Testimony of Sara Dorland on Behalf of the Pennsylvania Association of Milk Dealer
Before the Pennsylvania Milk Marketing Board
Over Order Premium Hearing – December 7, 2022

I. INTRODUCTION

My name is Sara Dorland, Managing Partner, Ceres Dairy Risk Management, Sun Valley, Idaho. A copy of my *curriculum vitae* is attached hereto as **Dorland Rebuttal Exhibit 1.**

I am here to recommend to the Board that the Over Order Premium should be continued for at least six months at $1.00 per hundredweight.

My first extensive review of the Over Order Premium took place in August of this year. My objective was to determine if the OOP is helping or hurting the PA dairy industry. My conclusion was that the Over Order Premium is helping the PA dairy industry. According to empirical data, Pennsylvania has broken dairy industry trends affecting the fluid milk industry in a number of ways: (1) Pennsylvania has 21 Class I processors second only to California with 23 processors, (2) Pennsylvania's fluid milk sector retains a healthy diversity of ownership among its Class I processors as measured by a review of data from seven Federal Milk Marketing Orders. (3) As the United States continues to see dairy farm numbers decline, Pennsylvania has also broken the national trend and has lost milk producers at a slower pace than the national average, and this is especially striking because Pennsylvania has a high concentration of smaller producers which has seen the largest declines nationally but less so in Pennsylvania.

II. PENNSYLVANIA HAS A ROBUST AND DIVERSE GROUP OF FLUID MILK PLANTS COMPARED WITH OTHER PARTS OF THE US

A. PA Is Top In Fluid Milk Processing Assets Nationally

My review of available data reveals that Pennsylvania has many more Class I processors than most other states including states of similar population and other characteristics. For purposes of this analysis, I focused on all Class I processing but excluded exempt plants and producer handlers which are so small they do not materially impact the supply of a market. To name a few states where I would expect to see robust fluid milk numbers, Wisconsin has 3, Illinois has 7, New York has 12, California has 23, Ohio has 10, Texas has 15 whereas Pennsylvania has 21. Source: (Plant and Handler Lists for FMMO 1, 5, 7, 30, 32, 33, 51 and 126; Interstate Milk Shippers List and PMMB Dealers List). Some states, such as Alabama, Georgia, and Mississippi have found themselves without any fluid milk plants other than producer handlers or exempt plants which are small by nature and unable to materially impact the fluid milk needs of the state or grocery processors that provide milk to their stores.

Pennsylvania has done better at maintaining fluid milk plants, but to be clear fluid milk processing is a tough business characterized by low-margins. Compared to specialty products, high-temperature, short-time (HTST) profitability is low, but PA has done things that helped its plants continue operations and that is to the benefit of PA dairy producers and consumers.

Submitted: November 22, 2022

B. PA Maintains a Diverse Ownership Base Among Fluid Milk Plants

PA has also maintained more diversity among Class I processors meaning there is a healthy mix of privately owned plants not affiliated with grocery and cooperative owned handlers.

I compared the number of plants by category in 2018 and 2022. The data for this analysis was based on Plant and Handler Lists for FMMO 1, 5, 7, 30, 32, 33, 51 and 126; Interstate Milk Shippers List and PMMB Dealers List. I classified the plants into single-location non-grocery, multiple-location non-grocery, grocery, and cooperative. I also excluded exempt and producer handlers.

Dorland Rebuttal Exhibit 2 shows that after the Dean Foods and Borden bankruptcies, multiple-location non-grocery outlets dropped by 57%. Some of those losses resulted in gains for cooperatives +200%. For the FMMOs reviewed, cooperative ownership of fluid milk plants increased from 18% to 41% - more than doubling the influence on Class I processing. In Pennsylvania, cooperatives added four processing locations but remain 24% of the total. Independent processors for all FMMOs in this study dropped from 69% of the total processing assets to 44%, a 25% decline. In Pennsylvania, as shown on **Dorland Rebuttal Exhibit 3,** independent processors represented 82% of processing in 2018 and are now 62%. Grocery processors make up the remaining amount.

Proprietary processors in the FMMO are at considerable risk as they are the most regulated of all processors with no ability to mitigate costs or selling price relative to cooperatives, producer-handlers, or grocery-owned plants. Nationally, Borden and Dean Foods provide the best examples of primarily HTST milk processors that struggled, with numerous plant closings before entering bankruptcy in 2020. While numerous factors led to the demise of these companies, paying the regulated milk price and competing with those that could pay less than the regulated price contributed to their demise. Class I differentials have not been updated since FMMO reform which put pressure on Class I plants to find other ways to offset higher costs. In the FMMO system, proprietary processors cannot 1) reduce milk prices below the minimum or 2) deduct from the milk check beyond FMMO authorized deductions. The Over Order Premium, when reflective of market conditions, provides these processors the ability to pay necessary premiums to producers to attract and retain quality milk supplies, and provides an ability to recoup some costs without margin erosion.

C. Robust and Diverse Fluid Milk Capacity Helps Producers, Processors, and Consumers

Retaining many and varied Class I processors in a local market is important. The dairy system is like an ecosystem, it is interdependent with each group relying on the other for survival. Greater plant numbers translate to lower supply chain risk, greater security and better service level. Conversely, when competition for milk dwindles due to less processing capacity, it allows processors to reduce the milk payment to producers directly or through reduced premiums, increased deductions and reblends for those allowed to reblend. Additionally, the costs to service the local market increases as milk may travel greater distances to find available capacity and balancing and in some cases, closures result in out-of-state milk servicing the local markets more frequently. Since the bankruptcy of two of the largest processors in 2020, there has been massive

consolidation and shuttering of fluid milk plants. I know of 13 plant closures since 2020. **Dorland Rebuttal Exhibit 4**.

Recently, states including Illinois, Wisconsin, Alabama, and Mississippi saw fluid milk plants shut down or abandon fluid milk processing. Their school districts found that they did not have a local supply of milk to serve their school lunch programs and had difficulty procuring milk for their school lunch programs. **Dorland Rebuttal Exhibit 5** also available at https://www.wpr.org/milk-plant-closures-leave-schools-higher-prices-after-summer-scramble. Schools in Alabama and Mississippi faced difficulties procuring milk for their school lunch programs at the beginning of this school year. *See* **Dorland Rebuttal Exhibit 6** also available at https://www.wbrc.com/2022/08/16/milk-plant-closings-impact-some-schools-ala/. In the case of Alabama and Mississippi, school milk buyers could not procure milk for their lunch programs, so they had to apply for waivers from USDA. **Dorland Rebuttal Exhibit 7** also available at https://abc3340.com/news/local/alabama-schools-milk-shortage-borden-dairy-plant-closures-alabama-mississippi-tuscaloosa-city-schools-jefferson-county-schools-alabama-state-department-of-education-child-nutrition-program. School Districts requested school milk waivers from USDA after trying to backfill with aseptic milk that was deemed too costly; in some cases, rural schools have been unable to get milk at all. USDA provides waivers to allow schools to maintain school lunch subsidies even though they cannot get or afford to serve milk, a requirement for the subsidy. These closures have reduced capacity and consumers in many states have faced stock-outs. In my state, which is a top five dairy state, our grocery shelves are without milk for a fair bit of time.

Importantly, local processors are motivated to supply schools because that future dairy consumer may have brand loyalty. The Over Order Premium establishes a competitive price that allows cost recovery that mitigates margin erosion, so Pennsylvania's local processors are more able to serve schools. School milk is labor intensive and expensive to service. We have seen several milk plants turn away from school milk to optimize margins. This is especially when it comes to rural schools, proximity of the supplier makes a difference to whether a school district will be serviced.

The fact that Pennsylvania has maintained a high number of fluid milk plants and diverse ownership compared with other states means that Pennsylvania's risk for supply chain disruptions is reduced. To the extent the Over Order Premium is a tool that fosters a robust and diverse group of fluid milk plants, and helps reduce supply chain disruptions, maintaining a strong Over Order Premium for the next six months makes sense.

