

**Testimony to the House Majority Policy Committee
Pennsylvania Agricultural Surplus System**

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Good morning, and thank you for the opportunity to testify today. I'm Candice White, I am a 3rd generation dairy farmer in Mill Hall, PA. My grandparents Paul and Jean Dotterer started the farm in 1951. They started with 15 cows and 147 acres. Today with the help of a really great team we have 950 milking cows and 800 young stock. We are farming 3,000 acres. Our team is made up of about 40 people, part-time and full. I work alongside my father, sister, uncle and two cousins daily. We as a team are extremely passionate about our industry and what we do on a daily basis. We strive to provide a quality product and we are proud member owners of Land O' Lakes INC. Our milk is shipped to the Weis plant in Sunbury and the Land O'Lakes plant in Carlisle.

Dairy is a key economic driver within Pennsylvania, serving as the largest sector of the agricultural industry and generating more than \$7 billion in economic activity for the commonwealth annually. Across the food supply chain, dairy supports more than 60,000 jobs, with Pennsylvania's 7,000 dairy farms serving as the anchor in many rural communities across the state.

Before I talk about the benefit of the Pennsylvania Agricultural Surplus System, or "PASS", it will be helpful to place into context the current state of Pennsylvania's dairy industry.

Milk prices have fallen significantly from where they were in 2014 and have remained at breakeven or below breakeven levels for the past two years. The current All-Milk Price published for March 2017 is \$17.30 per one hundred pounds of milk produced, up about \$2 from last year's levels, but \$8 below the historically high prices received in 2014. A Penn State research project indicates that the average cost of production on Pennsylvania farms is about \$18.90 for every one hundred pounds of milk produced, with the average cow producing about

70 pounds a day, or a little over 8 gallons. Even at these numbers, which are up from a year ago, dairy farmers are losing about \$1.50 per hundredweight.

Milk production nationally is still growing, up 2 percent in April. Pennsylvania's milk production is also up, growing 2.5 percent in April. Dairy exports are starting to rebound, now representing about 14 percent of the nation's total milk supply, up from 12 percent last year but not quite to the 2014 levels of 18 percent. Much of the issue with the lower milk prices is caused by an imbalance in domestic and global milk supplies. While other countries have now started to post decreases in milk production, the United States is still posting growth.

All of this has resulted in a dairy market in the U.S. and globally that is producing much more milk than can be consumed, leading to a surplus of milk.

Last summer, as schools recessed for the summer, this surplus intensified and some dairy farmers were placed in an unfortunate situation where some were discarding their surplus milk - milk that didn't have a home. This prompted a meeting between a small group of dairy industry representatives (including Land O'Lakes), the Pennsylvania Department of Agriculture, the Central Pennsylvania Food Bank and Feeding Pennsylvania. The purpose of the meeting was to discuss whether anything could be done with the surplus milk through the food bank chain – rather than the milk going to waste.

The Center for Dairy Excellence and the Pennsylvania Dairymen's Association worked together to develop a survey that was sent to every dairy processor in Pennsylvania, to assess their capacity for taking excess milk and processing into dairy products such as butter and cheese. The survey and the meeting also sparked a conversation about the need to anticipate, as much as possible, times of surplus – so that the charitable food system can work with the dairy industry to utilize all tools available to ensure that milk and other dairy products are not wasted, but are fed to people in need.

This meeting served as a catalyst for a proactive strategy by the dairy industry and the charitable food system, and part of that strategy involved utilizing the Pennsylvania Agricultural Surplus

System (PASS). Recently, Land O'Lakes made good use of its surplus Pennsylvania milk by shipping four truckloads of milk that didn't have a home, to Penn Cheese in Winfield, Union County. The four truckloads of milk were processed into over 25,000 pounds of cheddar cheese to be distributed to food banks across the state. The cheese was delivered to the Central Pennsylvania Food Bank earlier this month, and is currently being distributed to three regional food banks in the state: Erie, Pittsburgh, and Central Pennsylvania.

The cheese processing was funded through PASS. PASS is truly an innovative program that puts Pennsylvania-grown food into the charitable food system. It provides a way for farmers and processors to be reimbursed for costs involved in harvesting, processing or packaging donated product.

Land O'Lakes has also utilized the PASS program for the distribution of butter – receiving approximately \$80,000 for the processing of 30,000 pounds of butter. And many other dairy industry businesses and cooperatives utilize the program, such as Dairy Farmers of America, Harrisburg Dairies, HP Hood, King's Creamery, Schneider's Dairy, Swiss Premium, Pocono Mountain Dairies, and more. In the 2016 calendar year, a total of 472,170 quart equivalents of fresh, local milk were purchased from Pennsylvania dairies using the PASS program. This means that approximately 1.89 million servings of milk were distributed across Pennsylvania to families in need.

Dairy farmers have taken great strides to partner with the state's charitable food system, providing milk and other dairy products to families in need. We stand in support of the PASS program, and hope for continued funding in the Department of Agriculture's budget year after year.

Thank you for the opportunity to testify today.