



pennsylvania
MILK MARKETING BOARD

DAIRY PRODUCERS' OPINION SURVEY

Dr. Carol A. Harbarger

Robert N. Barley, Chair
Carol A. Harbarger, Consumer Member
James Van Blarcom, Member

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Pennsylvania Milk Marketing Board

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Pennsylvania Milk Marketing Board

Dairy Producer Opinion Survey

Dr. Carol A. Hardbarger

Executive Summary

On June 18, 2018, Robert Barley and I officially joined Jim Van Blarcom as members of the Pennsylvania Milk Marketing Board (PMMB), appointed by Governor Tom Wolf. This appointment followed one-on-one meetings with members of the PA Senate Agriculture and Rural Affairs Committee, other Senators, and various staff of the PA Department of Agriculture including Secretary Russell Redding and Deputy Secretary Greg Hostetter. At all meetings we were urged to conduct listening sessions across the state to gather information about what dairy producers and processors, and other stakeholders, identify as key issues and concerns within the industry. We conducted four sessions between September 2018 and February 2019.

It became obvious during those listening sessions that there are many misconceptions about the role of the PMMB as well as a general lack of knowledge and awareness of the PA milk pricing system. We decided to conduct a survey of PA dairy producers to meet the following objectives:

1. Identify levels of awareness of PA's milk pricing system, including the Over Order Premium (OOP), held by producers.
2. Categorize opinions of the milk pricing system and PMMB and ask for suggestions for change related to those opinions.
3. Identify key differences in responses between members of select demographic groups.

The survey was made available online and by paper copy to PA dairy producers during the period February 18 through May 30, 2019. Based on our identified objectives for the survey, we developed the following conclusions about what PA dairy farmers know and believe about the minimum pricing system and the OOP:

Note: Conclusions are to be considered as generalized only to the survey respondents. However, due to data triangulation with listening sessions' information and results of other conversations, results reflect what we believe are widely held opinions and knowledge across the state.

Farmer Knowledge about PA Milk Pricing

PA dairy farmers responding to our survey hold the most awareness of the following items:

- Milk component pricing,
- Federal Order role in establishing minimum pricing,
- Equalization of producer pricing through use of pooling, and

- End use for purposes of determining minimum producer prices.

And the least awareness of

- Class II pricing basics,
- Pricing specifics for PA and its six Milk Marketing Areas,
- Pricing differences due to shipping destinations, and
- What information PMMB uses and how it establishes minimum prices.

Farmer Beliefs about PA Milk Pricing

Most survey respondents hold the following beliefs about PA's minimum pricing system:

- Knowing at least the minimum price they will receive does help them manage their cash flow,
- PA farmers are less competitive when compared to farmers in other states,
- PA farmers do not have higher revenues because of PA's minimum pricing system,
- The minimum pricing system has not been a factor in decisions to stay in business,
- PMMB does not perform valuable functions for the dairy industry, and
- PMMB should review and revise the minimum pricing system.

Farmer Knowledge about the Over Order Premium

Respondents have more general knowledge about the Over Order Premium, but are not as familiar with PMMB OOP hearings, their announcements, and the fact that they can testify:

- Most farmers are aware that the OOP applies to milk produced, processed and sold in Pennsylvania,
- Most farmers are aware that PMMB holds hearings approximately every six months and takes testimony on the OOP,
- Farmers are only slightly aware that OOP hearing dates are published in advance and that they can provide testimony, and
- Cooperative members are often unaware of whether they receive an OOP.

Farmer Beliefs about the Over Order Premium

Respondents feel strongly about the fairness of distribution of the OOP and want PMMB to review how it is determined and distributed:

- The OOP is only somewhat important in decisions to stay in business,
- The OOP is not distributed fairly, and
- PMMB should review and revise its system for determining and distributing the OOP.

Producer Suggestions for Change

Producers were very precise in their comments on why and how the system of minimum pricing and the Over Order Premium should change.

Reasons and Suggestions for Change in the Minimum Pricing System

1. Since the price/cwt is well below the costs of production, there should be a guarantee of a break-even price.
2. Given the imbalance between the producer and consumer prices of milk, the minimum producer price should be increased.
3. The current system in Pennsylvania discourages processors from locating in the state; PA should establish producer-owned processing facilities.

Additional reasons cited for the need for drastic change and to support the above were increased transportation costs, the amounts of out-of-state milk coming into the Commonwealth, and the inability of smaller operations to compete with larger dairies.

Reasons and Suggestions for Change in the Over Order Premium

1. The current system does not benefit all Pennsylvania farmers. Therefore, a system should be put in place that
 - a. Shows the OOP amount on monthly milk checks.
 - b. Applies to all classes of milk.
2. PMMB should collect and distribute the Over Order Premium.
3. Increase the amount of the Over Order Premium by
 - a. Adding a consumer tax on milk and/or milk products.
 - b. Making OOP more flexible with the market.
 - c. Developing a mechanism to ensure that the entire amount of the OOP is reverted to the producer.
4. Increase transparency, particularly for cooperatives.
5. Pay OOP only to Pennsylvania farmers.

PMMB Responses to Listening Sessions and the Survey

We are actively engaged in increasing our communications and visibility within the dairy industry. In September 2018 we started a bi-monthly newsletter publication and are currently hosting both Facebook and Twitter sites. Since the listening sessions we increased our newsletter distribution through active publicity efforts with the cooperation of our industry partners. We also maintain a listserv to instantly distribute important information.

In response to comments from farmers we have developed an anonymous feedback form for our website and encouraged its use. Our communications with both the PA House and Senate Agriculture and Rural Affairs Committees have increased, as well.

Other activities we have conducted or are conducting as a result of our data gathering are

- Increased speaking engagements with civic groups and other organizations.
- Efforts to investigate school fundraiser guidelines and distributed results.
- Communication with federal and state legislators about the milk-in-school's issues.

Efforts to Examine the System

We are currently involved in two efforts to review and revise the Over Order Premium issues in addition to education and outreach initiatives: In general, the Board is conducting a “system diagnosis” to gather more information about how OOP is working or not working for PA dairy farmers. This includes the effort recently undertaken for the regulation revision to require cooperatives to provide a line item on producer checks showing the amount of OOP paid to their members.

We are also in the process of examining how premiums are paid in the state of Maine. Their system does have components that would possibly work in Pennsylvania. Currently, we are in the process of developing several mathematical models to illustrate the possible impact of several potential changes for retail sales—some of these are based on suggestions provided to us by survey respondents.

Pennsylvania Milk Marketing Board

Dairy Producer Opinion Survey

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Introduction and Objectives

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1. Identify levels of awareness of PA's milk pricing system, including the Over Order Premium (OOP), held by producers.
2. Categorize opinions of the milk pricing system and PMMB and request suggestions for change related to those opinions.
3. Identify key differences in responses between members of various demographic groups.

The survey was made available online and by paper copy to PA dairy producers during the period February 18 through May 30, 2019.

Methodology

Selection of a mixed methods approach for the research provided a unique, rich, and comprehensive look into current knowledge and opinions of Pennsylvania dairy producers. Our listening sessions were geographically dispersed across the state and gave us a clear picture of industry- and PMMB-specific issues; we were also informed about misconceptions held by producers and others. Additionally, the listening sessions functioned as focus groups and aided in survey item development.

Information from the listening sessions was recorded and analyzed, forming four major thematic areas: 1) Milk in schools, 2) Closing the border to interstate milk transportation, 3) Minimum pricing issues particularly at the retail level, and 4) How the Over Order Premium is determined and distributed. The Board and Staff addressed some issues raised within these areas through immediate outreach efforts while others were addressed through survey data collection to gather more detailed information.

Due to budget constraints we were not able to mail surveys to PA’s approximately 6,000 dairy producers; even a random sample and follow-up mailings were deemed to be cost prohibitive. I decided to send the survey by email and to publish it online using Survey Monkey©. Partnering with several industry organizations¹ enabled us to reach as many persons as possible. Milk dealers and cooperatives distributed hard copies of the survey to producers lacking internet capabilities and our office sent copies to individuals who requested one by phone. In addition, links to the survey were published in Farmshine and Lancaster Farming newspapers, in our own newsletter, via our Facebook and Twitter accounts, and were distributed by several members of the PA House and Senate Agriculture and Rural Affairs Committees to their constituents.

The Sample

The number of individuals in the sample is unknown due to the unique challenges in and manner of the survey distribution. Our population sample is best described as “available” and “convenient.” There is also the issue of response bias created with individual opt-in to participate.

Consequently, there are limitations on generalizability of results. I believe, however, triangulation of the results with listening session data, informal and formal conversations with producers at various meetings, and testimony at PMMB hearings provides us with a valuable snapshot of producers’ perceptions of PMMB activities and the PA milk pricing system.

Survey Items

The survey was divided into four sections:

- Section 1 (10 items): Knowledge and awareness of the milk pricing system in Pennsylvania. Section 1 item responses were on a 5-point Likert scale running from “Extremely aware” to “Not at all aware.”²
- Section 2 (8 items): Opinions about the milk pricing system in Pennsylvania. Section 2 item responses were on a 5-point Likert scale running from “Strongly agree” to “Strongly disagree.”³
- Section 3 (10 items): Knowledge and awareness of Pennsylvania’s Over Order Premium and opinions about it. Section 3 items were scaled identical to those in Sections 1 and 2 except for one item scaled from “Extremely important” to “Not at all Important.”⁴
- Section 4 (8 items): Collection of demographic and related data.

¹ PA Center for Dairy Excellence, PA Farm Bureau, PA Association of Milk Dealers, PA Association of Dairy Cooperatives

² Extremely aware, Very aware, Somewhat aware, Not so aware, and Not at all aware

³ Strongly agree, Agree, Neither agree nor disagree, Disagree, and Strongly disagree

⁴ Extremely important, Very important, Somewhat important, Not so important, and Not at all important

Each section contained multiple opportunities for respondents to provide comments, suggestions, and reasons for their responses as well as to ask questions.

Data Analysis

Respondents entered survey responses online through Survey Monkey© or I entered them manually for those surveys received as hard copies. All survey data were entered⁵ and items with no response were considered as “missing data.”

Lack of a random sample prevented use of inferential statistics. Data analysis used primarily descriptive statistics with regression analyses to observe relationships between demographic data and some categories of responses. Qualitative responses from open-ended items were entered into a qualitative data analysis software program for sorting, coding and analysis.

