

**BEFORE THE PENNSYLVANIA MILK MARKETING BOARD  
OVER - ORDER PREMIUM HEARING  
ALL MILK MARKETING AREAS  
December 7, 2022**

**Rebuttal Testimony of Troye Cooper**

Presented on behalf of Maryland & Virginia Milk Producers' Cooperative  
Association, Inc.

Good day, my name is Troye Cooper. My business address is 1985 Isaac Newton 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. (MDVA).

Maryland & Virginia is a milk marketing cooperative that markets the milk of its 940 member owners spanning ten states along the east coast from New York to South Carolina with 750 of those members located in Pennsylvania. Thank you for the opportunity to present our rebuttal testimony to you today. Just to be clear, I am offering this testimony on behalf of MDVA and NOT on behalf of the entire Pennsylvania Dairy Cooperatives Association (PADC) of which we are a member.

Recently included in the Findings of Fact #43 when OGO A-1014 was posted on September 21<sup>st</sup>, 2022, this Board mentioned that “The Board reminds the industry and interested parties that while many may think of the over-order premium as a premium disconnected from the Milk Marketing Law’s minimum price setting requirements, **the over-order premium is actually a component of the minimum producer price.** Section 801 of the Law requires the Board to establish minimum producer prices that allow producers to recover their cost of production plus a reasonable profit. The over-order premium is the method the Board has chosen to attempt to meet Section 801’s requirement. Section 801 of the Law also requires the Board establish minimum wholesale and retail prices on fluid milk.”

It is in that spirit that I testify before you today that this Board must consider increasing the over-order premium from the current \$1.00 per cwt to \$2.00 per hundred weight to help ensure a reasonable profit to Pennsylvania dairy producers. While it is well known that the cost of production can vary tremendously among farms in different geographies and of different sizes, I

suggest to you that Pennsylvania dairy farmers (generally of smaller size) have production cost disadvantages to those in surrounding states which are predominantly of larger size.

The current over-order premium of \$1.00 per hundredweight has been in place since the entry of OGA A-1002 which went into effect in April 2019. During that time, Pennsylvania milk production was more than sufficient to meet the needs of the consumer demands for fluid milk. Since then, we endured and navigated through a COVID pandemic which challenged both producers and consumers and to say the least, disrupted supply chains and the economy around the world. As we continue to find our way to a “new normal”, we must decipher all that is happening around us.

While we have seen very robust milk prices throughout 2022, helping to offset inflationary costs that are being incurred by dairy farmers, the outlook heading into 2023 isn't so rosy. As was testified to by both parties of the Pennsylvania State Grange, Pennsylvania dairy producers are facing strong headwinds related to production costs. One producer testified that one of their feed supplements, (Energy Booster-100) had increased 67% when compared to 2021. He also testified that one of the antibiotics that they use on their farm to treat infected animals (Today) was up 58.5% compared to 2021. Additionally, that producer testified that their electricity costs are up by 32% vs. 2021 even though they have worked hard and successfully reduced their on-farm electric usage in 2022. This is not unique to these two producers. After spending a week and a half on the road at our annual District meetings with our members in the first couple weeks of November, I have heard very similar figures from our members.

While we are seeing all milk production costs (in addition to feed and fuel) continue to escalate, we are also seeing the outlook for milk prices going into 2023 rather bleak. When compared to the 2022 YTD average Class I mover of \$23.76, the outlook of many expert dairy

economists for the first half of 2023 are forecasting in the \$20.00 to \$20.50 range. That is a decrease of 15% to 20%.

In Exhibit 1, we look at the USDA Dairy Margin Coverage (DMC) all-milk over feed costs margin for 2022 compared to the 2023 outlook. As of October 25<sup>th</sup>, the outlook indicates an all-milk over feed cost margin of \$10.28 per hundredweight for all of 2022 compared to an outlook of \$8.12 per hundredweight for 2023. That is a decrease in all-milk over feed margin of \$2.16 per hundredweight or 21% lower than 2022. This comparison only factors in the price of milk and the cost of feed. The additional inputs that have been mentioned above are not considered in this figure. With projected milk over feed margins narrowing dramatically and other dairy production input costs escalating in the 30-60% range, Pennsylvania dairy producers are about to face some difficult financial times.