III. PA'S PRODUCERS BREAK WITH NATIONAL TRENDS

Pennsylvania has lost fewer dairy farm operations than the national average, down 65% between 1990 and 2020, compared to 84% nationwide for the same period. **DORLAND REBUTTAL EXHIBIT 8** That is an important number because Pennsylvania producers face significantly higher costs of production than the national average according to the 2016 Agricultural Resource Management Survey (ARMS) data (USDA Economic Research Service, 2022) Pennsylvania 2021 operating costs were $18.33/cwt compared to the National average at $17.27/cwt– a $1.06/cwt difference. Despite higher costs, on average, Pennsylvania experienced fewer farm losses than other states with operating cost advantages. Interestingly, Pennsylvania producers' gross value of production in 2021 was higher by about 12-cents than the national average with Pennsylvania at $21.45 and the national average at $21.33/cwt. **DORLAND**

REBUTTAL EXHIBIT 9 The gross value of production is a way of referring to revenue that includes milk value, cow sales and other income like premiums, which would include the OOP, cooperative premiums, patronage, etc.

Lancaster County, PA has the most cows per county east of the Mississippi, exceeding counties in New York, Michigan and Wisconsin; it rivals counties in Colorado, Texas, Idaho and California. What is different is that Lancaster County has a higher density of smaller herds than western counterparts. That is not to say that Pennsylvania lacks larger dairies – it does not. Rather, it is highly unusual in today's dairy industry for small dairies to thrive in a commodity market. When reviewing what could support a unique dairy eco-system, the Over Order Premium stands out in Pennsylvania. The Pennsylvania Milk Marketing Board has also acknowledged this in a fact sheet that it has published on its website stating "Without the over-order premium, small dairy farmers would not be viable." **Dorland Rebuttal Exhibit 10** also available at https://www.mmb.pa.gov/Legal/Documents/PMMB%20Fact%20Sheet.pdf.

I considered if other factors such as religious traditions, or farm preservation might explain why Pennsylvania's small farms have been able to break trend, but other states have populations with similar religious traditions and farm preservation programs. New Jersey, Delaware and Maryland are considered the best programs in the country just ahead of Pennsylvania. **Dorland Rebuttal Exhibit 11** also available at https://www.pennlive.com/life/2020/06/where-does-pennsylvania-rank-in-farmland-loss-protection.html

The OOP is a significant source of other revenue that according to Dr. Hardbarger's article of December 13, 2021, in Lancaster Farming reaches 641 direct ship producers but according to that article more than half of the Over Order Premium goes to cooperative producers as well. **Dorland Rebuttal Exhibit 12** also available at https://www.lancasterfarming.com/farming-news/about-over-order-premiums-and-minimum-milk-pricing-in-pennsylvania/article_6765fe5b-d1d9-569d-9d90-79f40605cf8e.html**.** The impact on cooperative producers like Mr. Espenshade whose cooperatives invest in Class I is also significant.

IV. PA PRODUCERS ARE FACING HIGHER COSTS

Costs have been on the rise for milk producers and are expected to stay high for some time. Input costs affecting dairy products rose and remain at some of the highest levels in years. Between 2014 and present the PA OOP ranged from $0.75/cwt to $1.60/cwt. Through September the Dairy Margin Coverage (DMC) calculation adjusted for Pennsylvania All-Milk Price, Alfalfa and Corn prices reflect the second-highest margins since 2014 at $11.46/cwt. However, forecasts, based on futures prices, and assuming a $2.50 producer pay-price differential (PPD) for 2023 indicates that margins are likely to return to trend, averaging closer to $8.81/cwt. **Dorland Rebuttal Exhibit 13.**

This reflects a gross margin for dairy producers, but there are additional deductions and costs that need to be considered. As Grange producers testified, costs from electricity, to parts, labor and fertilizer are higher indicating the same milk-over-feed levels may not reflect superior returns as more money is needed to cover the cost of operation

Despite the second-highest milk-over-feed margins over the last eight years, Pennsylvania's 2022 milk production, through September, is 1.3% less than last year. This is a likely indication that margins are not in a range to promote expansion as they did between 2013 and 2015.

Similarly, Pennsylvania's dairy cow herd was 468,000 head in September, 1.1% less than the previous year. That would suggest that while margins were higher than in recent years, costs were substantial as dairies would have been incentivized to increase output to capture larger returns as they did in between 2013 and 2015.

Higher costs tend to negatively affect smaller farms disproportionately as those operations have fewer units to absorb additional costs or lower output-per-cow to absorb shifts in variable costs. But, given the significant cost increases over the last year, mid-to-larger dairies are also feeling the impact.

V. THE OOP IS A CRITICAL PIECE OF PENNSYLVANIA'S FLUID MILK INDUSTRY'S SURVIVAL STORY

The OOP is a critical part of why Pennsylvania has broken trend and has a more robust and diverse group of fluid milk plants and has lost fewer dairy farms than the national average. The OOP helps Pennsylvania fluid milk plants to be confident in their ability to attract nearby raw milk because while it fluctuates, it has been a reliable source of revenue for those farms nearby Class I plants. It drives revenue to independent producers and cooperatives serving fluid plants and in the case of cooperatives helps defray costs. It is also something bankers consider. The Over Order Premium makes it economical for fluid milk plants to pay premiums without risking margin erosion that cannot be sustained in a market facing declining demand, increased competition, and competitors that do not face the same cost structure. The Over Order Premium is also more timely and relevant than Federal Milk Marketing Orders. All of this leads to more diversity and plant retention in Pennsylvania.

Diversity is important to manage risk by providing the market with breadth of processors and farms that buffer against exposure to anyone group. Fewer processors is bad for producers, especially producers who could not become members of cooperatives, which have become increasingly difficult to access in recent years. Often, access to a cooperative is not available until an existing cooperative member is ready to exit the business or sell their operation so that their base can be purchased. Reducing the Over Order Premium could put pressure on the system as privately owned non grocery plants would be challenged to make up the difference with premiums they may not be able to recover from the market. In turn, the producers and the cooperatives serving those plants could see premiums erode and costs increase if plants begin to close like they have elsewhere.

Less diversity of ownership is also bad for consumers. It is not uncommon to see fluid milk plants eliminate school milk from their portfolio as a margin enhancement tool. This is because serving schools can be costly and many milk plants have determined their resources are better utilized with more efficient products like gallons versus half pints. When there is a lot of diversity and competition due to robust plant numbers, a state is much more likely to be able to serve all of its customer types.

Additionally, it is obvious that Pennsylvania's dairy farmers are better off when they can sell their milk closer to home and even better when those outlets are able to provide them with access to Federal Milk Marketing Orders. The entire agricultural ecosystem benefits when the fluid milk industry is healthy.

In my opinion, the Milk Marketing Board has good reason to continue the Over Order Premium for the next six months at the $1.00 level. Thank you for the opportunity to offer my analysis and recommendation.

Submitted: November 22, 2022

Sara Dorland

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Education:

SEATTLE UNIVERSITY ALBERS SCHOOL OF BUSINESS / Graduate, MBA	2001
UNIVERSITY OF WASHINGTON FOSTERS SCHOOL OF BUSINESS / Bachelor of Arts	1995

Professional Experience:

MANAGING PARTNER / CERES DAIRY RISK MANAGEMENT LLC – Sun Valley, Idaho	2009 to Present
DIRECTOR OF RISK MANAGEMENT / DARIGOLD, INC. – Seattle, Washington	2005 to 2009
DIRECTOR OF FINANCE – INGREDIENTS DIVISION / DARIGOLD, INC. – Seattle, Washington	2001 to 2005
INTERNAL AUDIT MANAGER / DARIGOLD, INC. – Seattle, Washington	1999 to 2001

Professional Training:

HARVARD SCHOOL OF BUSINESS / Strategy & Competition Certificate — Certificate
ADVISOR: Michael Porter

Professional Specialties:

Providing risk management, market research and financial consulting services to agriculture and food-based businesses with a particular focus on the dairy industry to clients throughout the supply chain. Work includes collaborating with dairy producers, cooperatives, manufacturers and consumer products companies nationwide.

Risk management activities involve a broad array of hedging activities, ranging from swaps and futures trading to go to market techniques for both domestic and international sales as well as education and consulting on a wide variety of dairy industry topics – ranging from “Introduction to Dairy” to business case analysis for dairy plants and milk shed analysis.

