



June 24, 2015

House Agriculture Committee
Martin Causer, Chairman
41 B East Wing
Harrisburg, PA 17120

Dear Chairman Causer:

Last week, I had the opportunity to attend and listen to the testimony that was provided in the hearing to consider changes in the PMMB to reflect PMMB payment on cooperative milk checks. In an effort to reiterate our position stated in the hearing, I wanted to submit some clarifying comments.

During the hearing, DFA Northeast's Co-Chairman - Bill Beeman - made the statement that we send Pennsylvania money out of the state followed by a statement that New York money flows into Pennsylvania. In this statement, Mr. Beeman was trying to explain that all of the premium dollars we collect are blended together. Unfortunately, this was not fully explained and we are concerned that your committee may not understand how DFA collects premiums from the marketplace and pays out over-order premiums to members. The following is an explanation we hope you would share with your committee members.

When DFA Northeast collects over-order premiums from the sale of milk, they are combined in one pool of money and lose state identity. In other words, there is no special account for PMMB premiums, New Jersey premiums, New York premiums, Class I premiums, manufacturing premiums or other premiums, etc. Once all of these premiums are collected, and after marketing expenses are paid, the premiums are all paid to Northeast DFA members in the form of market driven premiums – base premiums, competitive premiums, volume premiums, quality, etc.

With respect to Pennsylvania, we performed a special calculation for the month of April 2015 and found the amount of the market driven premium dollars paid to Pennsylvania farms was more than double the amount of PMMB premiums / dollars collected for that month. Additionally, we performed the same calculation for August 2014 and the amount of market driven premium dollars paid to DFA members was more than triple the PMMB premiums collected. It is important to note that the founding principles under which a cooperative functions is to pool over order premiums such that members are equitably paid for their milk. We do not penalize a farm for being further away from a Class I plant than its neighbor nor do we penalize farms in a location where their milk may never touch a Class I plant because of distance or decisions we make dispatching the milk. Instead, Cooperatives pool premium dollars to benefit all members. In summary, we want all farms to have the benefit of the diverse market in the Northeast regardless of their location.

In Pennsylvania, we consistently pay more in market driven over-order premiums to our members than the specific PMMB premium dollars, and we maintain our position that this proposed legislation would disrupt the way dairy farmers conduct business in Pennsylvania. This proposed legislation would also add additional administrative costs since we balance the majority of the excess milk in Pennsylvania, causing a substantial portion of Pennsylvania milk to be delivered to plants outside Pennsylvania.

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To track the movement for more than 1,500 farms and identify the PMMB premium collected on Pennsylvania milk, which is a minimal percent of the overall premiums paid, and then determine what milk is delivered to Pennsylvania plants for payments to those members would not be an economic gain to farms, and in fact would create additional administrative work.

In summary, DFA continues to oppose the proposed legislation because it does not benefit our members, it disrupts the way we conduct business and ample transparency and accountability already exist today.

Sincerely,

A handwritten signature in black ink that reads 'John Siglow'.

John Siglow
Dairy Farmers of America, Inc.
Northeast Area

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