Note. Comments of respondents are provided verbatim.

Results

Section 1: Awareness of Milk Pricing Facts

Section 1 asked respondents to identify levels of awareness of 10 key areas of PA’s milk pricing system.

Item 1. The Federal Milk Marketing Order (FMMO) sets minimum producer milk prices on a monthly basis. Pennsylvania contains only TWO Federal Milk Marketing Orders - #1 and #33 – the PA Milk Marketing Board has created six milk marketing areas in the state.

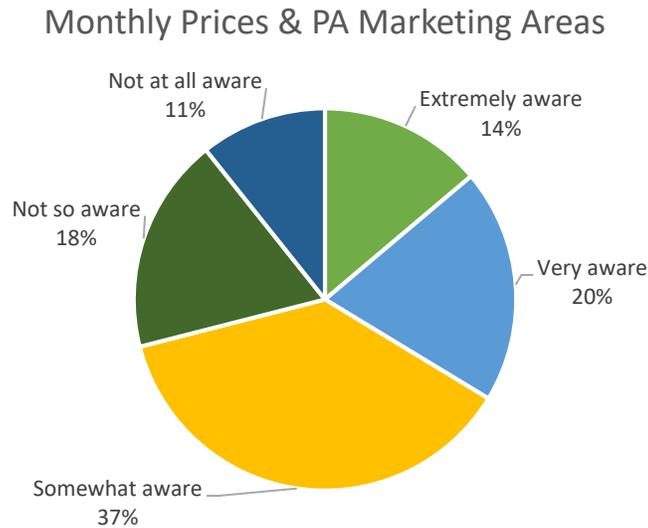
Over two-thirds of participants are at least “Somewhat aware” that the federal government through the Federal Milk Marketing Orders sets minimum milk prices for producers on a monthly basis and that PA has six milk marketing areas. Nearly 30 percent, however, know very little about the FMMO monthly pricing or the PA milk marketing areas (Table 1, Figure 1).

Table 1. Federal Milk Marketing Order Monthly Pricing and PA Milk Marketing Areas

	Sum of Responses	Sum of Response Percent
Extremely aware	53	13.84%
Very aware	76	19.84%
Somewhat aware	143	37.34%
Not so aware	70	18.28%
Not at all aware	41	10.70%
Grand Total	383	100.00

⁵ Survey items #12 through #18 could not be entered for some surveys due to an incident creating response bias.

Figure 1. Federal Milk Marketing Order Monthly Pricing and PA Milk Marketing Areas



The lack of basic understanding of how milk is priced in Pennsylvania was echoed by respondents in the comments area of Section 1 as illustrated by the following quotes:

“I don’t understand how the milk is priced AT ALL!”

“I don’t understand the pricing at all.”

“As you can see from the above [this respondent’s answers to survey items], I don’t understand the OOP or minimum pricing well enough to give my opinion.”

The same pattern emerged when looking at the next nine survey items related to the federal and PA milk pricing system.

Item 2. The PA Milk Marketing Board uses Federal Order minimum prices each month to establish minimum prices for all producers in the six PA Milk Marketing Areas. If a producer is located in a Federal Order but ships to a dealer outside the Order, he/she does not receive the Federal Order prices.

Nearly 63 percent of respondents have little awareness that PA Milk Marketing Board uses FMMO minimum prices to establish minimum producer prices in each of the six PA Marketing Areas. They also have little awareness that minimum price received is contingent upon the destination of their milk shipments (Table 2, Figure 2).

Table 2. PA Use of FMMO Minimum Prices for Six Areas Contingent Upon Shipping Destination

	Sum of Responses	Sum of Response Percent
Extremely aware	56	14.66%
Very aware	87	22.77%
Somewhat aware	122	31.94%
Not so aware	72	18.85%
Not at all aware	45	11.78%
Grand Total	382	100.00%

Figure 2. PA Use of FMMO Minimum Prices for Six Areas Contingent Upon Shipping Destination



Item 3. Federal order (and PA) Class I minimum producer milk prices are based on Class III or Class IV skim prices, butterfat, and a Class I differential that considers miles from a reference point.

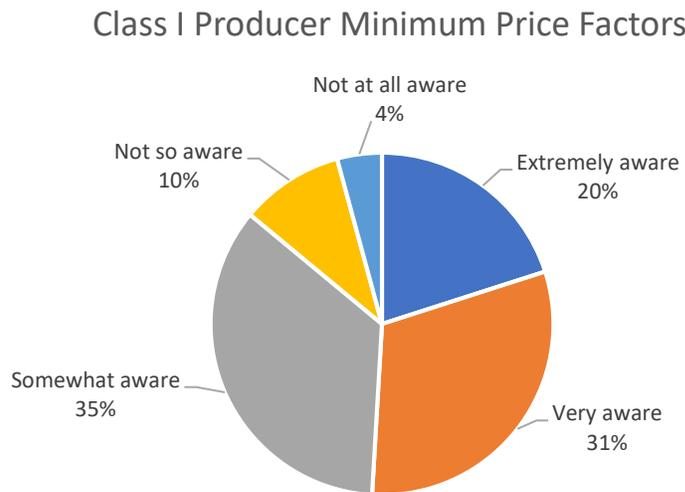
Respondents are more aware of the factors that go into the FMMO and PA Class I minimum producer milk prices than they are of more general relationships between FMMO and PA pricing. Over 50 percent indicated they are “Extremely aware” or “Very aware” that pricing is based on Class III or Class IV skim prices, butterfat, and a Class I differential (Table 3, Figure 3).

Table 3. Factors Determining Class I Minimum Producer Prices

	Sum of Responses	Sum of Response Percent
Extremely aware	76	20.05%
Very aware	117	30.87%
Somewhat aware	133	35.09%
Not so aware	37	9.76%
Not at all aware	16	4.22%
Grand Total	379	99.99%*

*Due to rounding.

Figure 3. Class I Producer Minimum Price Factors



However, there is much less awareness of determination of Class II minimum prices as evidenced by responses to Survey Item 4.

Item 4. Class II minimum milk prices are calculated using only Class IV skim milk prices plus a butterfat factor and an add on of 70 cents to help move milk to Class II consumption.

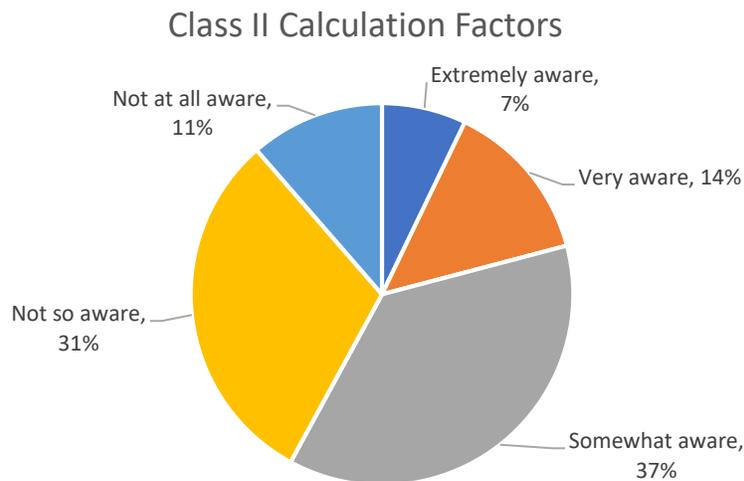
Only 21 percent of respondents are “Extremely aware” or “Very aware” of how Class II minimum prices are calculated (Table 4, Figure 4).

Table 4. Factors Involved in Calculation of Class II Minimum Prices

	Sum of Responses	Sum of Response Percent
Extremely aware	27	7.14%
Very aware	52	13.76%
Somewhat aware	140	37.04%
Not so aware	116	30.69%
Not at all aware	43	11.38%
Grand Total	378	100.01%*

*Due to rounding

Figure 4. Factors Involved in Calculation of Class II Minimum Prices



Respondents’ comments, such as those below, indicate confusion about different classes of milk, how they impact minimum pricing and what individual producers receive. Many comments also expressed a distrust of the “system” because of its complexity including PMMB, the Commonwealth, and PA milk processors.

“The pricing of milk is way too complicated – the system needs to be simplified and made more transparent.”

“The FMO has actually evolved over the years to erode Class I and Class II milk into lower classes with testimony in hearings presented by processors.”

“I’m honestly unaware even of the definitions of the different classes of milk and the different milk grades. I ship Grade A milk and I know I am paid above a set minimum on scc (somatic cell count), proteins, solids, etc.”

“Class I no longer drives the milk price.”

One respondent bluntly stated:

“Institutions put in place by the state and federal government are hypocritical.”

And referring to the PA processors, one respondent echoed the sentiments of many:

“Processors are laughing all the way to the bank because of how cheaply they can buy components. Not right or fair. This needs to change.”

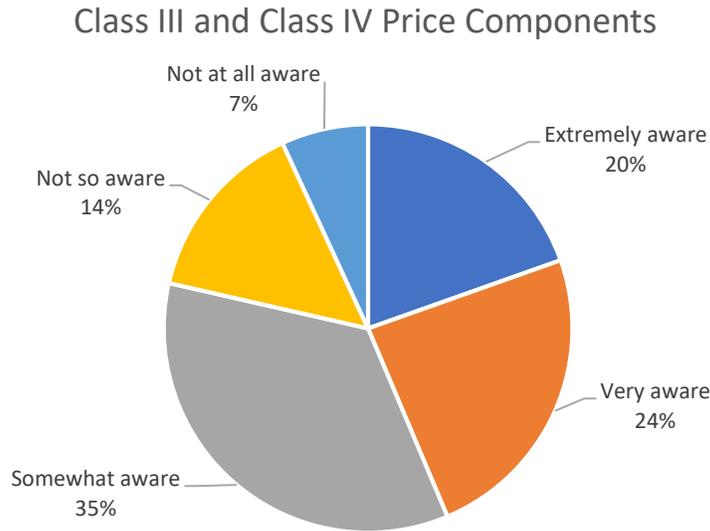
Item 5. Class III and Class IV milk prices are determined by wholesale commodity prices of four dairy products – Grade AA butter, 40-pound blocks and 500-pound barrels of cheese, nonfat dry milk, and dry whey.

More respondents (approximately 78%) indicated they are aware of components used to price Class III and Class IV milk than either Class I or Class II milk (Table 5, Figure 5). We have no explanation for this difference and plan to do some follow up communications with producers to learn more. Perhaps they follow the market reports available in print, online and through radio and television reporting.