Project work includes input cost management for dairy farmers and processors including hedging of natural gas, corn, alfalfa, soy oil and work with fuel and resin contracts. Additionally, projects, on behalf of clients, comprised sourcing a vast array of milk and dairy products that have reduced supply chain costs. In addition to financial review for new U.S. dairy manufacturing investments.

Memberships in Professional Organizations:

U.S. Dairy Export Council
American Dairy Products Institute
Wisconsin Dairy Business Association
Idaho Milk Processors
National Milk Producers Federation
National Women Business Owners Corporation
Dairy Management Inc. – Advising Board Member

Published Articles:

DAILY DAIRY REPORT	2012 to 2020
CHEESE MARKET NEWS	
Rocketing Cheese Prices	Jan. 2014
Butter Markets Continue to Rocker Higher	Jun. 2014
Cheese Market Article	Oct. 2014
A Year in Review	Dec. 2014
What Gives with Butter	Sep. 2015
Second Half of Year Likely Won't Disappoint with Its Own Revelations	Jul. 2016
PROGRESSIVE DAIRYMEN	
Market Article (Quarterly)	2019 to present
US DAIRY EXPORT COUNCIL	
Co-authored paper: The Dodd-Frank Act Amendments to the Commodity Exchange Act and the Impact On the U.S. Dairy Industry (Sara Dorland and Katie Trkla, Partner Foley and Lardner LLP)	Mar. 2012

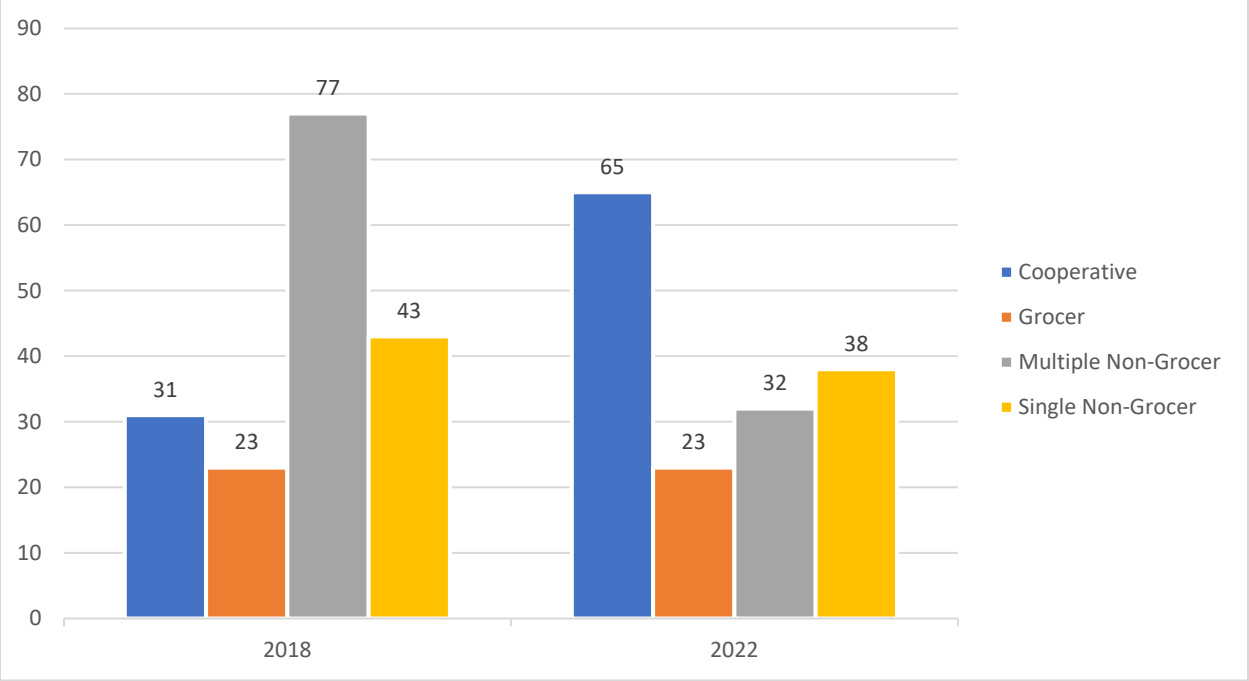
Speaking Engagements:

U.S. Dairy Export Council – South Korea Conference	Nov. 2017
Central Plains Dairy Expo Women's Conference	Nov. 2017
ADPI/CME Risk Management Seminar – Dairy Risk Management	Dec. 2017
International Sweetener Colloquium	Jan. 2018
Ag Choice – Farm Credit: Economic Update	Mar. 2018
U.S. Dairy Export Council – Reverse Trade Mission	May 2018
ADPI – Deep Dive on Price Discovery	Sep. 2018
ADPI – Risk Seminar	Nov. 2018
Idaho Dairymens' Annual Meeting	Nov. 2018
Compeer – DBA Webinar	Feb. 2019
Fusion Conference	Feb. 2019
US Dairy Export Council – Annual Meeting	Nov. 2019
ADPI Webinar	May 2019
Fusion Conference	Feb. 2020
StoneX Conference	Feb. 2020
ADPI Annual Meeting- Risk Management Panel	May 2020
ADPI Annual Meeting – Market Outlook Panel	Aug. 2021
ADPI 360 Degree – Risk Management and Logistics	Sep. 2021
ADPI Annual Meeting- Risk Management Panel	Sep. 2021

Recent Projects:

- Developed business case for milk plants in the United States
  - Includes review of location based on milk shed, environmental, competitive, and cost analysis
  - Location (2) the Central States, (1) Western States
  - Developed financial modeling for plant
  - Detailed business case and competitive analysis
    - Including a review of the cost of milk throughout the United States (regulated & unregulated markets) and impact on plant location
    - Environmental impact of dairy/processing expansion
    - Detailed review of competitors and customers
    - Market analysis
- Developed business cases for milk powder plants in the United States
  - Includes review of location based on milk shed, environmental, competitive and cost analysis
  - Developed financial modeling for the plant in (2) Western States and (3) Central States
  - Detailed business case and competitive analysis
    - Including a review of cost of milk throughout the United States (regulated & unregulated markets) and impact on plant location
    - Environmental impact of dairy/processing expansion
    - Detailed review of competitors and customers
    - Market analysis
- Developed business case for consumer products butter lines and other butterfat products
  - Locations (3) Western States and (1) Central States
  - Includes review of the location, sourcing, and costs analysis
  - Developed financial modeling for the facilities
  - Detailed business case and competitive analysis
- Developed business case for UHT production facility
  - Location (2) Western States
  - Includes review of the location, sourcing, and costs analysis
  - Developed financial modeling for plant
  - Detailed business case and competitive analysis for domestic and global market
- Conducted milk shed review to determine future growth potential
  - Location – (1) Idaho and (1) Indiana
  - Work included a detailed analysis of existing milk supply and factors that could promote or inhibit growth.
  - Provided the client with reported detailing environmental considerations, surrounding crops and financial health of dairy producers in the market.
  - Provided the client with a market assessment of potential products and markets.
- System implementation
  - Review of the current Enterprise Resource Planning (ERP) systems with recommendation for implementing standard costing system vs. actual costing for a dairy manufacturing company
- Dodd-Frank regulatory review and analysis for impact on dairy risk management activities
  - Includes review detailed review of law and impact to dairy risk management programs
- Review of Canadian supply management plan and potential impact of trade pacts on the system
- Review and analysis of federal and state milk marketing orders and implications for processors and how/where they market dairy products and their costs.
  - Included review and analysis of cost mitigation steps.
  - Review of order-order premium structure and impact on the project.
  - Verification of assumptions with respective federal milk marketing administrator.