Further underscoring justification for an increased over-order premium, Pennsylvania producers have fallen behind their regional counterparts when looking at mailbox prices. According to the Northeast Federal Milk Marketing Order website, for the months of February 2022 through July 2022, Pennsylvania producers' mailbox price was an average of \$0.36 per hundredweight lower than the average of the whole Federal Order during that period. See summary on Exhibit 2, ([https://www.fmmone.com/Statistical\\_Report/stat202209.pdf](https://www.fmmone.com/Statistical_Report/stat202209.pdf))

Despite higher milk prices, throughout 2022, Pennsylvania milk production has continued to decline vs 2021. According to the USDA milk production report, Exhibit 3, (<https://downloads.usda.library.cornell.edu/usda-esmis/files/h989r321c/3197zw874/st74f049d/mkpr1022.pdf>) Pennsylvania milk production for April through June 2022 was down 1.3% vs the same period of 2021. While slightly improved, July through September 2022 milk production remained 0.2% behind year-ago figures for the same

period. It is clear that Pennsylvania dairy producers need something to help them remain financially viable.

MDVA aligns with others that PMMB regulated premiums paid to Pennsylvania farmers above the federal order price should meet three (3) key criteria.

1. Uniform distribution of dollars among Pennsylvania dairy producers
2. The amount paid by Pennsylvania consumers should not substantially exceed what is distributed back to Pennsylvania dairy farmers
3. The distribution system used for the collection and distribution of such dollars must not provide incentives by which payment of the premium to Pennsylvania dairy farmers can be avoided by purchasing or selling milk across state lines

We maintain that changes in the way the over-order premium is collected and distributed are necessary. However, since we do not see any meaningful change in the way the over-order premium is collected and distributed in the near future, we must work within the current system that we have today. We cannot ignore the market forces that Pennsylvania dairy farmers are about to face. We must take advantage of the current regulated system that allows us to increase the price to consumers and allows processors to recover that price from the marketplace. In the end, this means more dollars available for ALL dairy farmers. And even though this may only mean a couple/few additional cents per hundredweight to our cooperative producers compared to the additional dimes per hundredweight that independent shippers supplying a Pennsylvania Class I plant may receive, it is still better for our farmers.

We have often heard in these hearings that “the minimum is the maximum” (referring to the minimum wholesale/retail price). We hope for the sake of Pennsylvania dairy farmers that this Board acknowledges its authority to set minimum producer prices and considers setting the new

over-order premium to the maximum level that the market can bear which we believe is \$2.00 per hundredweight. Consumers have been conditioned that everything just costs more today. A \$2.00 to \$2.50 decrease in the Class I mover equates to a reduction in price of (\$0.17) to (\$0.21) per gallon while the additional \$1.00 increase in the over-order premium would offset those declines by \$0.08 to \$0.09 per gallon. While the Federal Order market price for milk may be coming down, the costs of producing that milk are not and that must be reflected in the minimum price paid to the producer.

We maintain that the over-order premium should not be continued indefinitely without scrutiny as to whether the current system is reflective of today's marketplace and treats all Pennsylvania producers equitably. MDVA continues to support an alternative to the OOP which distributes premium dollars fairly and equitably. However, MDVA implores this Board to consider increasing the OOP to \$2.00 per hundredweight now to reflect the headwinds our members and all of Pennsylvania producers are facing in the coming months. Thank you for the opportunity to present our testimony before this Board today and we ask you to consider this testimony as you deliberate your decision.