Table 5. Class III and Class IV Pricing Components

	Sum of Responses	Sum of Response Percent
Extremely aware	74	19.58%
Very aware	91	24.07%
Somewhat aware	132	34.92%
Not so aware	55	14.55%
Not at all aware	26	6.88%
Grand Total	378	100.00%

Figure 5. Class III and Class IV Pricing Components



Survey respondents appear to have slightly more knowledge about Federal Order marketwide pooling.

Item 6. Federal orders employ a pricing system that assigns minimum prices that handlers/dealers pay for milk based on its end use. This is known as marketwide pooling.

Item 7. Producer payments are equalized in a Federal Order by the marketwide pool.

Over one-half of respondents indicated they are “Extremely aware” or “Very aware” of basic Federal Order pricing facts while an additional 33 percent felt they are “Somewhat aware” (Table 6, Figure 6).

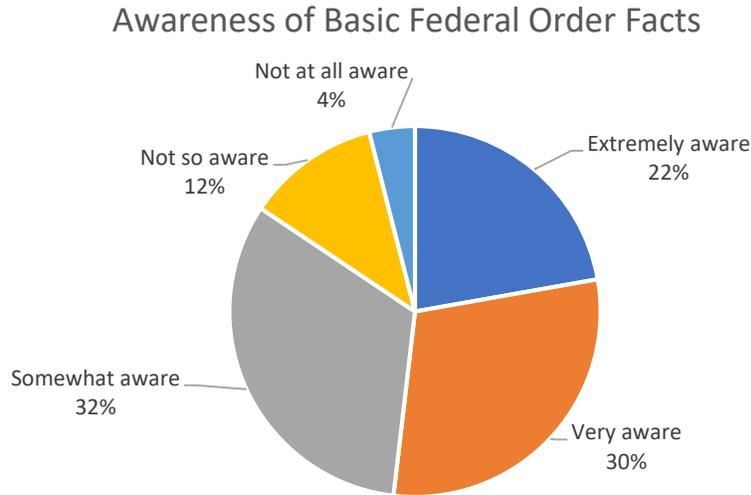
Table 6. Federal Order Basic Payment Facts

	Sum of Responses	Sum of Response Percent
Extremely aware	84	22.22%
Very aware	112	29.63%
Somewhat aware	123	32.54%
Not so aware	44	11.64%
Not at all aware	15	3.97%
Grand Total	378	100.00%

There was a perceived lack of efficiency in the Federal Order system as illustrated by one respondent who stated, “Decrease the \$0.05/cwt Federal Milk Marketing Order deduction to \$0.01/cwt. That organization can be more efficient as we have had to do to stay in business.”

Others expressed a wish that the FMMO system would be eliminated and PMMB would have control over all milk pricing in Pennsylvania.

Figure 6. Federal Order Basic Payment Facts

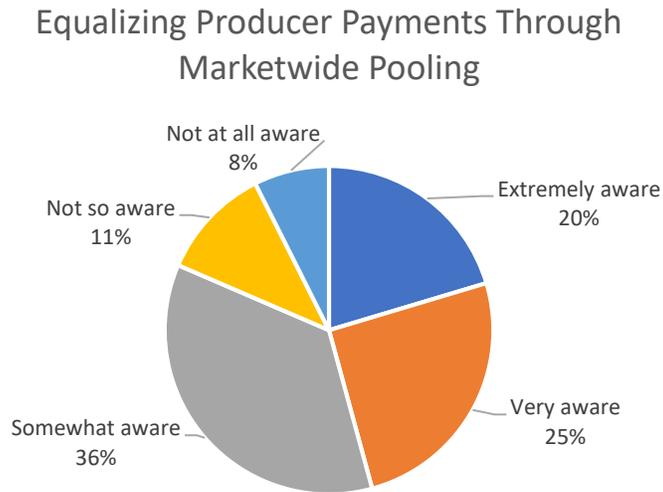


Respondents also have relatively high levels of understanding of the use of marketwide pooling in the Federal Order system to equalize payments among producers (Table 7, Figure 7). Over 80 percent stated they are, at a minimum, “Somewhat aware” (35.71%), with 46 percent being “Very aware” to “Extremely aware.”

Table 7. Equalizing Producer Payments Through Marketwide Pooling

	Sum of Responses	Sum of Response Percent
Extremely aware	77	20.37%
Very aware	96	25.40%
Somewhat aware	135	35.71%
Not so aware	42	11.11%
Not at all aware	28	7.41%
Grand Total	378	100.00%

Figure 7. Equalizing Producer Payments Through Marketwide Pooling



Producers are more aware of end utilization (by Class) for determination of prices when processors are in individual dealer/handler pools than they are of the use of skim and butterfat by PMMB to determine prices for non-pooled (in FMMO) producers' shipments. They are also relatively unaware of the relationship between Federal Order prices to prices established by PMMB for the Commonwealth.

Item 8. In individual handler/dealer pools, producers shipping to other handlers/dealers in the same market can receive different prices based on the utilization (Class I, Class II, Class III, Class IV).

Item 9. When producers' milk is not pooled within a Federal Order, the minimum prices are established by skim and butterfat prices, published by the Board in its Producer Price Sheets and available online.

Item 10. PMMB uses Federal Order marketwide and individual handler/dealer pool information to establish PA minimum producer prices.

Over 75 percent of producers are at least "Somewhat aware" that different prices may be paid to producers located in an individual handler/dealer pool if shipment is to another handler/dealer in the same market (Table 8, Figure 8). They are also aware of the role that end utilization plays in the prices paid.

This contrasts with the lack of awareness among producers of PMMB minimum prices for producers not pooled within a federal order and using skim and butterfat prices – over 75 percent are only "Somewhat aware" or less aware of this fact (Table 9, Figure 9). Slightly over 70 percent of respondents are aware that PMMB uses Federal Order marketwide and individual handler/dealer pool information to establish PA minimum producer prices (Table 10, Figure 10).

Table 8. Shipment Location and End Use in Pricing

	Sum of Responses	Sum of Response Percent
Extremely aware	77	20.53%
Very aware	97	25.87%
Somewhat aware	122	32.53%
Not so aware	60	16.00%
Not at all aware	19	5.07%
Grand Total	375	100.00%

Figure 8. Shipment Location and End Use in Pricing

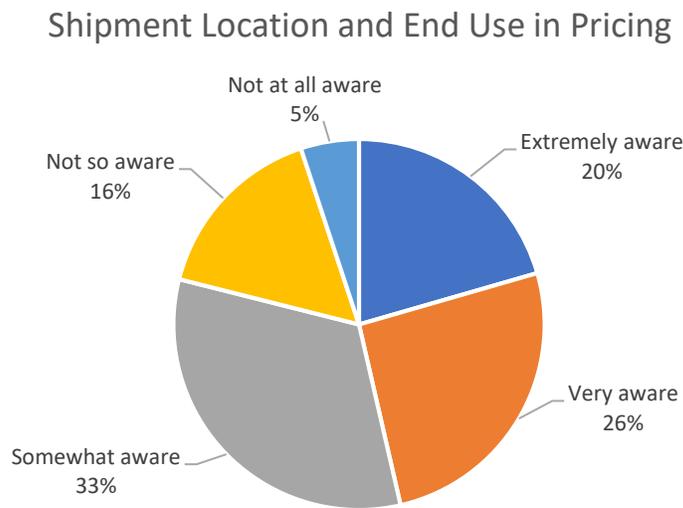


Table 9. How Prices Are Established Outside of a Federal Order

	Sum of Responses	Sum of Response Percent
Extremely aware	31	8.22%
Very aware	60	15.92%
Somewhat aware	103	27.32%
Not so aware	128	33.95%
Not at all aware	55	14.59%
Grand Total	377	100.00%

Figure 9. How Prices Are Established Outside of a Federal Order

How Prices Are Established Outside of a Federal Order

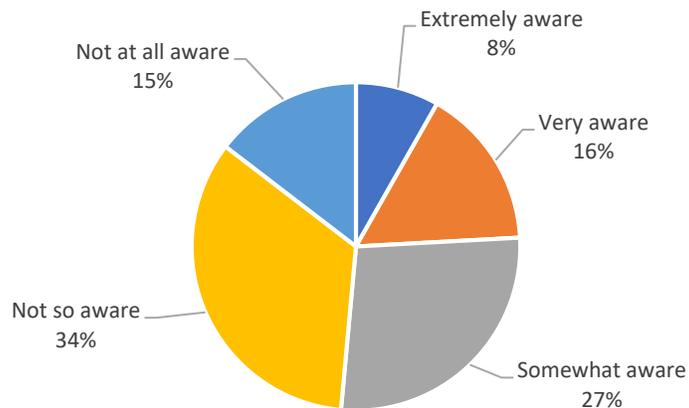


Table 10. PMMB Uses Federal Order Marketwide and Dealer/Handler Individual Pool Information

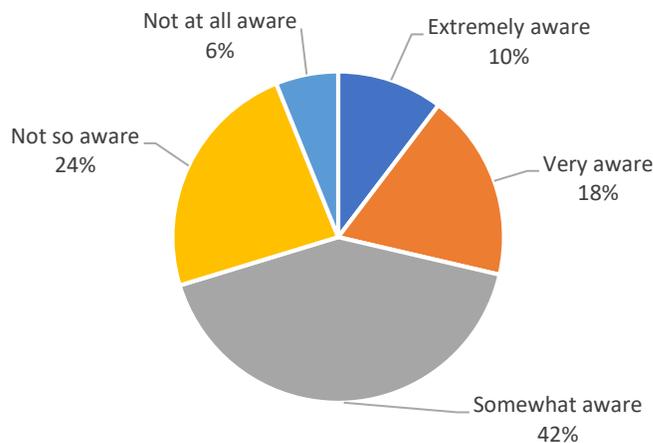
	Sum of Responses	Sum of Response Percent
Extremely aware	39	10.34%
Very aware	69	18.30%
Somewhat aware	157	41.64%
Not so aware	89	23.61%
Not at all aware	23	6.10%
Grand Total	377	99.99%*

*Due to rounding

To repeat from Item #1, a respondent stated, “As you can see from the above (this respondent’s answers), I don’t understand the OOP or minimum pricing well enough to give my opinion.”