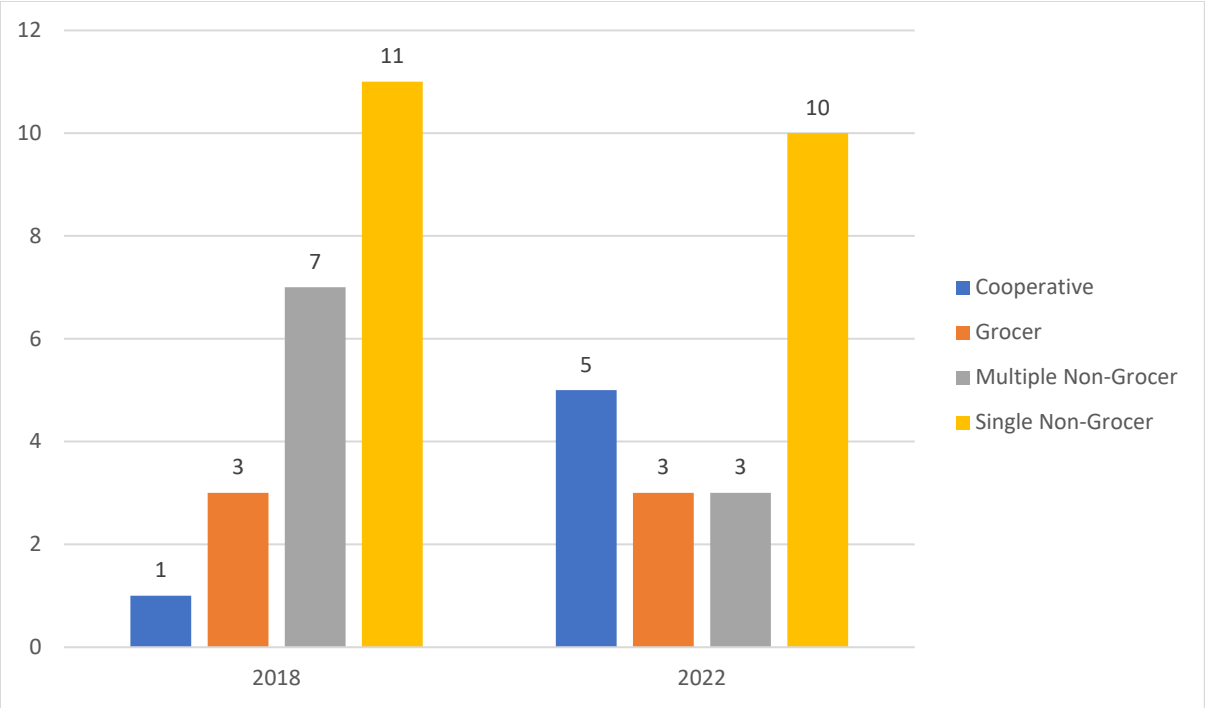
FMMO 1,5,7, 30, 32, 33 and 126 Bottling Plants[2] by Category (2018 and 2022)[1]



1 Based on data from FMMOs, Interstate Milk Shippers List, and public records related to plant closures

2 Report excludes producer handlers and exempt processors

Pennsylvania Bottling Plants[2] by Category (2018 and 2022)[1]



1 Based on data from FMMOs, Interstate Milk Shippers List and PMMB dealers list

2 Report excludes producer handlers and exempt processors

Fluid Bottling Plant Closures (2020 to present)[1]

Plant Owner	Location	Date
Dean / DFA	Greeley, CO	Apr-20
Dean / DFA	Hayward, CA	Apr-20
Prairie Farms	Homeward, AL	Jul-21
Hiland Dairy	Tulsa, OK	Aug-21
Dean / DFA	Decatur, IN	Sep-21
Gallikers-Potomac Farms	Cumberland, MD	Nov-21
Dean / DFA	Nashville, TN	Feb-22
Borden	Miami, FL	May-22
Borden	Charleston, SC	May-22
Borden / Select	Chemung, IL	Jul-22
Borden	De Pere, WI	Jul-22
Borden	Dothan, AL	Sep-22
Borden	Hattiesburg, MS	Sep-22

[1] This list excludes plants sold and operated as bottling plants. The list includes plants that discontinued fluid processing but continued operations as other dairy products (DePere, WI)

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WPR [HTTP://WPR.ORG]

A carton of Borden milk. *I am R. [https://www.flickr.com/photos/isfullofcrap/] (CC BY)*

Milk plant closures leave schools with higher prices after summer scramble

'We were a dairy state,' says concerned school nutrition director

By Bridgit Bowden

Published: Thursday, September 1, 2022, 6:00am

Shutdowns at two plants left some school districts in the Dairy State scrambling to find milk for their students this fall, and is helping drive higher prices for those familiar half-pint cartons in lunch programs.

Bordon Dairy, which provided milk for school cafeterias, announced in May that it was cutting back on fluid milk production [https://www.dairyherd.com/news/business/borden-illinois-plant-set-close-its-doors] . Its Chemung, Ill., plant closed over the summer. And its De Pere, Wis., plant stopped producing fluid milk, shifting only to sour cream.

"This change will impact the production and distribution of various brand-named milk products distributed across Illinois and Wisconsin," the statement read.

Laticia Baudhuin, director of school nutrition at the DC Everest School District in central Wisconsin, first heard about the closure not from the dairy itself, but from her milk distributor in late spring. She immediately shared the news with her network of other school nutrition directors, including Karen Fochs of the Wausau School District.

"I was in shock," Fochs said. "Summer school was knocking on the door, and I have 10 summer school sites, and it required 1,500 cartons of milk a day."

Schools are required to offer students milk as a part of the USDA's National School Lunch Program [https://www.fns.usda.gov/nslp] . Without it, schools would lose funding for food, said Joyce Gaulke, food service director at the Westfield School District.

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Eventually, these schools were able to secure bids for milk, but at a cost. Fochs said she paid 42 cents per carton for her district's summer school needs, up from the 27 cents she had paid the previous school year. Gaulke said she has had to raise the price of a carton of milk for students from 30 cents to 50 cents.

Wausau, DC Everest, and Westfield are a part of the Wisconsin School Nutrition Purchasing Cooperative, which helped secure bids for the upcoming school year. The milk will cost about 30 percent more this year, said co-op coordinator Lisa Melby, adding that inflation and the way milk pricing works are also likely contributors to the increase.

Still, the scramble to secure contracts was alarming to the school nutrition directors.

"We are in the state of Wisconsin, we were a dairy state," said Fochs. "We're still very proud of the products that we produce in our state locally, we should be able to have fresh milk for our students."

Baudhuin said although she technically has a contract for the fall, she's still going back and forth with the new dairy about how frequently the milk will be delivered. In the past, her district has had daily milk deliveries, but she said the new company would like to deliver twice each week.

"We're still playing this game," she said. "And I don't know, I think I'm just preparing to not have milk every day."

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Milk plant closings to impact some schools in Ala.

Borden Dairy Dothan (WTVY)

By David Buchholz

Published: Aug. 16, 2022 at 6:45 PM EDT | Updated: Aug. 16, 2022 at 10:22 PM EDT

BIRMINGHAM, Ala. (WBRC) - Milk plant closures in Alabama and Mississippi will impact schools across the southeast.

Borden Dairy is closing plants in Dothan and in Hattiesburg, Mississippi by the end of September 2022.

Borden makes 8-ounce bottles of milk often served in schools. According to the Dairy Alliance that impacts about 500 school districts across the southeast, including Alabama.

The Alliance and the State Department of Education are working together to help schools find alternate milk suppliers.

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Alabama schools bracing for milk shortage due to dairy plant closures

by ABC 33/40
Thursday, August 25th 2022

Students drinking milk during lunch at school (File, SBG)

TUSCALOOSA, Ala. (WBMA) — Borden Dairy will close two plants, one in Dothan and one in Hattiesburg, Mississippi by September 30. Those two plants supply the majority of eight-ounce milk cartons to school districts across Alabama.

In a statement released Thursday, Tuscaloosa City Schools said it is bracing for a milk shortage that will affect the district, along with more than 100 other school districts in Alabama when the dairy plants close.

Borden produces most of the 736,000 half pint cartons of milk to 422,000 students in Alabama each week, according to the Alabama State Department of Education's Child Nutrition Program.

Tuscaloosa City Schools said it goes through about 35,000 half-pint cartons per week.

