

BEFORE THE PENNSYLVANIA MILK BOARD

**OVER-ORDER PREMIUM
All Milk Marketing Areas**

May 1, 2024

Rebuttal Testimony of Secretary Russell C. Redding

Presented on Behalf of the Commonwealth of Pennsylvania

Department of Agriculture

Submitted April 16, 2024

Chairman Barley and Members of the Board:

Thank you for the opportunity to offer testimony today. My name is Russell C. Redding and I serve as Secretary of the Pennsylvania Department of Agriculture. I am testifying on behalf of the Pennsylvania Department of Agriculture (“Department”) regarding the level and duration of the Class I Over-Order Premium.

Pennsylvania has something special in the Over-Order Premium, shared by only a few states, and that is the ability to generate additional income for Pennsylvania dairy farmers, from the marketplace. The wisdom of this model design, conceived in 1988 by the PMMB in response to a statewide drought, remains important today, but it must reflect the marketplace changes that have occurred in the ensuing decades.

While the Department does not oppose the proposal by the Pennsylvania State Grange to maintain the current \$1.00 per hundredweight Over-Order Premium for the next six months, we also advocate for a new system of collection and distribution of any government mandated, consumer-paid premiums. Any new system, as we have stated previously, must meet the following three criteria:

1. Premium dollars are uniformly and fairly distributed among all Pennsylvania dairy producers based upon volumes of milk shipped, regardless of where milk is shipped or how milk is utilized.;
2. The amount charged to Pennsylvania consumers is substantially equal to what is distributed back to Pennsylvania dairy farmers; and,
3. The distribution system does not provide incentives or means to avoid payment to Pennsylvania dairy farmers by purchasing milk across state lines.

Modernizing the system would create the ability to better collect consumer-paid premiums and distribute them across Pennsylvania's dairy industry. It is critical that all premiums charged to Pennsylvania consumers be paid back to Pennsylvania dairy producers. By reinvesting these dollars into our dairy industry, we can uphold the original intention of the Over-Order Premium of supporting our farmers when headwinds are strong, and wisely use consumer-generated dollars to sustainably support the industry.

We continue to work across the Shapiro Administration, Pennsylvania General Assembly, and members of the dairy industry to bring about these necessary changes. The time is now to support our dairy farmers, the supply chains and communities that grow from their work, and the strength they feed to Pennsylvania.

Recent USDA Census and US Milk Production data revealed the persistence of a troubling trend: we continue to lose dairy farms. From 2017-2023, Pennsylvania dairy farm numbers declined from 6,914 to 4,940. The loss of these farms has ripple effects across communities, particularly in rural areas, with the loss of jobs, commerce, and green space. The loss of farms increases the distance between consumer and producer and makes it challenging to keep consumers engaged with the agriculture industry. This is a trend that we cannot simply ignore, and we must seek a sustainable funding source to consistently and strategically invest in the dairy industry.

While the loss of farms is of utmost concern, there remains hope and opportunity. In March 2024, Governor Shapiro and I joined Maryland & Virginia Milk Producers Cooperative Association to announce their purchase of the HP Hood milk manufacturing plant in Philadelphia – an expansion project that will retain 178 existing jobs. MDVA Milk, producers of Maola Local

Dairies products, will invest additional monies into the plant to transform the production capacity from 10 million to 25 million gallons annually over a two-year period.

We know that the ambition and intention to expand, innovate, and modernize is strong within our dairy industry. Through the Federally-funded Resilient Food Systems Infrastructure Program, the Department can offer \$26 million in grants to increase middle of the supply chain activities. For the first round of grants, \$19 million was available for projects to expand processing, modernize facilities, and enhance business operations. The Department received 66 applications totaling more than \$81 million in requests, with 20% of applications being for dairy related projects.

Governor Shapiro has recognized the strength and potential of the agriculture industry by including agriculture as one of the five pillars of the Commonwealth's first economic strategy in 20 years. To this end, the proposed Fiscal Year 2024-25 included some specific provisions for dairy in the interest of protecting and growing this industry, which accounts for 52,000 jobs and \$11.2 billion annually to Pennsylvania's economy.

One of the new initiatives is \$5.6 million for a state-level Dairy Margin Coverage Program to encourage participation and support dairy farms currently participating in this critical federal risk management program. Much like our goals for the OOP, we want to see all Pennsylvania dairy farms benefit from DMC. Additionally, this budget continues to invest in the Center for Dairy Excellence and creates a Dairy Development Specialist at the Department to work every day to advocate for and help grow the PA dairy industry. While these investments will impact dairy farmers, none are a direct, dedicated, and more equitable source of funding for expansion and innovation, such as could be achieved through the creation of a new premium system.

We recognize there are many factors that influence dairy farm margins, including the actions of this Board, the Department, and the General Assembly. We remain hopeful that the combined efforts of the PMB, coupled with the Shapiro Administration investments and advocacy, and the anticipated actions by the General Assembly to create a new system of collection and distribution of any consumer-paid premiums, will grow and strengthen Pennsylvania dairy.

Our hope is to soon see legislative action that will lay out a vision for how the state can change the way that consumer-paid premiums are collected, and then distributed back to the whole of the dairy industry. Last year, we articulated our criteria to the General Assembly on what such a strategy would look like. We are aware that work is occurring on these efforts. But until that work is finalized, we do not oppose the continuation of the Over-Order Premium for an additional six months. Our expectation is that we will soon see new opportunities to further unite the connection between consumers, through a new collection of premium dollars, with robust opportunity to support our whole dairy industry. That partnership will ensure our dairy industry can navigate challenges more effectively and realize a brighter future characterized by growth, resilience, and prosperity.

Thank you for consideration of our position in this matter and we look forward to continuing our partnership to address this critical issue.