Figure 10: PMMB Uses Federal Order and Dealer/Handler Pool Information

PMMB Uses Federal Order and Handler/Dealer Pool Information



Section 1 Summary

PMMB’s decision to conduct this survey was in large part to gain information about what Pennsylvania farmers do and do not understand about minimum pricing and other aspects of dairy industry regulation in the Commonwealth. The intent was and remains to develop an education and outreach program to inform and learn from producers and others about the pricing system and how it affects individual producers, processors, consumers, and retailers – our constituents.

Results of the data analysis regarding pricing inform us that there is some basic understanding and awareness of how the Federal Order system establishes minimum producer prices. There is also awareness of how end use helps determine pricing for individual producers, and what marketwide pooling does to equalize payments; however, there is little awareness of the relationship between the FMMO pricing and PMMB established prices.

We will use our partnerships with PA Association of Milk Dealers (PAMD), PA Association of Dairy Cooperatives (PADC), Pennsylvania Farm Bureau, and The Center for Dairy Excellence to help us inform our PA dairy producers about what we do and how we do it.

Section 2: Opinions About the Milk Pricing System in Pennsylvania

Section 2 consisted of six items asking respondents to provide their opinions on the milk pricing system in Pennsylvania. Responses were on a 5-point Likert scale from 1 (Strongly disagree) to 5 (Strongly agree). There were also three open-ended items for them to provide comments, suggestions, and reasons for their suggestions.

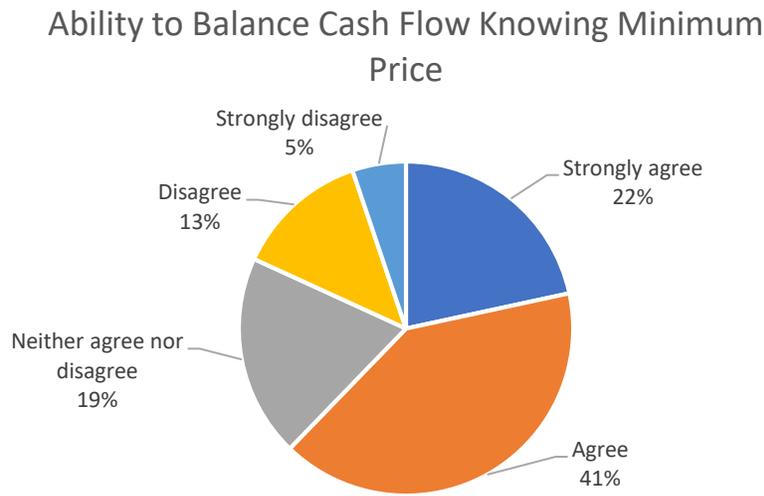
Survey Item 11 asked producers if knowing they will receive a certain amount for milk sales each month helps them balance cash flow. Over 60 percent agree that it does, 20 percent had no opinion, and slightly less than 20 percent stated it does not (Table 11, Figure 11).

Item 11. Knowing I will receive at least a certain price for my milk helps me balance my cash flow.

Table 11. Ability to Balance Cash Flow with Knowledge of Minimum Price

	Sum of Responses	Sum of Response Percent
Strongly agree	75	21.61%
Agree	141	40.63%
Neither agree nor disagree	68	19.60%
Disagree	45	12.97%
Strongly disagree	18	5.19%
Grand Total	347	100.00%

Figure 11. Ability to Balance Cash Flow with Knowledge of Minimum Price



The numbers indicate that producers value knowing they have a minimum price coming in each month, but comments from many of them express frustration with what that knowledge really provides to them. As several stated:

“One cannot limit cash flow because cows need to be fed, electric and other utilities need to be paid, and fuel is always needed. Why are processors making so much more than the producers? This is a crime. This is wrong.”

“We know farmers are losing money. Knowing how much you are short helps you manage your loss, not cash flow. Minimum pricing should be based on cost of production not a manipulated sale price system. Any business has to sell its product for a little more than what it costs... or the business fails. Ask any bank for a loan and they will tell you they look at income over cost.”

And one had a suggestion:

“Start a quota. Then you know exactly what you need to have cash flow throughout the year. If you don’t reach your quota then obviously your not paid fully, if exceed it then you are paid the minimum per 100 weight.”

Item 12. Pennsylvania’s minimum pricing system makes me less competitive with producers in other states.

Item 13. Pennsylvania’s minimum pricing system has helped me stay in business.

Almost 50 percent of responding producers believe that Pennsylvania’s milk pricing system makes them less competitive with producers in other states; 19 percent disagree with this statement and approximately 35 percent have no opinion (Table 12, Figure 12).

Table 12. PA’s Pricing System Causes Less Competition

	Sum of Responses	Sum of Response Percent
Strongly agree	58	18.47%
Agree	89	28.34%
Neither agree nor disagree	108	34.39%
Disagree	44	14.01%
Strongly disagree	15	4.78%
Grand Total	314	99.99%*

* Due to rounding

Many respondents expressed concern and negativity toward PA’s pricing system when talking about competition from other states. The following comments are representative of a large number provided in response to this item:

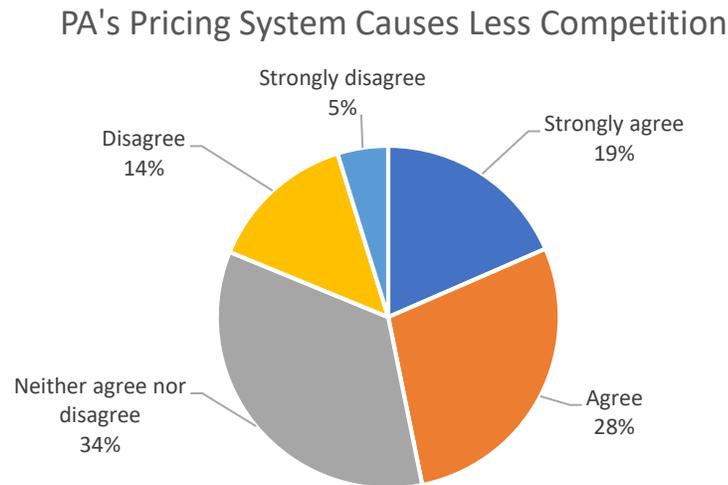
“PA minimum pricing makes PA a good dumping place for other states... Because they can get more money for their milk than in their own state.”

“Keep other states’ milk from coming into our state and stealing our price protection.”

“People go to other states to buy cheaper milk.”

“Milk comes in from other states and chips away at our market.”

Figure 12. PA’s Pricing System Causes Less Competition



Many also had suggestions for changing the pricing system to improve competition which included what PMMB should do:

“The PMMB should be abolished and allow free enterprise to work. It does in other states. Allow retailers to set their own pricing and use milk as a sales draw, increase sales and consumption of PA milk.”

“Not all states have MMB and I feel this is why milk is so much cheaper in other states. We need minimum protection; it just needs to be kept up with the cost of production... for God’s sake it is 2019.”

Indeed, most comments related to competition with producers in other states were directed toward higher PA retail minimum pricing. Many respondents suggested that PA should do away with its minimum retail pricing.

Note: This item is high on our list of things to address in our education and outreach program.

The following comments represent many we received about retail pricing:

“PA milk retailers cannot compete.”

“Buying retail and selling wholesale is getting old.”

“Make the minimum price at wholesale. Let the retail price be whatever they want to sell it for.”

“The reason I feel the current minimum pricing system is not working is because it attracts too much outside milk to be dumped into PA to take advantage of the minimum retail price.”

“Retail stores could move more milk without a minimum price.”

Respondents’ opinions for Item 13 about whether Pennsylvania’s minimum pricing system helps them to stay in business parallel responses to Item 12. Approximately 44 percent do not believe that the pricing system helps them stay in business while only about 20 percent believe it does. About 34 percent have no opinion (Table 13, Figure 13).

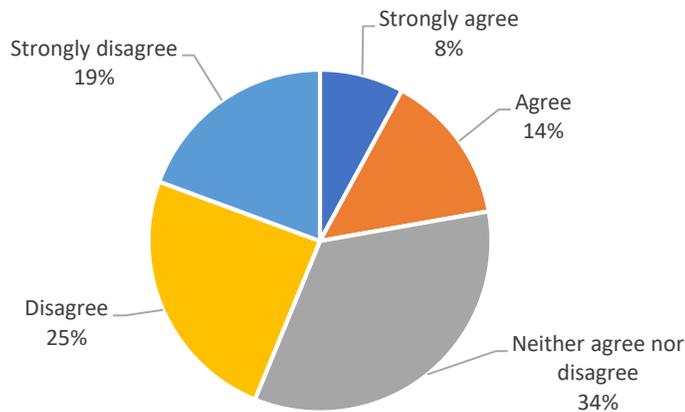
Table 13. Minimum Pricing Helps Me Stay in Business

	Sum of Responses	Sum of Response Percent
Strongly agree	25	7.94%
Agree	45	14.29%
Neither agree nor disagree	107	33.97%
Disagree	77	24.44%
Strongly disagree	61	19.37%
Grand Total	315	100.01%*

*Due to Rounding

Figure 13. Minimum Pricing Helps Me Stay in Business

Minimum Pricing Helps Me Stay in Business



Many individuals have fairly strong opinions about the minimum pricing system in Pennsylvania, often suggesting that it should be abolished for a totally free market system as reflected in the following statements:

“Do away with minimum pricing of milk.”

“The reason I feel the minimum price is not working is that it attracts too much outside milk to be dumped into PA and take advantage of the minimum retail price.”

“The minimum price system should be gone. I do not benefit from it.”

“Get rid of it.”

“STOP SETTING A MINIMUM PRICE SO WE CAN BE COMPETITIVE.”

There was one producer, however, who had a positive comment, saying, “Please don’t change the program because it has been beneficial to smaller family farms.” Unfortunately, this was the only respondent who indicated in the open-ended items that the system should not be changed in some way or eliminated.

When commenting on minimum pricing there was much agreement of survey data with statements we heard at our four listening sessions--that out-of-state milk is a serious issue affecting competitiveness and that minimum retail prices should be abolished.