SEE ALSO: Alabama DHR announces rollout of summer P-EBT benefits

SEE ALSO: School leaders talk plans to combat overcrowding in Jefferson County

The Tuscaloosa City Schools' CNP department said it is currently looking into other options in terms of milk. However, TCS CNP Director Billy Nichols said there are not any local dairy producers who can immediately replace the fresh supply that Borden was

TCS said the United States Department of Agriculture, the government entity that oversees school lunch programs, was notified of the dairy closures and provided waivers to school districts to support them during the disruption.

TCS said water is always available to students and families are welcome to send milk from home with their students each day during the shortage.

TCS will serve milk from Borden through the month of September.

A Jefferson County spokesperson said the Purchasing Association of Central Alabama was informed about the plant closing in early August and the following statement was provided:

"In an effort to maintain the supply chain for milk products for our all of our PACA Partners it was determined best to publish a bid to establish a new contract. Not helping our impacted PACA partners was never an option. Our PACA Partners and the education community are extremely important and when one part of that community is impacted we do what is within our capabilities to assist. Currently, bids are being solicited publicly from interested vendors and we are thankful to all vendors who are willing to participate in the bidding process.The Jefferson County Commission Purchasing Division published Invitation To Bid 84-22 to support this effort.A copy of the bid may be obtained at https://jeffcobids.jccal.org/Search.aspx".

Jefferson County along with Hoover City Schools each said they do not anticipate a disruption but they are making a plan just in case of a shortage.

The Alabama State Department of Education sent a message to Child Nutrition Program directors and superintendents across the state.

> *ALSDE recommends that you take steps now to ensure you can offer milk with all meals to students in your schools. If you have difficulty procuring milk in a timely manner and this supply chain disruption impacts your meal service, USDA has provided flexibilities through the COVID–19: Child Nutrition Response #110 Waiver to Allow Fiscal Action Flexibility for Meal Pattern Violations Related to COVID-19 Supply Chain Disruptions Impacting School Meals in School Year 2022-2023. If SFAs use this flexibility, be sure that the original menu planned for all meals includes milk. You will need to document on your production records that milk was not available due to the supply chain issues and maintain supporting documentation.ALSDE is seeking further guidance from USDA regarding milk disruption waivers.We will share this information as it becomes available.*

The release also included an attached letter from The Dairy Alliance about the possibility of a milk shortage.

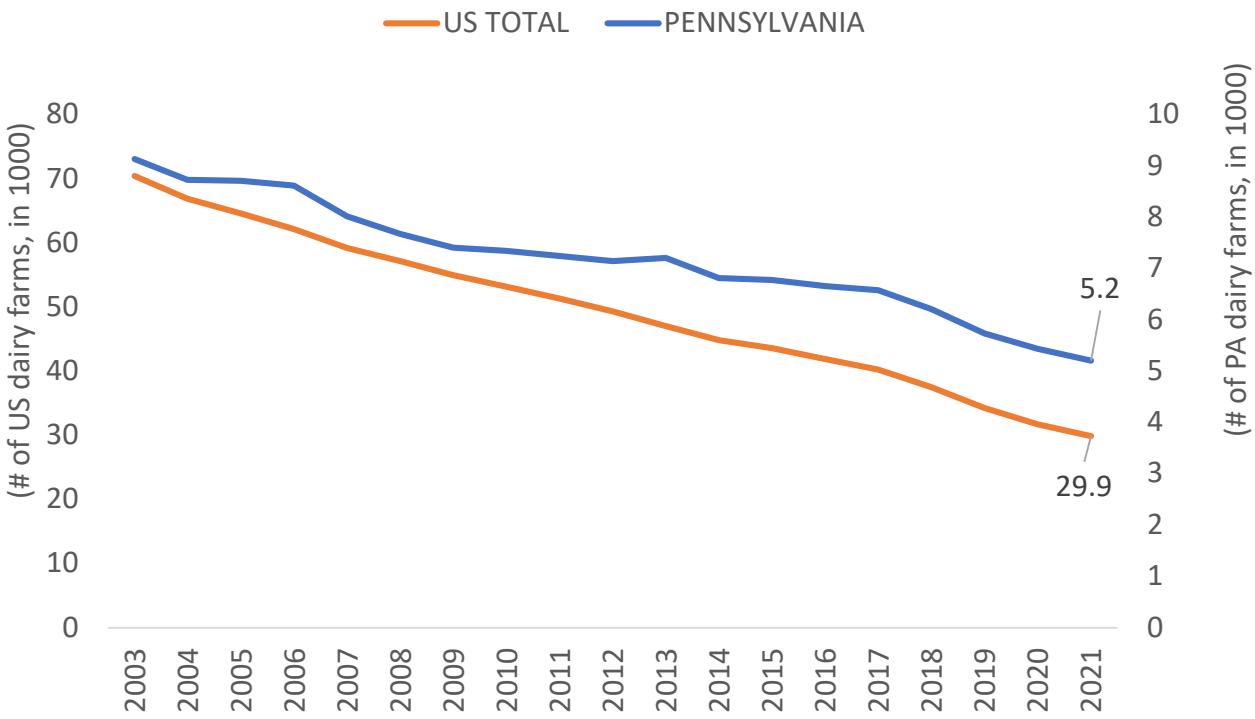
"Our team at The Dairy Alliance is working in collaboration with the Alabama State Department of Education to ensure all Alabama schools can procure milk for the 2022-23 (school year)," the program stated in its letter. "It would be wise to take steps now to ensure milk is available with all meals. The supply of shelf-stable milk in half-pint packaging from Diversified Foods, Inc. is sufficient to cover all districts affected by this closure and is available immediately."

MORE TO EXPLORE

Man hears screaming from woods, rescues child from suspected kidnapper

Woman convicted after street racing crash kills woman in Birmingham

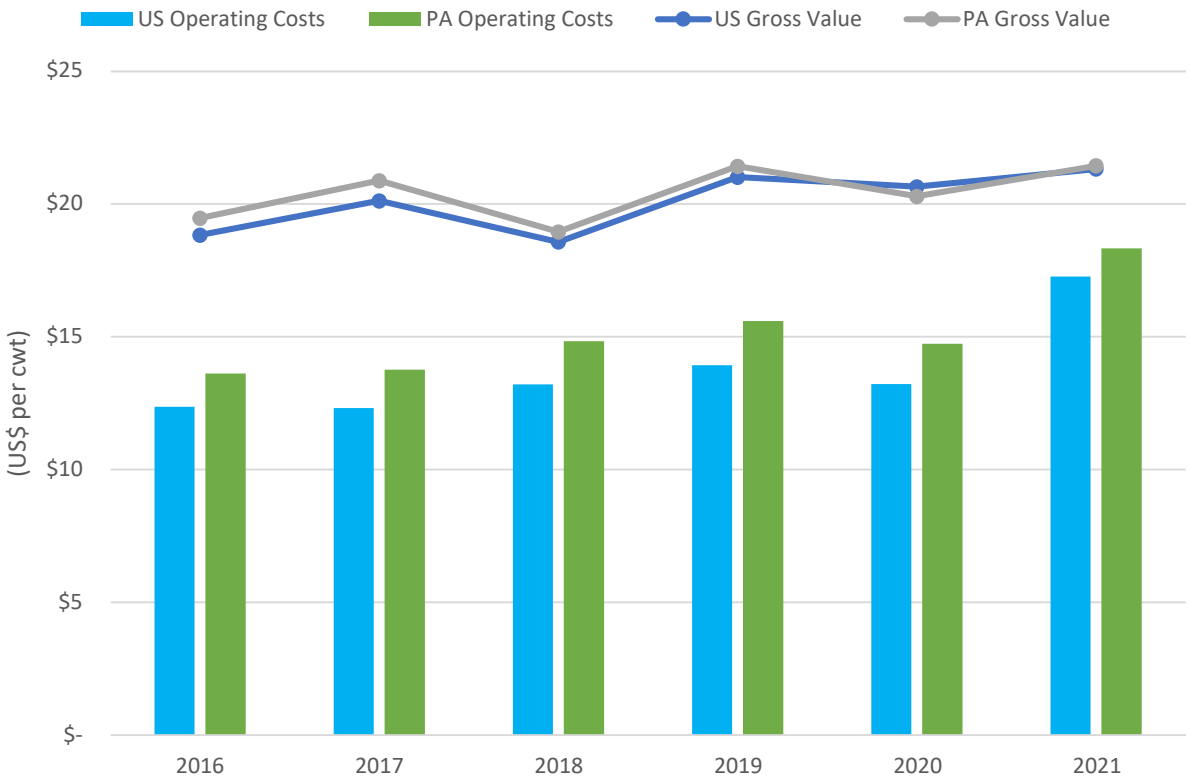
DORLAND REBUTTAL EXHIBIT 8: US AND PENNSYLVANIA DAIRY FARMS (2003 TO 2021)



