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Dairy Crisis Briefing Speaking Points
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Dairy Situation Update

- Dairy is and will continue to be important to Pennsylvania. A study conducted in 2017 shows dairy is worth \$14.7 billion in annual economic revenue and supports 52,000 jobs across the Commonwealth.
 - Pennsylvania has many attributes that make it an ideal location for a strong dairy industry – an ideal environment for dairy production, quality farmland, and access to more than 50 percent of the nation.
 - Pennsylvania has more dairy farm operations than any other state besides Wisconsin, ranking seventh in total milk production.
- A global imbalance in the milk supply is putting stress on all major dairy regions. Milk supplies in the US are up 1.3 percent year-over-year with the nation's dairy herd at 9.4 million head, the largest in recent history. Global supplies are at all-time high levels, with inventories of powder in the European Union putting significant pressure on global dairy prices.
 - On average, about 14 percent of the nation's milk supply is exported to other regions of the world.
 - Demand of cheese, yogurt, butter and other dairy products is growing. But demand of fluid milk continues to decline, with whole milk being the only category growing.
 - New innovation needed in fluid milk to continue to spur demand and allow it to compete against other beverages.
- Milk supply in the Northeast region is also oversupplied currently, although supplies have started to back off as milk prices have declined. In March, milk supply in New York and Pennsylvania was down collectively about 1.5 percent, after three straight years of growth.
 - Pennsylvania has traditionally been a fluid milk state, with much of the state's processing infrastructure in fluid (or drinking) milk. As supplies grow and fluid milk demand declines, that has changed.
 - The utilization (or portion) of milk produced in Pennsylvania that is used for Class I (or drinking) milk has declined from 50 to 33 percent in the past ten years.
 - A 2017 Pennsylvania Dairy Study pointed to the need for additional processing infrastructure to diversify Pennsylvania's product portfolio away from just fluid milk.

- Very low milk prices, narrow to non-existent profit margins, decreasing premiums in the marketplace, and in some cases, losses of milk markets have all been repercussions of a challenged market.
 - In March, 42 farms were notified of a market loss from Dean Foods. Of those 42 farms, 23 have now found markets. Only four in the eastern part of the state remain without a market. Ten in the western part of the state do not have a market. Five have decided to exit the business for financial reasons.
 - The Department of Ag and Center for Dairy Excellence are actively working to help these farms find a milk market. However, some of them may not be able to find a market in the current market conditions. We are offering to help them transition to other industries or to off farm jobs through the center's Dairy Decisions Consultant Program and with the help of other agencies within the Commonwealth.
- The dairy industry is very cyclical because it is based on the supply and demand of a very perishable product. We are currently at a very low point in the cycle, although some reprieve in dairy prices comes later in 2018.
 - Dairy farm families must continually look at ways to drive down production costs to remain competitive in a highly volatile, highly cyclic market place. Using risk management, business planning, and benchmarking can help with this.
 - Bringing additional revenue into the operation is another opportunity. Niche marketing, diversity on the farm, and increased economics of scale are another way to do this.
 - Attrition will happen in the dairy industry. Where Pennsylvania can play a role is by encouraging reinvestment in the dairy processing sector and helping farms increase competitiveness at the farm level.
- Below are links to the resources we can offer to farms that are in need of help and support:
 - Our Dairy Decisions Consultant Program continues to be an invaluable tool to help farm families evaluate the difficult decisions that shape the future of their dairies. In light of the current environment, this program is being used to help the farm families finding themselves without a market navigate their options both within and outside of dairy. It is also being used to help farm families struggling financially to identify options for moving forward, which in some cases could include an exit strategy. This is an invaluable resources, and we have industry-based consultants who ready and willing to help farms. Find more at: <http://centerfordairyexcellence.org/dairy-decisions-consultants/>.
 - The center has put together resources and a network of counselors together to assist farms in dealing with overwhelming stress. We recognize that in many cases, your sales and service team is going to be the first line of communications with these farms. These counselors are available to accompany the sales and service representatives to the farms. They are also available over the phone. Additional resources supporting farms overwhelmed by stress are available at <http://centerfordairyexcellence.org/stress-management-resources/>.

- Our On-Farm Team Program Grants are also available. Using a team approach to provide greater insight into your business decision making process can lead to improved profitability, transition and transformation. Grants in the amount of \$2,000 - \$5,000 depending on the nature of the team are available to cover discovery-related costs and paid team member expenses. You can find out more about that program at: <http://centerfordairyexcellence.org/business-tools/on-farm-resource-team-programs/>.

- The center's role in Pennsylvania is three-fold. We serve as a source of support for individual farms, a catalyst for collaboration across the industry, and a resource for the next generation of Pennsylvania's dairy industry. Part of our efforts involved the Pennsylvania Dairy Study, which identified opportunities and inhibitors to strengthening dairy in Pennsylvania. Information on the study is available in: <http://centerfordairyexcellence.org/pennsylvania-dairy-study/>.