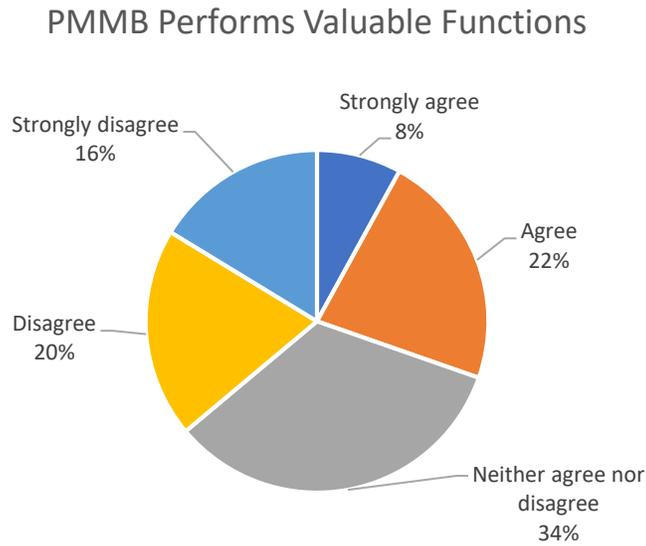
Item 14. The Pennsylvania Milk Marketing Board performs necessary functions to regulate Pennsylvania’s dairy industry.

Over 35 percent of respondents disagree that the PMMB performs necessary functions to regulate Pennsylvania’s dairy industry, followed closely by 34 percent who have no opinion. However, slightly over 30 percent do believe that the Board does have a valuable role in the regulation of the industry (Table 14, Figure 14).

Table 14. PMMB Performs Valuable Functions

	Sum of Responses	Sum of Response Percent
Strongly agree	25	7.99%
Agree	70	22.36%
Neither agree nor disagree	105	33.55%
Disagree	62	19.81%
Strongly disagree	51	16.29%
Grand Total	313	100.00%

Figure 14. PMMB Performs Valuable Functions



There were not a lot of comments about the PMMB in comparison to those about the general pricing system, but those provided were generally critical. Our task is to evaluate these comments considering the results of Section 2 and responses to Item 14 to ensure that our education and outreach initiatives address any misperceptions. Following are a few respondent comments that represent the general feelings about PMMB and its role within the dairy industry:

“(PMMB) needs better management.”

“PMMB should be dissolved along with the PA state minimum price.”

“I think PMMB should be discontinued.”

“If I was on the pa milk board I would look for another job because there will be no need for you in 1 year...”

While most comments were critical and suggested the Board be abolished, two participants made suggestions to expand the Board to a regional entity or collapse it into the PA Department of Agriculture:

“I believe that the PA milk marketing board should transition into the North East Milk Marketing Board, as the market has changed and there are fewer in-state processors and milk is traveling further, there are fewer farmers benefiting from PA retail sales. Expanding the board to cover the North East, as the North East is primarily a fluid market, would benefit more farmers by creating a more consistent market for farmers, and a more consistent price to consumers for retail milk.”

“The board/law is archaic and needs to change with the times. It used to be beneficial and now favors processors and others in the system - no longer the farmer. In the world of too much government oversight and overspend, our state can trim the edges and wrap the board's duties into the department of Ag for licensing and get rid of the milk marketing law/board. It won't solve the problem the industry faces, but it will be one of many steps to allow PA to compete on a global market.”

Clearly, we have our work cut out for us!

Item 15. My revenues are higher because of Pennsylvania’s milk pricing system.

Just over 45% of survey respondents do not believe their revenues are higher because of Pennsylvania’s milk pricing system, followed by 31 percent who expressed no opinion. Only 24% believe their revenues are higher because of our pricing system (Table 15, Figure 15).

Table 15. PA’s Pricing System Yields Higher Revenues

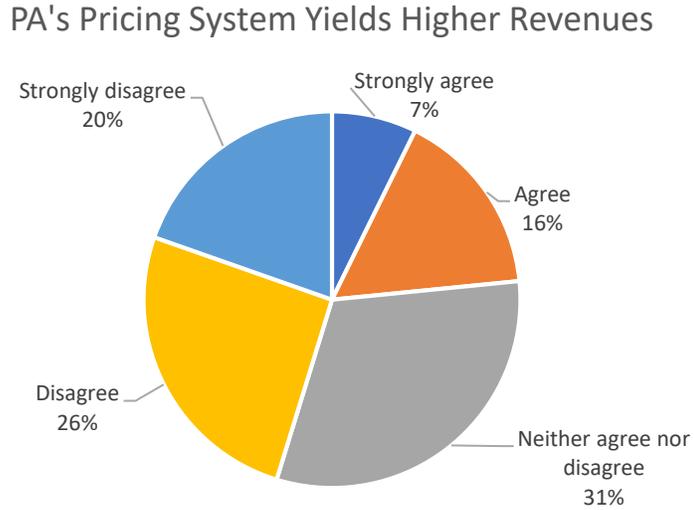
	Sum of Responses	Sum of Response Percent
Strongly agree	23	7.28%
Agree	51	16.14%
Neither agree nor disagree	99	31.33%
Disagree	81	25.63%
Strongly disagree	62	19.62%
Grand Total	316	100.00%

Many respondents expressed frustration that they cannot even “break even” by recovering their costs. A lot of comments reflected issues with transportation and feed costs, specifically. There is also a lot of anger toward milk processors:

“It does not matter what the minimum price is, the dairy producer is not benefiting by that price. The dairy producer pays all the cost of getting our raw product to the processor, plus advertising, dues, service charges, market adjustment fee, and any other expense that the processor wants us to pay. We are at the bottom of the ladder with no place to pass our increased costs.”

“One cannot limit cash flow because cows need to be fed, electric and other utilities must be paid, and fuel is always needed. Why are the processors making so much more than the Farmer, who has high overhead? this is a crime. This is so wrong.”

Figure 15. PA’s Pricing System Yields Higher Revenues



Echoing what we heard at our listening sessions, comments about the price received per hundredweight emphasized why many producers are experiencing difficulties: “Must have at least \$20.00 per cwt.” Many commented that the “... price per cwt is well below cost of production.”

The bottom line for responding producers, it seems, can be summed up in one comment:

“Costs have increased while milk prices have dropped.”

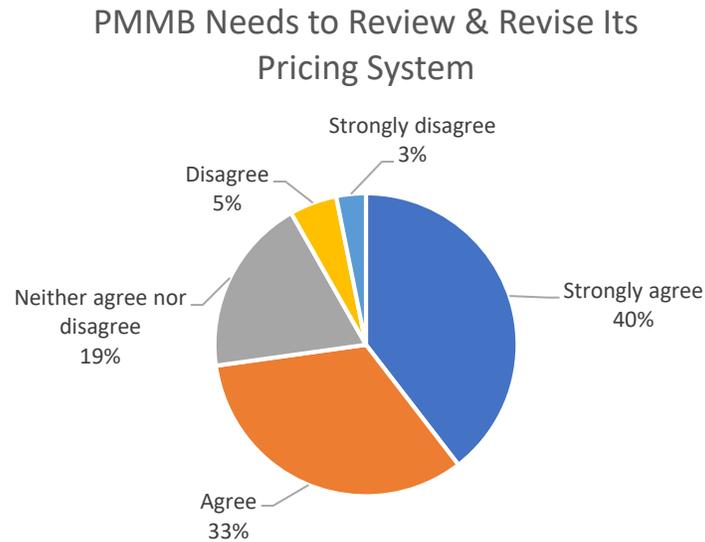
Item 16. I believe the PA Milk Marketing Board should review and revise its minimum milk pricing system.

Respondents feel strongly that the minimum pricing system in Pennsylvania needs to change in some way. Seventy three percent agree that the Board should review and revise the system compared to only eight percent who disagree that it needs to change. Unlike other items in Section 2, less than 25 percent had no opinion.

Table 16. PMMB Needs to Review and Revise Its Pricing System

	Sum of Responses	Sum of Response Percent
Strongly agree	125	39.56%
Agree	105	33.23%
Neither agree nor disagree	60	18.99%
Disagree	16	5.06%
Strongly disagree	10	3.16%
Grand Total	316	100.00%

Figure 16. PMMB Needs to Review and Revise Its Pricing System



Again, survey responses closely mirror those provided by producers in our listening sessions. There is a strong sense, as noted above, that the milk pricing system in PA needs to change. While some constructive criticism has been provided many respondents are frustrated with the system and don't necessarily feel PMMB has a desire to make any changes.

“I suggest you keep looking at this from every angle and step out of your comfort zone to do something about it.”

We held one listening session in the Northern Tier of PA and were confronted with a lot of frustration with PMMB and PA's pricing system. The following comment sums up that frustration and highlights another complaint many at our sessions and many survey respondents identified – the perception that PMMB is not transparent in its operations.

“PMMB needs to be less shady. We are a very progressive dairy and know much about federal milk pricing, but almost nothing about PMMB. Northern PA dairies matter too!”

Note: Survey Items 17 and 18 were open-ended items and were utilized to provide supporting quotes for the narrative in Sections 1 and 2.

Section 2 Summary

We have, basically, spent the past year gathering information from a variety of sources and venues. Much of this information is critical of what we do and the milk pricing system in Pennsylvania. We do not, however, look at this as anything less than a tremendous opportunity to have learned what our PA dairy producers think. As Rob Barley and I stated in our Senate meetings, and as Jim Van Blarcom has believed for some time, the Milk Marketing Law and

subsequent legislation and regulations need to be reviewed and changes made as necessary to implement a pricing system in Pennsylvania that works for our producers.

Section 2 provides real evidence of the frustrations currently being felt by dairy producers. Survey respondents do not believe the PA milk pricing system benefits them in any way, nor does it help with their budgeting and cash management or provide them with revenues necessary to operate. In response we are committed to providing not only education and outreach to help individuals understand what we do, but we are also committed to investigating suggestions for change.

Section 3: Awareness of Over Order Premium Facts

Section 3 consisted of 10 items designed to ascertain how much awareness survey respondents have about key facts regarding Pennsylvania’s Over Order Premium and how it is distributed. Opinions were also gathered about the fairness of the distribution and whether respondents feel PMMB should change anything about the Premium.

Item 19. The Pennsylvania Class I Over Order Premium is paid to producers for milk produced, processed, and sold in Pennsylvania.

Survey respondents have much higher awareness of the Over Order Premium than general milk pricing at the state level (Section 1). Independent dairy producers receive information on their monthly checks about how much OOP they receive; some cooperatives also provide this information either through producer checks or by written communication.⁶

Just under 95 percent of PA dairy farmers responding to the survey are at least “Somewhat aware” that the Over Order Premium is paid for milk produced, processed, and sold in Pennsylvania. Over 75 percent are either “Extremely aware” or “Very aware” (Table 17, Figure 17).