SOURCE: NASS INVENTORY AVG, OPERATIONS WITH INVENTORY, AVG

Submitted: November 22, 2022

DORLAND REBUTTAL EXHIBIT 9: ERS RECENT MILK COST OF PRODUCTION ESTIMATES, GROSS VALUE OF PRODUCTION AND OPERATING COSTS – US AND PA (2016 TO 2021)



SOURCE: 2016 AGRICULTURAL RESOURCE MANAGEMENT SURVEY (ARMS) DATA

Submitted: November 22, 2022

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The Milk Marketing Board

- The Milk Marketing Board was created by the Milk Marketing Law.
- The Milk Marketing Law was first passed in 1934.
- Like all laws, the Milk Marketing Law was passed by the legislature and signed by the Governor. Only the legislature and Governor can change the Law.
- The Law requires the Board to do certain things and prohibits the Board from doing other things. The Board may only take those actions authorized by the Law and may not take any action prohibited by the Law.
- The United States Constitution also prohibits the Board from taking certain actions. Among the actions prohibited by the Constitution are regulating transactions that take place in other states and preventing out-of-state milk from being sold in Pennsylvania.
- The Board also enforces the Milk Producers' Security Act, which provides for milk dealer bonding to secure producer milk sales to dealers. The Board holds over $115 million worth of bonds posted by milk dealers to secure their purchases from producers.
- The Board operates a bulk tank calibration truck to ensure that producer milk is accurately weighed at the farm.
- The Board certifies milk weigher/samplers to further ensure that milk is being weighed and sampled properly so that producers receive correct payment for the milk they ship.

The Milk Marketing Law

- The Law requires the Board to establish minimum producer, wholesale, and retail prices.
- The Law requires the Board to set those prices based on evidence presented at public hearings.
- The U.S. Constitution only allows the Board to regulate transactions that take place in Pennsylvania, so the Board cannot set prices on sales that take place out-of-state.
- The Board cannot prohibit sales of out-of-state milk in Pennsylvania and cannot prohibit in-state businesses from buying or selling milk out-of-state.

Producer Pricing and the Class I Over-Order Premium

- The Board enhances producer revenue through the over-order premium.
- The level and duration of the over-order premium are established based on evidence presented to the Board at public hearings. Among the parties participating in these public hearings are the Pennsylvania Farm Bureau, the Pennsylvania State Grange, the

Pennsylvania Association of Dairy Cooperatives, the Pennsylvania Association of Milk Dealers, the Pennsylvania Food Merchants Association, Progressive Agriculture Organization, National Dairy Producers' Organization, and Board Staff.

- The Law requires the Board to set minimum wholesale and retail prices for Class I milk. In addition, Class I milk is still largely a local market. Therefore, the Board establishes the over-order premium on Class I milk.
- Testimony at over-order premium hearings indicates that the over-order premium has a positive impact on voluntary premiums paid on other classes of milk and on voluntary premiums paid in surrounding markets.
- When the Board evaluates the evidence presented at over-order premium hearings to set the amount of the premium, it attempts to provide the greatest enhanced return to producers without threatening the market for Pennsylvania Class I milk. If the over-order premium is set too high, it can attract out-of-state producer milk and/or out-of-state packaged milk. The out-of-state milk would then displace Pennsylvania Class I milk.
- Because the Board establishes minimum wholesale and retail Class I prices, it can include the over-order premium in the price build-up for those products.
- The Board may not regulate transactions that take place outside Pennsylvania – therefore the over-order premium only applies to milk produced, processed, and sold in Pennsylvania.
- Pennsylvania dairy farmers produce over five times more milk than Pennsylvania consumers drink. Therefore, approximately 15% - 20% of Pennsylvania milk production would qualify for the Class I over-order premium.
- The Class I over-order premium returns between $1 million and $2.5 million to Pennsylvania producers **each month**, depending on the level of the premium (compare that to the Board's budget of approximately $2.5 million per **year**).
- The Board does not collect or distribute the over-order premium. The over-order premium is part of the minimum producer price obligation for milk produced, processed, and sold in Pennsylvania, and is therefore included in the minimum wholesale and retail prices established by the Board. The over-order premium flows back through retail sales to wholesale sales and is then paid by processors to Pennsylvania producers as part of the minimum producer price due. Monthly audits of processors by Board Staff ensure that producers are paid the correct minimum price they are due.
- The Board does not mandate an over-order premium on non-Class I milk because the Board does not establish minimum prices for those products and the non-Class I market is more national in scope.

General Characteristics of the Pennsylvania Milk Market

- Pennsylvania is a milk surplus state – Pennsylvania farmers produce over five times more milk than Pennsylvania consumers drink.
- 80% - 85% of the milk processed in Pennsylvania is produced in Pennsylvania.
- In 2017 Pennsylvania ranked seventh in the country in amount of milk produced.
- Pennsylvania ranks second in the country in the number of dairy farms.
- The number of dairy farms is more important to the health of rural economies than the amount of milk produced. Ten 80 cow farms and dairy farm families will utilize more services and resources than one 800 cow farm.

- In 2017, Pennsylvania had the lowest average herd size in the country at 80 cows per farm. The top six milk producing states in 2017 had significantly larger herd sizes, as shown below.
- Much of the difference in all-milk price between New York and Pennsylvania is attributable to higher milk hauling costs in Pennsylvania. It's less efficient and therefore more costly to pick up milk at a greater number of smaller farms.
- The table below provides information regarding dairy farms in the seven highest milk producing states:

	Number of farms 2017	Percentage decrease in number of dairy farms 2010-2017	2017 production (millions of pounds)	2017 average herd size/farm	2017 production/cow (lbs)	Percentage change in production/cow 2010-2017
California	1,390	19.0	40,683	1,258	22,755	-1.2
Wisconsin	9,090	28.5	30,320	141	23,725	15.0
New York	4,490	16.5	14,912	139	23,936	15.0
Idaho	510	12.8	14,627	1,176	24,378	4.8
Texas	400	32.2	12,054	1,278	23,589	10.4
Michigan	1,750	21.5	11,231	244	26,302	13.0
Pennsylvania	6,570	10.5	10,938	80	20,834	5.0
United States	40,219	24.3	215,466	234	22,941	8.5

Benefits of the Milk Marketing Law

- The benefits were found by the Federal District Court in Harrisburg, based on the reports and testimony of two agricultural economists:
- Without the over-order premium, small dairy farmers would not be viable.
- Without the Law and the over-order premium, small dairy farms that make up the Pennsylvania dairy industry would not survive (because of their size, small dairy farms are especially vulnerable to economic pressure).
- Because of minimum pricing required by the Law, Pennsylvania dairy farmers generally receive a larger share of the retail price than do farmers in unregulated states and retail prices are comparable to generally lower for Pennsylvania consumers.
- Without minimum wholesale prices, smaller processors would be driven out of business by a small number of oligopsonistic and oligopolistic processors (oligopsony = a state of the market in which only a small number of buyers exists for a product; oligopolistic = a state of limited competition, in which a market is shared by a small number of producers or sellers).
- These firms would attempt to force the price of raw milk down while simultaneously placing an upward pressure on the price paid by the consumer. Consumer prices would fall in the short term, but rise heavily in the long term as competition in the marketplace consolidated into a few large powerful firms (this is precisely what happened in California when a law similar to the Milk Marketing Law was repealed).
- If the number of Pennsylvania dairy farms begins to decrease, the agricultural infrastructure built around the industry will also be negatively affected, resulting in loss of dealers, feed

stores, veterinarians, and other businesses that support the dairy industry. Weakening the infrastructure would eliminate still other farms, initiating a cycle of decay eventually damaging portions of Pennsylvania's general economy.