# MDVA Exhibit 1 (page 1)

11-20-2022

## 2022 DMC Margins 2022 vs 2023 outlook

<https://dmc.dairymarkets.org/#/price-forecasts>



Coverage Selection		Net Benefit Forecasts		Price Forecasts		Historic Performance		Milk Price Payment Trigger Analysis	
Select Year:	Annual Historic Production ⓘ	Coverage Percentage:	Tier 1 Coverage Level: <span style="color: blue;">\$9.50</span>		Coverage Level		Choice (\$/cwt)	Covered Prod History (lbs)	Total Premium (\$/cwt)
2022 ▾	5,000,000	95% ▾	Tier 2 Coverage Level: <span style="color: blue;">\$8.00</span>		\$9.50	\$0.1500	4,750,000	\$7,125.00	\$0.00
					\$8.00	\$1.8130	0	\$0.00	\$7,125.00
							4,750,000		\$7,125.00
MONTH	ALL MILK PRICE FORECAST (\$/CWT)	CORN PRICE FORECAST (\$/BU)	PREMIUM/SUPREME ALFALFA HAY PRICE FORECAST (\$/TON)	SOYBEAN MEAL PRICE FORECAST (\$/TON)	FEED COST FORECAST (\$/CWT)	DMC MARGIN FORECAST (\$/CWT)			
Jan	\$24.20	\$5.57	\$262	\$421.21	\$12.66	\$11.54			
Feb	\$24.70	\$6.10	\$266	\$480.96	\$13.72	\$10.98			
Mar	\$25.90	\$6.56	\$269	\$493.98	\$14.35	\$11.55			
Apr	\$27.10	\$7.08	\$271	\$476.70	\$14.81	\$12.29			
May	\$27.30	\$7.26	\$274	\$438.40	\$14.76	\$12.54			
Jun	\$26.90	\$7.37	\$277	\$445.93	\$14.98	\$11.92			
Jul	\$25.70	\$7.25	\$333	\$467.87	\$15.78	\$9.92			
Aug	\$24.30	\$7.24	\$343	\$510.90	\$16.22	\$8.08			
Sep	\$23.14	\$7.09	\$315	\$510.90	\$15.67	\$7.47			
Oct	\$24.61	\$6.94	\$315	\$454.36	\$15.09	\$9.52			
Nov	\$24.25	\$6.73	\$327	\$437.15	\$14.91	\$9.34			
Dec	\$22.82	\$6.56	\$320	\$432.23	\$14.60	\$8.22			
2022	\$25.08	\$6.81	\$297.63	\$464.22	\$14.80	\$10.28			

\*Price and margin estimate date: October 25, 2022

# MDVA Exhibit 1 (page 2)

11-20-2022

## 2022 DMC Margins 2022 vs 2023 outlook

Coverage Selection		Net Benefit Forecasts		Price Forecasts		Historic Performance		Milk Price Payment Trigger Analysis	
Select Year:	Annual Historic Production <sup>i</sup>	Coverage Percentage:	Tier 1 Coverage Level: <span style="float:right">\$9.50</span>		Coverage Level	Choice (\$/cwt)	Covered Prod History (lbs)	Total Premium (\$/cw)	
2023 <span>▼</span>	5,000,000	95% <span>▼</span>			\$9.50	\$0.1500	4,750,000	\$7,125.0	
					\$8.00	\$1.8130	0	\$0.0	
							4,750,000	\$7,125.0	
MONTH	ALL MILK PRICE FORECAST (\$/CWT)	CORN PRICE FORECAST (\$/BU)	PREMIUM/SUPREME ALFALFA HAY PRICE FORECAST (\$/TON)	SOYBEAN MEAL PRICE FORECAST (\$/TON)	FEED COST FORECAST (\$/CWT)	DMC MARGIN FORECAST (\$/CWT)			
Jan	\$22.13	\$6.47	\$329	\$424.44	\$14.57	\$7.56			
Feb	\$22.06	\$6.42	\$329	\$417.91	\$14.47	\$7.59			
Mar	\$21.98	\$6.40	\$306	\$412.49	\$14.09	\$7.89			
Apr	\$21.79	\$6.38	\$293	\$410.08	\$13.87	\$7.92			
May	\$21.58	\$6.36	\$293	\$407.18	\$13.83	\$7.75			
Jun	\$21.56	\$6.32	\$287	\$405.77	\$13.69	\$7.87			
Jul	\$21.52	\$6.29	\$284	\$405.36	\$13.62	\$7.90			
Aug	\$21.62	\$6.18	\$284	\$404.01	\$13.49	\$8.13			
Sep	\$21.69	\$6.04	\$282	\$400.28	\$13.28	\$8.41			
Oct	\$21.74	\$5.93	\$281	\$394.60	\$13.10	\$8.64			
Nov	\$21.93	\$5.86	\$291	\$390.70	\$13.14	\$8.79			
Dec	\$21.95	\$5.77	\$285	\$391.33	\$12.97	\$8.98			
2023	\$21.80	\$6.20	\$295.22	\$405.35	\$13.68	\$8.12			