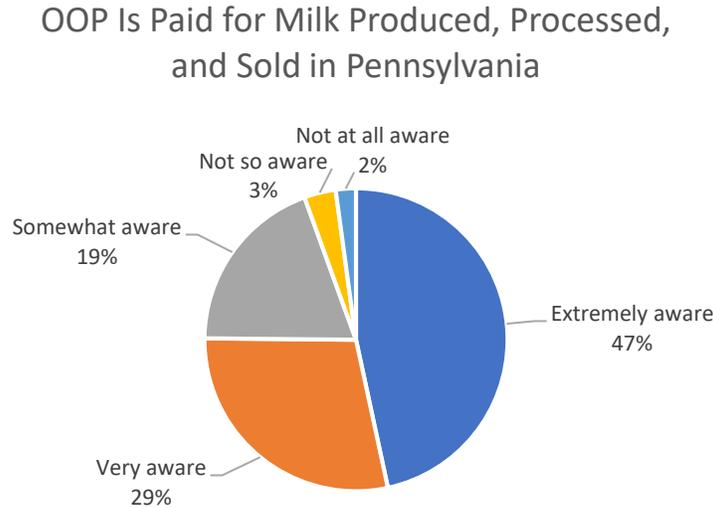
Table 17. The OOP is Paid for Milk Produced, Processed, and Sold in Pennsylvania

	Sum of Responses	Sum of Response Percent
Extremely aware	152	46.63%
Very aware	93	28.53%
Somewhat aware	63	19.33%
Not so aware	11	3.37%
Not at all aware	7	2.15%
Grand Total	326	100.01%*

*Due to Rounding

⁶ At the time of the writing of this report, PMMB has a regulation change in process that will require cooperatives to provide OOP information on individual coop members’ monthly checks.

Figure 17. The OOP is Paid for Milk Produced, Processed, and Sold in Pennsylvania



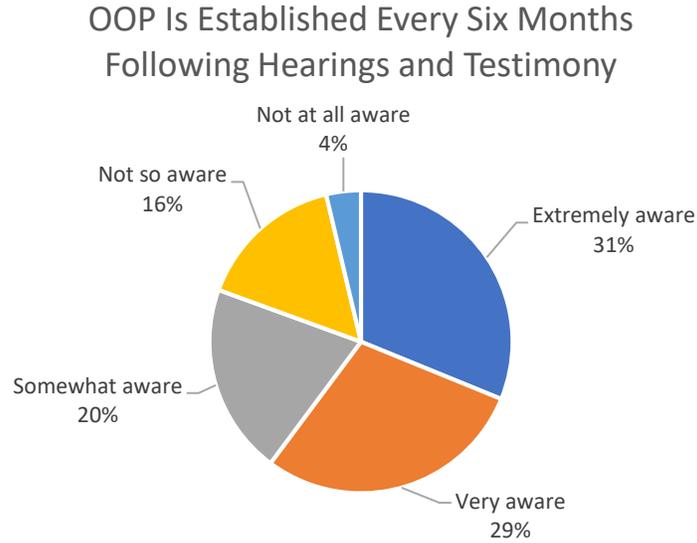
Item 20. The Over Order Premium is established by the PA Milk Marketing Board usually every six months after hearings and testimony.

At a recent luncheon held by a western PA dairy processor I learned that the company distributed nearly \$650,000 in Over Order Premiums to its suppliers in the previous year. Given the amount of money that the OOP does generate in the state it is not surprising that most producers are aware of when and how it is established. Less than 20 percent of survey respondents indicated they are “Not so aware” or “Not at all aware” of the fact that the OOP is established by PMMB approximately every six months following hearings with testimony. Over 60 percent are “Very aware” or “Extremely aware” of that fact (Table 18, Figure 18). We thank our state agricultural organizations and publications for their continuing coverage of OOP hearings and results.

Table 18. PMMB Establishes the OOP about Every Six Months After Hearings & Testimony

	Sum of Responses	Sum of Response Percent
Extremely aware	101	31.17%
Very aware	94	29.01%
Somewhat aware	66	20.37%
Not so aware	51	15.74%
Not at all aware	12	3.70%
Grand Total	324	99.99%

Figure 18. PMMB Establishes the OOP about Every Six Months After Hearings & Testimony



Item 21. The Over Order Premium hearing dates are published ahead of time and I can provide testimony.

Nearly two-thirds of survey respondents are only “Somewhat aware” or less aware that OOP hearing dates are published ahead of time and that they can provide testimony. This contrasts with the results for Item 20 which indicates they are highly aware that the PMMB does establish the OOP.

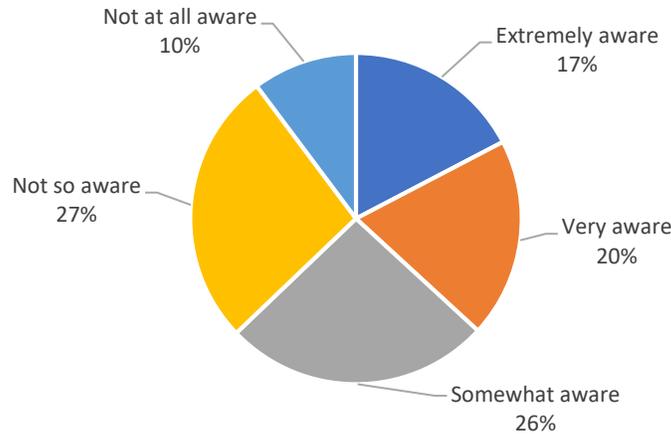
We are not surprised by these findings as we have learned through our listening sessions and other conversations that individuals are not aware they can testify at our hearings without being represented by an attorney. PA producers are, however, represented at the hearings by groups in which many have membership such as the Pennsylvania Grange, the Pennsylvania Association of Dairy Cooperatives and Pennsylvania Farm Bureau.

Table 19. OOP Hearing Dates Are Published in Advance and I Can Testify

	Sum of Responses	Sum of Response Percent
Extremely aware	56	17.34%
Very aware	63	19.50%
Somewhat aware	84	26.01%
Not so aware	87	26.93%
Not at all aware	33	10.22%
Grand Total	323	100.00%

Figure 19. OOP Hearing Dates Are Published in Advance and I Can Testify

OOP Hearing Dates Are Published In Advance
And I Can Testify



Item 22. I receive an Over Order Premium each month for my milk sales.

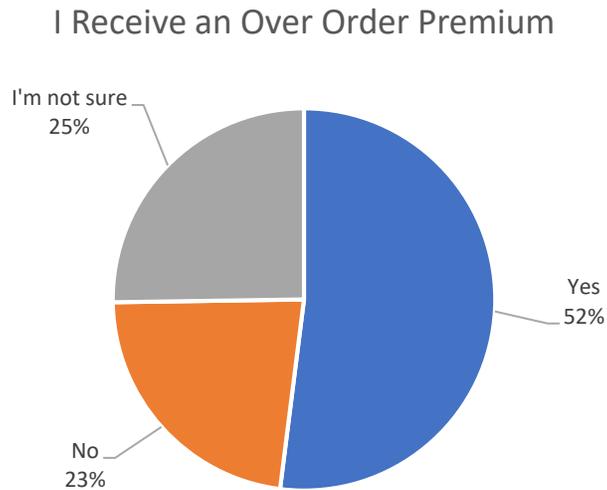
We are aware that independent producers receive information about OOP being paid on their monthly checks. As stated above, some cooperatives in the state include this information on producer checks while others provide information in written form. From our listening sessions we concluded that not all producers appear to know whether they receive the OOP or not, which became the basis for Item 22 and the “I’m not sure” response choice. Over half of survey respondents stated they receive an OOP each month for milk sales while 23 percent indicated they do not. Just over 25 percent indicated they are not sure if they receive an OOP (Table 20, Figure 20).

Table 20. I Receive an Over Order Premium

	Sum of Responses	Sum of Response Percent
Yes	169	52.65%
No	74	23.05%
I'm not sure	82	25.55%
Grand Total	325	101.25%*

*Due to Rounding

Figure 20. I Receive an Over Order Premium



Item 23 was an open-ended question: “If you answered, "I'm not sure", for #22, please tell us why you are unsure.” The following quotes are representative of the 77 responses we received to Item 23:

“The coop handles and distributes the premium.”

“My coop is not transparent on this issue.”

“I don’t remember ever seeing it printed on my check stub.”

“The amount is never given as an over order premium. I am told it amounts to 5 cents. No documentation is given.”

“Returned in the form of quality or volume premiums, so I probably receive it not just very transparently.”

Given the statements in response to Item 23, I looked at a breakdown of responses to Item 22 by whether the respondent is an independent producer or a member of a cooperative.

A total of 325 individuals responded to Item 22 asking if they receive an Over Order Premium. Of these, 154 are members of a cooperative (47.38%). Of those cooperative members, one-third indicated they do receive the OOP while two-thirds stated they do not, or they are not sure. These data explain the focus on cooperatives in the comments in response to Item 23. They also helped convince PMMB to develop and subsequently submit a regulation change that will require cooperatives to provide OOP amounts on monthly producer checks.

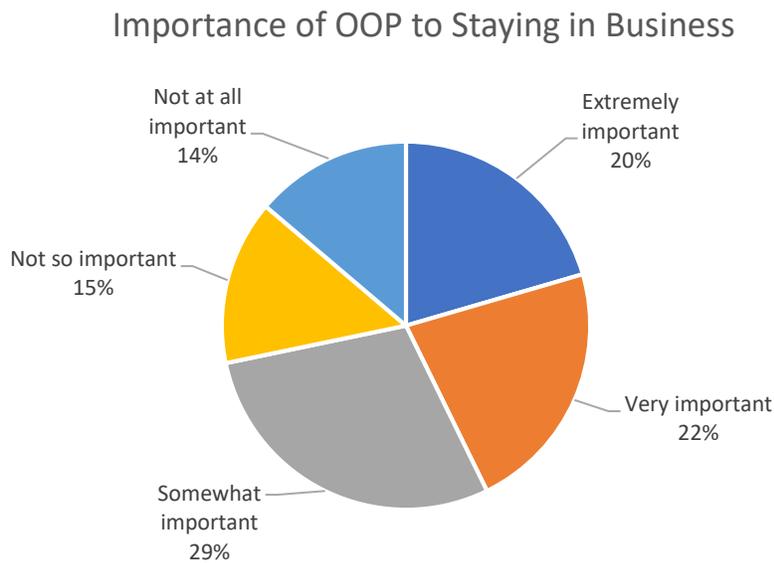
Item 24. If you receive the Over Order Premium, how important is it to your decision to stay in business.

