

BEFORE THE PENNSYLVANIA MILK MARKETING BOARD

OVER-ORDER PREMIUM

All Milk Marketing Areas

June 7, 2023

Rebuttal Testimony of Secretary Russell C. Redding

Presented on behalf of the Commonwealth of Pennsylvania

Department of Agriculture

Submitted May 25, 2023

Dear Chairman Barley and Members of the Board:

My name is Russell C. Redding and I serve as Secretary of the Pennsylvania Department of Agriculture. I am testifying today on behalf of the Pennsylvania Department of Agriculture (“Department”) regarding the level and duration of the Class I over-order premium.

The saying, “what goes up must come down,” applies consistently to the dairy industry and Pennsylvania farmers are not immune.

Across the board, the industry is currently experiencing increased production but decreasing prices. Prices for cheddar cheese blocks have dropped, reaching their lowest mark in nearly two years. Cheese barrels also have declined, butter prices are down, milk powder prices have slumped, and Class III milk prices are low. June contracts dropped 42 cents to \$16.57 per hundredweight. The price for whey – another dairy product – plummeted to multi-year lows.

While farmers are seeing some price relief in their feed bills with costs going down due to a bumper corn and soybean harvest in Brazil, most dairy farmers in Pennsylvania will tell you that the price they are receiving for the milk they produce is well below cost of production.

While it’s logical to think these lower prices would boost the export market by attracting foreign buyers, Dairy Market News shows that U.S. exports right now are softening. But it’s reported that domestic demand holds steady. Labor shortages and freight delays also continue to negatively impact farm milk prices.

With this discouraging news, now is as good a time as ever to get as much cash back into the hands of our Pennsylvania dairy farmers as possible. Through the Pennsylvania Milk Marketing Board (Board), Pennsylvania has the power to influence dairy farmer income through government mandated premiums. The Board should use this full power and authority to ensure that all dairy farmers are beneficiaries of this state mandate.

The Board's current Over-Order Premium structure requires every Pennsylvania consumer to pay a premium when they purchase fluid milk, but fails to honor the connection to our dairy farmers and the greater Pennsylvania dairy industry. As it is now, a small minority of producers receives a substantial benefit, while the majority of producers receives little or no benefit from the dollars paid by all Pennsylvania consumers.

As you consider this issue, and under the current challenges our dairy farmers are struggling with, we believe it is time for a change. We are encouraged by the support for change that was expressed by many stakeholders at the recent Senate Agriculture Committee Hearing. We at the Department pledge our support to working with the PMMB and all stakeholders to develop a new system that is fairer and more equitable to Pennsylvania's dairy farmers, processors, retailers, and consumers.

As we have stated repeatedly in our previous testimony, that system must distribute premium dollars uniformly among all Pennsylvania dairy farmers, it must not charge consumers substantially more than what is paid to dairy farmers, and must not provide incentives by which payment of premium dollars can be avoided by moving milk across state lines.

Thank you for consideration of our position in this matter.