

# PMMB Considers Request To Lower Producer Premium

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quality of the product, and both parties share in the standards of living that result from that commerce.

Further, this position also depends on the belief that it is desirable to have local farms and that fresh drinking milk and other easily perishable milk fluids are best produced locally, and that local producers are best to supply local demand.

Arguments against the premium are that it interferes with interstate trade (some claim it violates federal interstate trade law), and hurts those attempting to sell milk at a lower price, and/or buy it at a lower price.

The theme here is that it goes against the nature of free market capitalism.

It also depends on a belief that depending on local Pennsylvanians to produce local drinking milk is obsolete.

Of course, there are other twists and other viewpoints.

As an agency, the PMMB considers proposals, such as this 40-cent reduction request, when petitioned by a sufficient number of producers or interests in the dairy industry.

While the MACMMA initially petitioned for the reduction in premium, it was joined in the petition by the Pennsylvania Milk Dealers Association.

During the May 25 hearing, held in the cafeteria of the state Farm Show Complex in Harrisburg, several organizations had representatives testify on the issue.

Support for the two groups' proposal was about split, and that

was mixed.

Testifying for the reduction in premium were representatives from Milk Marketing Inc. (MMI) — which is currently the third largest milk marketing cooperative in the nation in terms of members, fourth in terms of milk shipped — and member cooperative Atlantic Dairy Cooperative (ADC).

ADC is also a member of the MACMMA, which brought the petition.

MACMMA is a marketing agency created in 1993 in the common interest of several dairy farmer cooperatives to collect and distribute over-order premiums paid through Federal Order 4, which includes some of the 80 cent PMMB Class I over-premium paid out.

Other members of MACMMA are Atlantic Processing Inc., the Coastal Division of Mid-American Dairymen, the Maryland and Virginia Milk Producers Cooperative, and the Eastern Region of Milk Marketing Inc.

Dennis Schad, manager of regulatory affairs for ADC, testified on behalf of the cooperative and other members of MACMMA, except the Eastern Region of Milk Marketing Inc.

In his testimony, he called for a PMMB over-order Class I premium decrease to 50 cents per hundredweight.

To the point, justification was based on the fact that the premium creates a better paying market for Class I milk in Pennsylvania than surrounding states.

According to Schad, the result of this has been out-of-state, un-

priced milk is being sold by out-of-state dealers for Class I use to Pennsylvania retailers because it is cheaper.

In other words, while the PMMB has been acting to help boost the income of Pennsylvania's dairy producers to stay the decline of the family dairy farm, retailers have shown no loyalty and have sold out local producers by buying large volumes of out-of-state milk to sell as drinking milk.

Schad testified that decreasing the over-order premium would actually help Pennsylvania dairymen retake their local markets because contracts for Class I milk sales hinge on very small differences in price.

According to Schad, "Recently, Class I sales in northeastern Pennsylvania were lost by an in-state dairy to a processor in Massachusetts.

"Formerly, the dairy business (in general) was characterized by small farms selling milk and related dairy products in local markets. Currently, the structure of the dairy business is one where large regional food firms carry dairy products within a line of other food products.

"The marketing environment of the processor segment is characterized as high volume, low margin and highly competitive," he said. "Milk is viewed as a commodity by retailers and sales contracts are very price sensitive.

"As the example illustrates, dairy farmers and processors in Pennsylvania face competition for in-state Class I sales from long distances."

Schad said that because pre-

miums in surrounding states are based on supply and demand conditions, the premiums are below 80 cents, and therefore, Pennsylvania's PMMB premium should follow suit.

He also blamed the premium as being partly responsible for continued increases in the state's milk production, which coupled with flat retail sales has oversupplied the Class I market to the point that almost all additional marketings are being made at the Class III level.

Class III is the lowest-priced level of milk use, and when that portion of total milk sales increases, the total value of the milk produced decreases, thereby making dairying even less profitable.

(However, it should be noted that for several years most dairy producers have been told that the future belongs to farms with more than 500-cow herds, and many dairy publications have been stressing expansions as tools for survival.)

Schad said he was ultimately speaking on behalf of 5,425 Pennsylvania dairy producers who are members of the cooperatives on whose behalf he testified.

Also testifying for a reduction to 50 cents per hundredweight was the Pennsylvania State Grange.

Robert Gable, a dairy farmer

from Perry County, with 350 acres and 100 dairy cattle, testified on behalf of the Grange that the premium attracts the marketing of milk from out-of-state producers thereby pressuring the market for Pennsylvania producers.

In its news release, the Grange states it "... has 33,000 members across the state ...," though it does not detail the number of member-dairy producers.

Those testifying in support of maintaining the premium at 80 cents were representatives from the Pennsylvania Farm Bureau, state Rep. Sheila Miller, R-Berks County, and state Rep. Sandra Major, whose constituency district includes all of Wyoming and Sullivan, and part of Susquehanna counties.

Reps. Miller and Major co-signed a letter to Leon Wilkinson, chairman of the now two-person PMMB (nominations for a third board member were recently sought).

In the letter, they state, "Today you are hearing testimony from farmers and related organizations who will provide more details on the cost of milk production than we, as legislators, can share with you."

"However, as members of the House Agriculture and Rural (Turn to Page A37)

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