For all respondents, nearly 30 percent state the OOP is only “Somewhat important” to their decision to stay in business, followed by over 40 percent who indicate it is either “Extremely important” or “Very important” for a total of over 70 percent (Table 21, Figure 21). Again, it is interesting to compare the responses of cooperative members to those of independent producers.

Table 21. Importance of OOP To Staying in Business

	Sum of Responses	Sum of Response Percent
Extremely important	58	20.49%
Very important	63	22.26%
Somewhat important	82	28.98%
Not so important	41	14.49%
Not at all important	39	13.78%
Grand Total	283	100.00%

Figure 21. Importance of OOP To Staying in Business



Cooperative members, possibly because many of them do not understand how much OOP they receive or if they even do receive an OOP, are less positive about it. Thirty-three percent stated the OOP is “Somewhat important” to a decision to stay in business, while only 25 percent indicate it is either “Extremely important” or “Very important,” for an approximate total of 58 percent (Table 22).

Table 22. Cooperative Members’ Use of OOP in Business Decisions

	Sum of Responses	Sum of Response Percent
Extremely important	10	7.91%
Very important	21	16.67%
Somewhat important	41	32.54%
Not so important	28	22.22%
Not at all important	26	20.63%
Grand Total	126	100.00%

Item 25. The Over Order Premium is distributed fairly in my opinion.

Two-thirds of respondents have either no opinion as to whether the OOP is distributed fairly or disagree that it is, indicating that only one-third believe that it is distributed fairly. It is important to note that nearly 20 percent of all respondents “Strongly disagree” that the premium is distributed fairly.

When comparing cooperative members to independent producers the results are not surprising given their responses to the previous two items. Fewer than 5 percent of cooperative members believe that the OOP is distributed fairly; over one-half of the cooperative member survey participants disagree with the statement that it is (Table 24). Over 30 percent “Strongly disagree” that the premium is distributed fairly.

Table 23. The OOP Is Distributed Fairly

	Sum of Responses	Sum of Response Percent
Agree	48	15.34%
Disagree	56	17.89%
Neither agree nor disagree	136	43.45%
Strongly agree	11	3.51%
Strongly disagree	62	19.81%
Grand Total	313	100.00%

Figure 23. The OOP Is Distributed Fairly

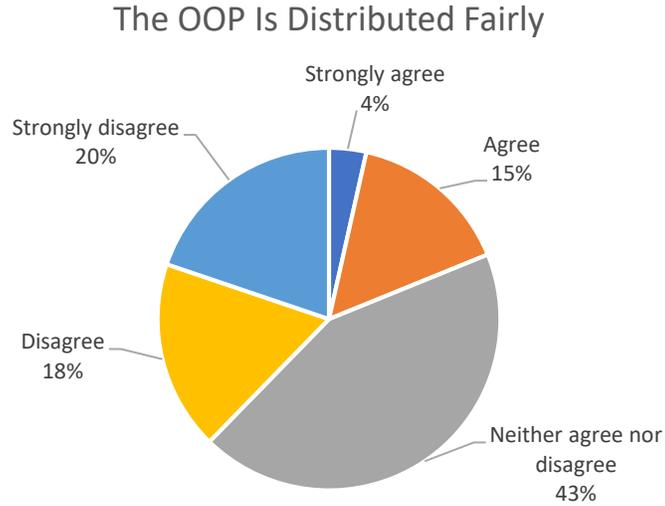


Table 24. The OOP Is Distributed Fairly (Cooperative Members)

	Sum of Responses	Sum of Response Percent
Agree	1	0.66%
Disagree	6	3.97%
Neither agree nor disagree	66	43.71%
Strongly agree	31	20.53%
Strongly disagree	47	31.13%
Grand Total	151	100.00%

Item 26. I believe the PA Milk Marketing Board should revise the system for determining and distributing the Over Order Premium.

In contrast with Item 16 in which over 73 percent of respondents stated that PMMB should review and revise the milk pricing system, only 50 percent believe the Board should review and revise the system for determining and distributing the Over Order Premium. Thirty-seven percent expressed no opinion while only 13 percent believe that the system should remain as it is (Table 25, Figure 25).

As suspected, cooperative members feel much differently about this issue. Over 62 percent of them either “Strongly agree” or “Agree” that the OOP system should be changed (Table 26).

Table 25. PMMB Should Review and Revise the OOP

	Sum of Responses	Sum of Response Percent
Strongly agree	85	27.24%
Agree	70	22.44%
Neither agree nor disagree	115	36.86%
Disagree	27	8.65%
Strongly disagree	15	4.81%
Grand Total	312	100.00%

Figure 25. PMMB Should Review and Revise the OOP

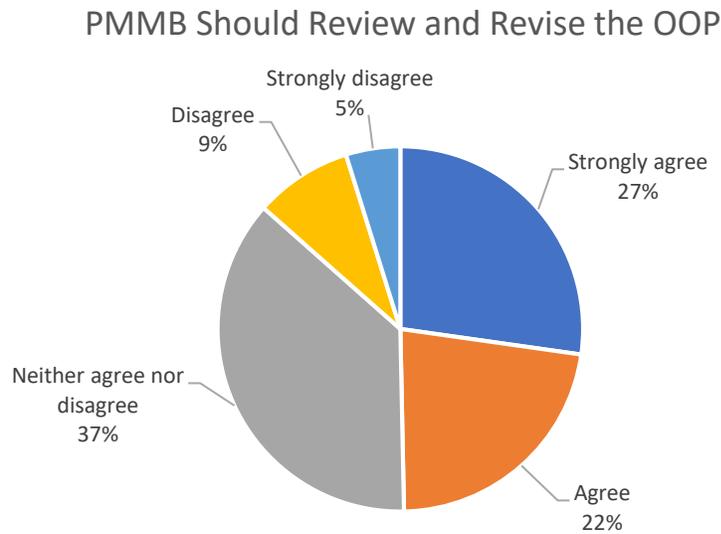


Table 26. PMMB Should Review and Revise the OOP (Cooperative Members Only)

	Sum of Responses	Sum of Response Percent
Strongly agree	56	36.67%
Agree	38	25.33%
Neither agree nor disagree	52	34.67%
Disagree	2	1.33%
Strongly disagree	3	2.00%
Grand Total	150	100.00%

Survey respondents were asked to provide reasons for their responses to Item 26. It again provides some useful perspective to compare the comments of independent producers to those who are members of a cooperative.

Independent Producers (n=60, Total responses=112):

“I receive an over order premium through [processor] which I am glad for.”

“Controlled pricing for the farmer’s income.”

“Little change is needed.”

“I believe the OOP should stay in place.”

“The OOP helps to offset high costs.”

“The OOP as calculated helps me stay in business.”

Even though some stated they don’t really understand the system, a few expressed that they do understand the importance of the OOP as illustrated by the following comment:

“I don’t understand the fine print on the over order premium, just know it is important I get it.”

There are also some independent producers who do not approve of the current OOP distribution system or the role that PMMB, cooperatives, and processors play in it:

“What is the MMB cut out of that (the OOP)?”

“We sell to a local private owned dairy who apparently sells most of their milk out of state. We get very little of the premium even though we are a fluid milk producer.”

“Dairy farmers are going out of business every day. If this system was working that would not be happening.”

“Explain to me how Minn. mailbox prices of milk are higher than PA's prices when their milk is hauled to PA? Why do you think [a cooperative] wanted to take over [a cooperative] years ago? We have the market and they have the product.”

“Lack of transparency in cooperative distribution of this premium is a huge concern, particularly for milk that moves across state lines.”

“Don’t really have enough information. Not sure why a dairyman whose milk gets shipped out of PA would get no premium, while his neighbor might, depending on where his handler sell his milk.”

Despite the negative comments above, most comments made by independent producers about the OOP system in Pennsylvania were on the more positive side.

Cooperative Members (n=82):

The main issue with OOP determination and distribution cited by cooperative members is what they term “lack of transparency” by their cooperatives in not providing a line item for OOP on monthly producer checks. The second item of most concern, in parallel with the independent producers, is the shipment of milk out of PA for processing to avoid paying an OOP. The following comments are representative of the 157 comments made by the 82 participants who responded to this item:

“I never saw a line item.”

“Coops should not be allowed to distribute money over state lines.”

“Too often the premium dollars are not reaching the dairy farmer like they were intended!”

“Because coops can haul milk across state lines to get around it.”

“Very little milk falls under all 3 categories.”

“I sell to the coop and I understand it gets paid to the coop but would be nice to see how much it is.”

“It should not mattered were it is shipped to but if it is produced in PA.”

As with most areas addressed in the survey, some people believe PMMB and the current pricing system in Pennsylvania are responsible for the negative situation:

“PMMB should be disbanded (as reason for negative response to Item 26).”

“If they (Board) aren't dissolved they should make it impossible for co-ops to manipulate the system so they don't have to pay producers and pocket premium themselves.”

“I don’t feel the board should still be in operation and therefore no need to revise.”

“There is no proof that the current system (pricing system) accomplishes anything positive for the dairy farmer.”

“As a member of a coop, my farm receives little benefit from current PMMB policies.”

The disparity between independent producers and cooperative members is also noted by many as illustrated by the following:

“Independent producers in my area receive 10 times the amount of PMMB premium (6-7) for me, (60-70) for independents. This creates tension between producers, it doesn’t unify the Pa. dairy industry.”

“If the over order premium is to keep PA farmers in business why should some PA farmers be treated differently.”

“Producers who do not ship primarily to a bottler do not benefit as much or at all.”

Note: We have shared preliminary data analysis results and producer comments with both independent processors and dairy cooperatives. The full report is being made available to them, as well, and we look forward to engaging in further discussions with them about the issues raised by responses to survey items.

Section 3 Summary

We believe the discussion of the Over Order Premium in Pennsylvania must and will be part of larger discussions in which we engage about the PA milk pricing system. As mentioned previously, we have responded to the issue of cooperative transparency with the OOP by proposing revisions to the regulation on who must provide an OOP line item on monthly producers’ checks.

We are also engaged in new efforts to provide education and outreach to dairy farmers and our other constituents through our bi-monthly newsletter, articles in publications of the Pennsylvania Farm Bureau and The Center for Dairy Excellence and increasing our visibility through speaking at public meetings. Regardless of the accuracy of any perception held by a dairy producer, we take seriously the responsibility to inform with the facts in user-friendly fashion and will be requesting that our state processors and cooperatives engage in efforts to do the same.