- Without the Milk Marketing Law pricing structure, the number of dairy farms in Pennsylvania would decrease at a greater rate.
- Minimum wholesale prices promote a large and diverse market of milk processors.

Minimum Wholesale and Retail Prices

- The Milk Marketing Law requires the Board to set minimum wholesale and retail prices.
- Minimum resale prices are set based on the average costs of a cross section of dealers and retailers representative of the dealers and retailers doing business in each milk marketing area.
- The Board establishes the average costs based on evidence presented by parties at public hearings. The parties that participate in over-order premium hearings also generally participate in resale price hearings.
- Basing minimum prices on average costs of a cross section provides an incentive to dealers and retailers to minimize their costs. For instance, a dealer with higher-than-average costs selling a product at minimum price will lose money because the minimum price is based on the average cost. Conversely, a dealer with lower-than-average costs selling a product at minimum price will make money because the minimum price is based on the average cost.
- Minimum wholesale and retail prices serve the very important function of preventing potentially destructive and, in the long run harmful to dairy farmers and consumers, price wars.

https://www.pennlive.com/life/2020/06/where-does-pennsylvania-rank-in-farmland-loss-protection.html

Life & Culture

Where does Pennsylvania rank in farmland loss, protection?

Published: Jun. 04, 2020, 5:00 a.m.

The Paulus family has preserved 219 acres of farmland, which grows much of the produce sold at their market, since the establishment of the county program in 1989.

By Marcus Schneck | mschneck@pennlive.com

Pennsylvania made both the list of states with the most threatened farmland and the list of states with the most proactive policies for farmland protection in a new report by the American Farmland Trust.

The Keystone State ranks No. 12 of the 12 states with threatened farmland, following Texas, North Carolina, New Jersey, Tennessee, Georgia, Rhode Island, Connecticut, South Carolina, Massachusetts, Delaware and Florida.

In the rankings of farmland protection, Pennsylvania is No. 4 of 12. The other most proactive states regarding farmland are New Jersey, No.1; Delaware, No. 2; Maryland, No. 3; Vermont, No. 5; California, No. 6; Connecticut, No. 7; Rhode Island, No. 8; Oregon, No. 9; Washington, No. 10; Massachusetts, No. 11; and Hawaii, No. 12.

The report's Agricultural Land Protection Scorecard is the first-ever state-by-state analysis of policies that respond to the development threats to farmland and ranchland, showing that every state can do more to protect their irreplaceable agricultural resources.

Out of a possible 600 points on the scorecard, New Jersey scored highest at 345, Pennsylvania scored 279 and Arizona scored the lowest at 18.

Factoring into the scorecard rankings are Purchase of Agricultural Conservation Easement programs, land use planning, property tax relief, agricultural districts, farm link programs to connect agricultural lands with prospective farmers and leasing of state land for agricultural uses.

- Cumberland County event recognizes preservation of 20,000 acres of farmland

The report also ranked states by acres converted to urban and highly developed land use from 2000-16 – Texas No. 1 at 692,000 acres, Pennsylvania No. 11 at 103,000 acres – and percentage of agricultural land converted to UHD in that same period – New Jersey No. 1 at 3.9 percent, Pennsylvania No. 12 at 1.1 percent, Wyoming No. 50 at .04 percent.

The AFT noted that between 2001 and 2016 alone, 11 million acres of the nation's agricultural land were lost or fragmented, equal to all the land in the U.S used to produce fruits, vegetables and nuts in 2017.

About 4.4 million of those acres were "Nationally Significant," the country's best land for food and crop production.

The U.S. holds the world's greatest concentration of fertile soil suited for growing food and other crops, but only 39 percent the agricultural land in the lower 48 states is "Nationally Significant" land, which can reliably produce abundant yields for many decades to come, if farmed sustainably.

Since 2000, a combination of economic conditions, changing consumer preferences, planning practices and public policies have slowed urbanization, but agricultural land is still being converted to urban and highly developed land uses nationwide.

In addition, AFT's Farms Under Threat research captured a new class of land use: low-density residential, which occurs where the average housing density is above the level where agriculture is typically viable. It includes large-lot subdivisions, open agricultural land that is adjacent to or surrounded by existing development and areas where individual houses or housing clusters are spread out along rural roads.

Low-density residential land use threatens working farms and ranches by fragmenting the landscape and disrupting agricultural economies. In just 15 years, nearly 7 million acres of farmland and ranchland were converted to LDR land use.

Texas saw the most agricultural acreage converted to LDR, with 681,000 acres lost, followed by North Carolina, 572,000 acres, and Tennessee, 511,000 acres. Pennsylvania ranked No. 8, with 244,000 acres lost.

AFT noted, "We all recognize urban sprawl, but low-density residential land use has flown below the radar, even though it is just as much of a threat to farmland, now and in the future.

"Indeed, the report shows that LDR paves the way for further urbanization. Agricultural land in LDR areas was 23 times more likely to be converted to UHD than other agricultural land. In other words, once land has been converted to low-density residential land use, new development rapidly occurs on the remaining farmland and ranchland in the area.

"LDR land use compromises opportunities for farming and ranching, making it difficult for farmers to get into their fields or travel between fields. New residents not used to living next to agricultural operations often complain about farm equipment on roads or odors related to farming. Retailers such as grain and equipment dealers, on which farmers rely, are often pushed out.

"Farmers can be tempted to sell out for financial reasons, or because farming just becomes too hard in the circumstances. And lastly–but importantly–as older farmers near retirement they sell their properties, too often to non-farmers. This means that new and beginning farmers have a hard time finding land, threatening the very future of agriculture. More often than not, the land prices in these areas have been driven up by the encroaching development making it impossible for new farmers to afford to buy a farm."

- 10 facts about farmland preservation during the last 25 years: Preserving Pennsylvania

The report found that every state in the nation has taken some action to protect agricultural land, but all states must do more.

Combined, states have permanently protected more than 3 million acres, secured more than 40 million acres with restrictive covenants and zoning, and reduced the tax burden on more than 475 million acres helping them remain viable for agriculture.

American Farmland Trust is a national organization taking a holistic approach to agriculture by focusing on the land, the agricultural practices used on that land, and the farmers and ranchers who do the work. Since its founding in 1980, AFT has helped permanently protect over 6.5 million acres of agricultural lands, advanced environmentally-sound farming practices on millions of additional acres and supported thousands of farm families.

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Contact Marcus Schneck at mschneck@pennlive.com.

https://www.lancasterfarming.com/news/main_edition/about-over-order-premiums-and-minimum-milk-pricing-in-pennsylvania/article_6765fe5b-d1d9-569d-9d90-79f40605cf8e.html

Milk Matters

About Over-Order Premiums and Minimum Milk Pricing in Pennsylvania

Carol Hardbarger
Dec 13, 2021

Jevtic

One of the most important aspects of my job — a goal, in fact — is to increase the amount and types of Milk Marketing Board outreach to our constituents — farmers, processors, retailers and consumers.

The columns I write each week for Lancaster Farming help me do that, and I enjoy getting feedback from my readers.

Submitted: November 22, 2022

My columns often serve to provide facts based on credible research to dispel any myths and disinformation out there about various facets of the commonwealth's unique dairy industry and pricing system.

Last week, I was surprised to learn that Pennsylvania Farm Bureau members at their recent annual meeting voted to support elimination of both the over-order premium (OOP) and minimum wholesale and retail pricing in Pennsylvania. Based on phone calls and emails received by Milk Marketing Board Chairman Rob Barley and myself, we believe that these decisions were a result of personal concerns of cooperative members related to distribution of the premium by cooperative administration.

We also believe that concerns over OOP are related to milk coming into a processing plant in the northern part of the state from New York.

I wrote an article many months ago titled "Be Careful What You Wish For," in which I addressed this long-standing issue among some dairy farmers. The current situation requires another presentation of facts about what I and others believe would be the impacts of these policies.