\*Price and margin estimate date: October 25, 2022



**MDVA Exhibit 1 (page 3)**

11-20-2022

**2022 DMC Margins 2022 vs 2023 outlook summary**

<b>DMC Outlook</b>	<b>Corn \$/bu</b>	<b>Premium Alfalfa \$/ton</b>	<b>Soybean Meal \$/ton</b>	<b>Milk \$/cwt</b>	<b>Feed \$/cwt</b>	<b>Final margin</b>
2022 Average	\$ 6.81	\$ 297.63	\$ 464.22	\$ 25.08	\$ 14.80	\$ 10.28
2023 Average	\$ 6.20	\$ 295.22	\$ 405.35	\$ 21.80	\$ 13.68	\$ 8.12
Change	\$ (0.61) -9%	\$ (2.41) -1%	\$ (58.87) -13%	\$ (3.28) -13%	\$ (1.12) -8%	<b>\$ (2.16)</b> <b>-21%</b>

**MDVA Exhibit 2 (page 1)**

11-20-2022

**PA Mailbox Prices vs. FO1 Mailbox prices**

[https://www.fmmone.com/Statistical\\_Report/stat202209.pdf](https://www.fmmone.com/Statistical_Report/stat202209.pdf)

<b>FO1 September 2022 Statistical Report</b>	<u>22-Feb</u>	<u>22-Mar</u>	<u>22-Apr</u>	<u>22-May</u>	<u>22-Jun</u>	<u>22-Jul</u>	<b>Average</b>
Mailbox Prices							
NE Order	\$ 24.76	\$ 25.46	\$ 26.62	\$ 26.52	\$ 26.49	\$ 25.87	\$ 25.95
PA	\$ 24.24	\$ 25.19	\$ 26.36	\$ 26.28	\$ 26.07	\$ 25.42	\$ 25.59
Difference	\$ 0.52	\$ 0.27	\$ 0.26	\$ 0.24	\$ 0.42	\$ 0.45	<b>\$ 0.36</b>

MDVA Exhibit 3 (page 1)

11-20-2022

PA Milk Cows and Production

**Milk Cows and Production – States and United States: Revised April - June 2021 and 2022**

[May not add due to rounding]

