	1,900.00	1,830.00
Michigan	2,200.00	2,100.00	2,000.00
Minnesota	1,870.00	1,820.00	1,730.00
New Mexico	2,000.00	1,900.00	1,900.00
New York	1,910.00	1,750.00	1,700.00
Ohio	2,000.00	1,800.00	1,750.00
Oregon	2,000.00	1,950.00	1,850.00
Pennsylvania	2,000.00	1,820.00	1,780.00
South Dakota	1,980.00	1,850.00	1,700.00
Texas	2,100.00	2,000.00	1,850.00
Utah	1,900.00	1,900.00	1,700.00
Vermont	1,980.00	1,870.00	1,830.00
Virginia	2,060.00	1,880.00	1,770.00
Washington	1,950.00	1,950.00	1,800.00
Wisconsin	2,160.00	2,050.00	1,910.00
United States	1,990.00	1,980.00	1,830.00