Elimination of the Over-Order Premium

The Pennsylvania over-order premium is paid for Class 1 milk that is produced, processed and sold in Pennsylvania. It is paid at the retail level by the consumer and is built into the minimum wholesale price received by processors. These processors, in turn, pay additional amounts per hundredweight (cwt.) to their producers, both independents and cooperatives. The farmer (in this case, the cooperative counts as a single producer) receives a prorated amount based on the percent of sold milk that is used as Class 1.

As an example, an independent Pennsylvania farmer with 50% of sold milk used as Class 1 at a Pennsylvania processing plant, and with the milk subsequently sold at a Pennsylvania retail outlet, would receive 50% of the OOP amount adopted by the board for that time period.

Currently, the OOP is set at $1/cwt. plus an added fuel adjustment.

The greatest impact I foresee with elimination of the OOP is that many of our independent farms would go out of business. Time after time we hear testimony from organizations and individual farmers that tells us how the OOP is a key part in maintaining stability of income for their members or themselves.

Remember, the average milking herd size in Pennsylvania is 84 cows, and 85% of our farms milk fewer than 100 cows. At the end of June, 1,047 independent farms reported to us as having sold milk to processors — 641 of those sold to a Pennsylvania processor, their milk utilized as Class 1, and subsequently sold within the state.

Those 641 farmers received a total of $2,918,482 in OOP payments for the first six months of this year. Of course, we can't assume all these farms were the same size, but if they are close in size, the average payment was $4,553, or $759 per month. The OOP payments by hundredweight paid

Submitted: November 22, 2022

by Pennsylvania processors during this period of time ranged from $0.08 to $0.93 (Remember, the amount is based on the plant's Class I utilization.).

The Pennsylvania Milk Marketing Board stands behind the OOP as a valuable addition to the income of Pennsylvania's independent farmers and believes its elimination would seriously impact the chance for many of those farmers to remain in business.

In regard to cooperatives that received Pennsylvania OOP payments, the six-month premiums paid to them totaled $3,619,636 and were distributed to respective members based on individual cooperative policy. Our board has no legal authority to regulate how a cooperative distributes OOP payments or any other income to its members. Changes would have to be made by members, who own the cooperative, or via the legislation route.

We hope that cooperative members realize that elimination of the OOP does not benefit any dairy farmers in Pennsylvania, including them. While cooperative members receive $0.03/cwt. to $0.06/cwt. in OOP payments, certainly lower than independent farmers, the resulting loss of substantial income for the cooperatives would lead to increased operations deductions from member checks.

Elimination of Minimum Wholesale and Retail Prices

I had been hopeful that through communications we had been able to address the statements related to buying milk in another state at a cost substantially lower than milk in Pennsylvania.

Unfortunately, farmers across the country are going out of business, including in states where milk can be bought at much lower prices than in Pennsylvania. People are buying less fluid milk, and this has a tremendous impact on the demand and the price paid for milk.

Even with a national trend toward loss of farms, we have lost fewer, by percentage, than the other large dairy states. Much of this is directly attributable to Pennsylvania's milk pricing system.

As set forth in the Milk Marketing Law, the board sets minimum wholesale and retail prices to guarantee that Pennsylvania dairy farmers produce enough milk to meet the demands of consumers.

Minimum wholesale prices are based on the average costs to purchase, process, package and deliver the milk to stores.

Minimum retail price is based on the wholesale milk price plus what it costs to handle and sell the milk in stores.

If a store is selling milk for a lot lower than Pennsylvania prices, we know that someone is losing money, most likely the retailer, a practice known as loss leader pricing. It is used to attract customers into a store with the hope the consumer will buy other products that are sold at much higher profit margins. On average, the retailer's overall margins usually stay the same and the customer often pays similar total amounts for their basket of goods purchased.

Submitted: November 22, 2022

I also need to mention that milk is a “non-elastic” commodity, as classified by economists — people usually buy what they need, rarely more or less.

Milk is also perishable and not able to be stored as other goods might be.

Through producer, wholesale and retail minimum pricing, the board supports all levels of the dairy industry. Currently, Pennsylvania ranks fourth in the nation in the number of dairy processing plants, which provides efficient local markets for our dairy farmers.

In addition, I recently compiled data on the number of employees in each of our licensed dealers’ plants. Fluid milk processors in Pennsylvania employ approximately 5,300 people. If the Milk Marketing Law didn’t require minimum pricing, the result would be price wars that could put 50% of Pennsylvania’s processors out of business, ultimately harming Pennsylvania dairy farmers, including those who are cooperative members.

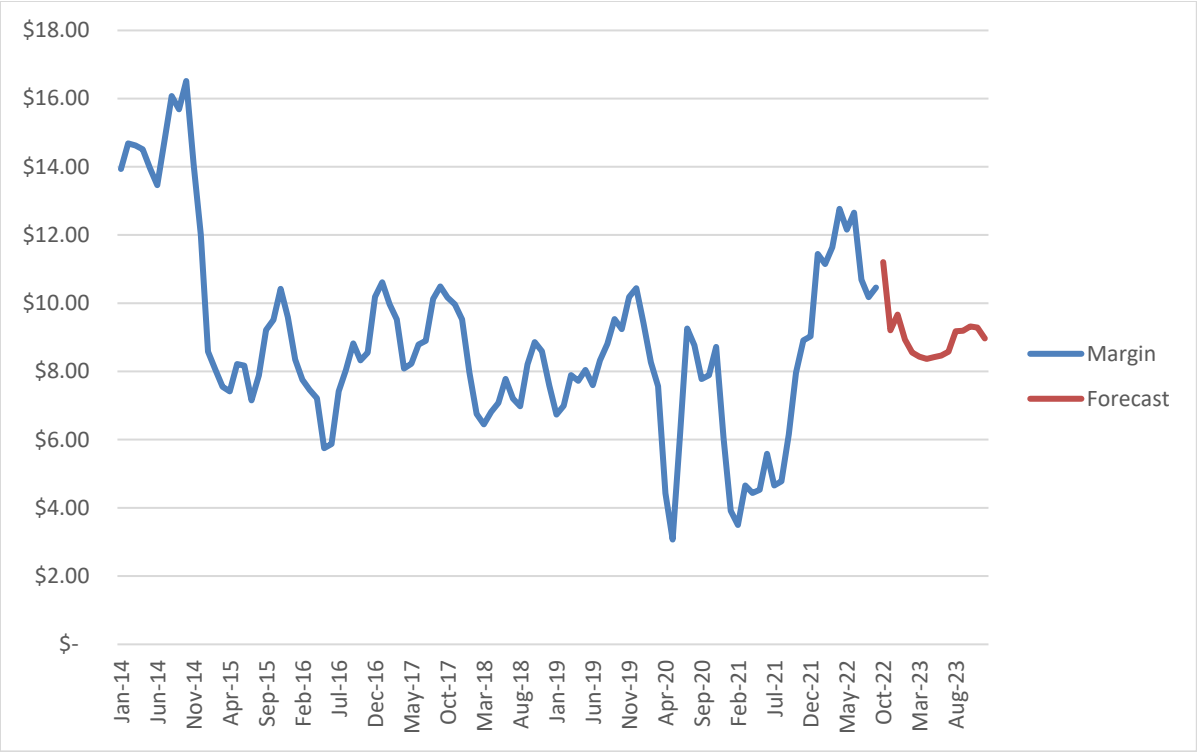
The Pennsylvania Milk Marketing Board is always supportive of valid research and discussion of the facts. We recognize that some sections of the Milk Marketing Law are old and may no longer serve today’s dairy industry well; those should be reviewed and revised, a process we have already undertaken. What we do not support are regulation and legislative changes that are not based on sound and solid evidence and that we believe would harm many if not most of our farmers.

I can be reached at 717-210-8244 or by email at chardbarge@pa.gov.

More information

Submitted: November 22, 2022

Pennsylvania Estimated Milk over Feed Costs based on Dairy Margin Coverage Formulation[1]



1 Dairy Margin Coverage (DMC) adjusted for Pennsylvania All-milk price, corn and alfalfa; DMC soybean meal assumed. Premium alfalfa prices was used from 2019 forward. Projections are based on the Nov. 18 futures closing prices for Class III milk plus $2.50/cwt to approximate the All-milk price, corn, soybean meal and an estimate of $300/ton for alfalfa.