State	April - June milk cows <sup>1</sup>		April - June milk production <sup>2</sup>		Change from 2021
	2021	2022	2021	2022	
	(1,000 head)	(1,000 head)	(million pounds)	(million pounds)	(percent)
Alabama .....	3.0	2.5	11.0	9.0	-18.2
Alaska .....	(D)	(D)	(D)	(D)	(NA)
Arizona .....	201.0	200.0	1,287.0	1,277.0	-0.8
Arkansas .....	5.0	4.5	17.0	13.0	-23.5
California .....	1,719.0	1,722.0	10,821.0	10,754.0	-0.6
Colorado .....	205.0	206.0	1,337.0	1,347.0	0.7
Connecticut .....	19.0	18.5	113.0	111.0	-1.8
Delaware .....	3.0	2.8	14.0	12.9	-7.9
Florida .....	110.0	98.0	579.0	517.0	-10.7
Georgia .....	82.0	92.0	462.0	519.0	12.3
Hawaii .....	(D)	(D)	(D)	(D)	(NA)
Idaho .....	654.0	654.0	4,210.0	4,220.0	0.2
Illinois .....	83.0	80.0	462.0	446.0	-3.5
Indiana .....	196.0	186.0	1,186.0	1,129.0	-4.8
Iowa .....	228.0	233.0	1,405.0	1,454.0	3.5
Kansas .....	174.0	173.0	1,040.0	1,046.0	0.6
Kentucky .....	46.0	46.0	242.0	251.0	3.7
Louisiana .....	9.5	9.0	35.0	32.0	-8.6
Maine .....	27.0	26.0	149.0	144.0	-3.4
Maryland .....	43.0	41.0	229.0	216.0	-5.7
Massachusetts .....	10.0	9.5	52.0	49.0	-5.8
Michigan .....	445.0	427.0	3,061.0	2,973.0	-2.9
Minnesota .....	462.0	452.0	2,656.0	2,627.0	-1.1
Mississippi .....	7.5	7.0	29.0	26.0	-10.3
Missouri .....	72.0	68.0	283.0	263.0	-7.1
Montana .....	11.0	10.0	62.0	57.0	-8.1
Nebraska .....	58.0	58.0	359.0	359.0	-
Nevada .....	33.0	32.0	213.0	203.0	-4.7
New Hampshire .....	10.5	10.0	58.0	56.0	-3.4
New Jersey .....	4.4	4.3	24.0	23.0	-4.2
New Mexico .....	330.0	291.0	2,094.0	1,845.0	-11.9
New York .....	629.0	622.0	3,987.0	3,980.0	-0.2
North Carolina .....	40.0	39.0	239.0	239.0	-
North Dakota .....	15.0	14.0	86.0	81.0	-5.8
Ohio .....	260.0	250.0	1,447.0	1,402.0	-3.1
Oklahoma .....	40.0	40.0	181.0	186.0	2.8
Oregon .....	126.0	127.0	673.0	679.0	0.9
Pennsylvania .....	475.0	467.0	2,613.0	2,579.0	-1.3
Rhode Island .....	0.5	0.5	2.6	2.6	-
South Carolina .....	9.0	9.0	42.0	43.0	2.4
South Dakota .....	154.0	178.0	889.0	1,036.0	16.5
Tennessee .....	29.0	27.0	136.0	130.0	-4.4
Texas .....	622.0	644.0	3,971.0	4,197.0	5.7
Utah .....	97.0	94.0	576.0	560.0	-2.8
Vermont .....	119.0	118.0	655.0	647.0	-1.2
Virginia .....	73.0	70.0	380.0	369.0	-2.9
Washington .....	275.0	262.0	1,687.0	1,592.0	-5.6
West Virginia .....	5.0	5.0	19.0	20.0	5.3
Wisconsin .....	1,274.0	1,273.0	8,016.0	8,062.0	0.6
Wyoming .....	8.5	9.5	55.7	60.3	8.3
Other States <sup>3</sup> .....	0.9	1.0	1.3	1.3	-
United States .....	9,503.0	9,413.0	58,147.0	57,845.0	-0.5

- Represents zero.

(D) Withheld to avoid disclosing data for individual operations.

(NA) Not available.

<sup>1</sup> Includes dry cows. Excludes heifers not yet fresh.

<sup>2</sup> Excludes milk sucked by calves.

<sup>3</sup> Other States includes Alaska and Hawaii.