Section 4: Demographics of Participants

Survey participants were asked to provide some information about themselves and their operations. Some of this information has been incorporated into the body of the report; other information is provided in the following narrative so that readers will understand the diversity of respondents to the survey.

Regression analyses determined any relationships that might exist between various demographic categories and survey responses. We included a few snapshots of those relationships in this report, but the majority are being used to target our education and outreach efforts and are not pertinent to an interpretation of survey data except where noted, e.g. in comparing cooperative members' responses to those of independent producers.

County of Residence

Responses were received from individuals in 51 of Pennsylvania's 67 counties. The largest numbers of participants came from

1. Lancaster County – n=35
2. Berks County – n=31
3. Lebanon County – n=23
4. Franklin County – n=19
5. Somerset County – n=12.

No responses were received from Allegheny, Cameron, Carbon, Elk, Erie, Forest, Greene, Lawrence, Luzerne, Lycoming, McKean, Monroe, Philadelphia, Pike, Sullivan and Wyoming Counties.

Size of (Milking) Herd

The largest reported herd size is 1,900, followed closely by one 1,800 cow herd and one 1,700 cow herd. A total of 11 herds were 1,000 cows or more. The smallest reported herd is 10 cows with 14 herds having 40 or less cows.

Note: Location of these herds is not provided due to the chance that respondents may be identified.

The median reported herd size is 105, meaning there are the same number of herds above 105 as below. I did not calculate mean herd size due to the 11 very large herds which would skew the results.

Specialty Milk Produced

A total of 23 respondents report they produce some form of specialty milk (Table 27).

Table 27. Specialty Milk Produced

	Sum of Responses	Sum of Response Percent
A2 Milk	11	47.83%
Grass-Fed	9	39.13%
Organic Milk	3	13.04%
Grand Total	23	100.00%

I would like to determine if these numbers are consistent with percentages for our entire dairy industry, but do not have enough available data. We can compare the information in Table 27 for organic with data available from The Center for Dairy Excellence for 2016.

USDA reported that Pennsylvania had 300 organic dairy farms in 2016 out of 6,615 total dairy farms⁷ which equals 4.50 percent. Our current percentage from survey data is greater at 13.04 percent, which could be a function of the types of farms that have gone out of business since 2016. It could also reflect the types of farmers that chose to respond to the survey.

Cooperatives Represented in Survey

I have already provided the information about survey respondents identifying as either cooperative members or independent producers, but think it is useful to indicate which cooperatives are represented in our survey:

- Dairy Farmers of America – n=53
- Land O’ Lakes – n=39
- Maryland and Virginia Dairy Cooperative – n=30
- Mt. Joy Dairy Cooperative – n=15
- Lanco Dairy Cooperative – n=6
- Middlebury Dairy Cooperative – n=5
- Farmers’ Union – n=3
- Monroe County (Pocono Mt.) – n=3
- NFO – n=2
- Addison Dairy Cooperative – n=1
- CROPP – n=1
- United Dairy Coop Services – n=1
- White Eagle Dairy Cooperative – n=1

The total number of responses to this item is 160, three more than responded to Item 32, “Do you belong to a Cooperative?”

⁷ The Center for Dairy Excellence. <https://www.centerfordairyexcellence.org/pa-dairy-goodness-that-matters/pa-dairy-overview/>

Note: As with all self-reported data on surveys, respondents did choose to not respond to some items.

Independent Processors Represented in Survey

A total of 137 out of 149 responding independent producers provided us with information about where their milk is shipped:

- Clover Farms Dairy – n=33
- Harrisburg Dairies – n=21
- Dean – n=12
- Galliker’s Dairy – n=10
- Schneider’s Dairy – n=9
- United Dairy – n=8
- Rutter’s Dairy – n=7
- Readington Farms – n=6
- Guer’s Dairy – n=5
- Marburger’s Dairy – n=5
- Ritchey’s Dairy – n=5
- Turner Dairy – n=4
- Vale Wood Farm – n=2
- Betty’s Acres – n=1
- Hardler Farms – n=1
- Horizon Organic – n=1
- Other – n=7

Age Range of Participants

We asked survey participants to provide us with an age range. A total of 304 responded and results are outlined in Table 28.

Table 28. Age Range of Participants

	Sum of Responses	Sum of Response Percent
Under 18	0	0.00%
18-24	5	1.64%
25-34	47	15.46%
35-44	77	25.33%
45-54	71	23.36%
55-64	80	26.32%
65+	24	7.89%
Grand Total	304	100.00%

Slightly over 50 percent of the responding producers are over 45 years of age, a fact that has been reported in previous research. On a positive note, approximately 42 percent are age 44 or under and these individuals will, we hope, remain in the industry for some time.

Important Relationships

The following outlines the results of data analysis to determine if there are relationships between individuals in various demographic categories and survey responses:

1. No differences exist when comparing individuals in any of PA's six Milk Marketing Areas to one another in the responses provided to survey items.
2. No differences exist between individuals located in PA's Northern Tier⁸ and others in the state in responses provided to survey items.
3. Significant differences⁹ exist between independent producers and cooperative members on whether minimum pricing has been a factor in the decision to stay in business. Independent producers are significantly more likely to state that it has been a factor.
4. Significant differences exist between independent producers and cooperative members on whether PMMB should review and revise PA's minimum milk pricing system. Cooperative members are more likely to believe that the system should be revised.

Our Conclusions

Based on our identified objectives for the survey, we have identified the following conclusions about what PA dairy farmers know and believe about the minimum pricing system and the OOP:

Note: Conclusions are to be considered as generalized only to the survey respondents. However, due to data triangulation with listening sessions' information and results of other conversations, results reflect what we believe are widely held opinions and knowledge across the state.

Farmer Knowledge about PA Milk Pricing

PA dairy farmers responding to our survey hold the most awareness of the following items:

- Milk component pricing
- Federal Order role in establishing minimum pricing
- Equalization of producer pricing through use of pooling
- End use for purposes of determining minimum producer prices

⁸ Bradford, Lycoming, Potter, Tioga, Sullivan, Susquehanna, Wayne, and Wyoming Counties

⁹ $p < 0.005$

And the least awareness of

- Class II pricing basics
- Pricing specifics for PA and its six Milk Marketing Areas
- Pricing differences due to shipping destinations
- What information PMMB uses and how it establishes minimum prices.

Farmer Beliefs about PA Milk Pricing

- Knowing at least the minimum price they will receive does help them manage their cash flow.
- PA farmers are less competitive when compared to farmers in other states.
- PA farmers do not have higher revenues because of PA's minimum pricing system.
- The minimum pricing system has not been a factor in decisions to stay in business.
- PMMB does not perform valuable functions for the dairy industry.
- PMMB should review and revise the minimum pricing system.

Farmer Knowledge about the Over Order Premium

- Most farmers are aware that the OOP applies to milk produced, processed and sold in Pennsylvania.
- Most farmers are aware that PMMB holds hearings approximately every six months and takes testimony on the OOP.
- Farmers are only slightly aware that OOP hearing dates are published in advance and that they can provide testimony.
- Cooperative members are often unaware of whether they receive an OOP.

Farmer Beliefs about the Over Order Premium

- The OOP is only somewhat important in decisions to stay in business.
- The OOP is not distributed fairly.
- PMMB should review and revise its system for determining and distributing the OOP.

Producer Suggestions for Change

Producers were very precise in their comments on why and how the system of minimum pricing and the Over Order Premium should change.

Reasons and Suggestions for Change in the Minimum Pricing System

1. Since the price/cwt is well below the costs of production, there should be a guarantee of a break-even price.
2. Given the imbalance between the producer and consumer prices of milk, the minimum producer price should be increased.

3. The current system in Pennsylvania discourages processors from locating in the state; PA should establish producer-owned processing facilities.

Additional reasons cited for the need for drastic change and to support the above were increased transportation costs, the amounts of out-of-state milk coming into the Commonwealth, and the inability of smaller operations to compete with larger dairies.

Reasons and Suggestions for Change in the Over Order Premium

1. The current system does not benefit all Pennsylvania farmers. Therefore, a system should be put in place that
 - a. Shows the OOP amount on monthly milk checks.
 - b. Applies to all classes of milk.
2. PMMB should collect and distribute the Over Order Premium.
3. Increase the amount of the Over Order Premium by
 - a. Adding a consumer tax on milk and/or milk products.
 - b. Making OOP more flexible with the market.
 - c. Developing a mechanism to ensure that the entire amount of the OOP is reverted to the producer.
4. Increase transparency, particularly for cooperatives.
5. Pay OOP only to Pennsylvania farmers.

PMMB Responses to Listening Sessions and the Survey

We are actively engaged in increasing our presence and visibility within the dairy industry. In September 2018, we started a bi-monthly newsletter publication and are currently hosting both Facebook and Twitter sites. Since the listening sessions we increased our newsletter distribution through active publicity efforts with the cooperation of our industry partners. We also maintain a listserv to instantly distribute important information.

In response to comments from farmers we have developed an anonymous feedback form for our website and encouraged its use. Our communications with both the PA House and Senate Agriculture and Rural Affairs Committees have increased, as well.

Other activities we have conducted or are conducting as a result of our data gathering are

- Increased our speaking engagements with civic groups and other organizations.
- Engaged in efforts to investigate school fundraiser guidelines and distributed results.
- Communicated with federal and state legislators about the milk in schools' issues.
- Conducted a Milk Chugging Contest for PR purposes.

Efforts to Examine the System

In addition to education and outreach initiatives, we are currently involved in two efforts to review and revise the Over Order Premium issues: In general, the Board is conducting a “system

diagnosis” to gather more information about how OOP is working or not working for PA dairy farmers. This includes the effort recently undertaken for the regulation revision to require cooperatives to provide a line item on producer checks showing the amount of OOP paid to their members.

We are also in the process of examining how premiums are paid in the state of Maine. Their system does have components that would possibly work in Pennsylvania. Currently, we are in the process of developing several mathematical models to illustrate the potential impact of several changes for retail sales—some of these are based on suggestions provided to us by survey respondents.

Dr. Carol A. Hardbarger
Pennsylvania Milk Marketing Board
2301 Cameron St.
Harrisburg, PA 17101
717-487-4194
chardbarger@pa.gov
www.mmb.pa.gov