MDVA Exhibit 3 (page 2)

11-20-2022

PA Milk Cows and Production

**Milk Cows and Production – States and United States: Preliminary July - September 2021 and 2022**

[May not add due to rounding]

State	July - September milk cows <sup>1</sup>		July - September milk production <sup>2</sup>		Change from 2021
	2021	2022	2021	2022	
	(1,000 head)	(1,000 head)	(million pounds)	(million pounds)	(percent)
Alabama .....	2.5	2.5	8.0	7.0	-12.5
Alaska .....	(D)	(D)	(D)	(D)	(NA)
Arizona .....	196.0	198.0	1,082.0	1,098.0	1.5
Arkansas .....	4.5	4.0	13.0	10.0	-23.1
California .....	1,719.0	1,723.0	10,099.0	10,278.0	1.8
Colorado .....	201.0	206.0	1,321.0	1,354.0	2.5
Connecticut .....	19.0	18.5	105.0	106.0	1.0
Delaware .....	3.0	2.6	12.1	11.0	-9.1
Florida .....	106.0	95.0	493.0	436.0	-11.6
Georgia .....	82.0	93.0	425.0	485.0	14.1
Hawaii .....	(D)	(D)	(D)	(D)	(NA)
Idaho .....	652.0	657.0	4,193.0	4,291.0	2.3
Illinois .....	82.0	80.0	423.0	414.0	-2.1
Indiana .....	193.0	186.0	1,119.0	1,082.0	-3.3
Iowa .....	226.0	237.0	1,382.0	1,457.0	5.4
Kansas .....	171.0	174.0	1,008.0	1,036.0	2.8
Kentucky .....	45.0	45.0	212.0	220.0	3.8
Louisiana .....	9.0	8.5	25.0	23.0	-8.0
Maine .....	26.0	26.0	141.0	139.0	-1.4
Maryland .....	42.0	40.0	209.0	203.0	-2.9
Massachusetts .....	9.5	9.5	48.0	47.0	-2.1
Michigan .....	442.0	427.0	3,005.0	2,944.0	-2.0
Minnesota .....	461.0	453.0	2,655.0	2,665.0	0.4
Mississippi .....	7.0	6.5	22.0	19.0	-13.6
Missouri .....	70.0	67.0	237.0	227.0	-4.2
Montana .....	11.0	10.0	61.0	57.0	-6.6
Nebraska .....	58.0	57.0	351.0	348.0	-0.9
Nevada .....	33.0	32.0	203.0	203.0	-
New Hampshire .....	10.5	10.0	56.0	54.0	-3.6
New Jersey .....	4.2	4.3	21.0	21.0	-
New Mexico .....	311.0	286.0	1,829.0	1,740.0	-4.9
New York .....	629.0	624.0	3,895.0	3,949.0	1.4
North Carolina .....	39.0	39.0	217.0	215.0	-0.9
North Dakota .....	15.0	14.0	85.0	81.0	-4.7
Ohio .....	257.0	250.0	1,410.0	1,375.0	-2.5
Oklahoma .....	38.0	38.0	157.0	162.0	3.2
Oregon .....	125.0	124.0	658.0	658.0	-
Pennsylvania .....	474.0	468.0	2,483.0	2,478.0	-0.2
Rhode Island .....	0.5	0.5	2.5	2.5	-
South Carolina .....	9.0	9.0	35.0	36.0	2.9
South Dakota .....	160.0	184.0	939.0	1,084.0	15.4
Tennessee .....	28.0	27.0	119.0	119.0	-
Texas .....	625.0	653.0	3,816.0	4,112.0	7.8
Utah .....	95.0	94.0	562.0	554.0	-1.4
Vermont .....	120.0	117.0	640.0	636.0	-0.6
Virginia .....	72.0	69.0	351.0	346.0	-1.4
Washington .....	267.0	257.0	1,613.0	1,567.0	-2.9
West Virginia .....	5.0	5.0	18.0	18.0	-
Wisconsin .....	1,278.0	1,272.0	8,020.0	8,081.0	0.8
Wyoming .....	8.5	9.5	56.4	62.2	10.3
Other States <sup>3</sup> .....	0.9	0.9	1.3	1.3	-
United States .....	9,442.0	9,413.0	55,836.0	56,512.0	1.2

- Represents zero.

(D) Withheld to avoid disclosing data for individual operations.

(NA) Not available.

<sup>1</sup> Includes dry cows. Excludes heifers not yet fresh.

<sup>2</sup> Excludes milk sucked by calves.

<sup>3</sup> Other States includes Alaska and Hawaii.