



Dairy Farmers of America, Inc. – Bill Beeman HB 1265 Information Meeting – June 17, 2015

My name is Bill Beeman and I own and operate an 80-cow dairy farm in Kingsley, PA, Susquehanna County with my wife, Ginny. We own 100 acres and rent more than 250 acres growing corn and hay. I have been a cooperative member for more than 30-years and have held numerous leadership roles with the cooperative through the years.

As a dairy farmer I choose to market my milk collectively with other dairy farmers through Dairy Farmers of America (DFA), a national milk marketing cooperative. I was elected by DFA dairy farmer members from my area as Director and currently serve as co-chairman for DFA's Northeast Council.

DFA is a leading milk cooperative and dairy food processor. The cooperative is owned by its more than 15,000 dairy farmer members nationwide and has approximately 1,560 dairy farm members in Pennsylvania. As a Cooperative, our member farms jointly sell milk to milk dealers.

In addition to marketing milk, DFA is a dairy foods processor with investments in brands and plants that bring added value to members. In Pennsylvania alone, DFA operates four milk plants: two milk plants located in Middlebury Center and Reading PA, producing condensed milk and milk powders; our plant in Mechanicsburg producing Frappuccino for Starbucks; and our Farmers' Cheese plant in New Wilmington producing mozzarella and provolone cheese.

As a cooperative, keeping the member-owners informed is always a priority. In Pennsylvania, DFA dairy farmer directors hold more than 20 member meetings every fall throughout Pennsylvania. The purpose of these meetings is to inform members on the Cooperative's business operation, update them on the dairy industry, provide forums to discuss DFA operations and ask questions. I personally attend many of these meetings and engage members in discussions. Additionally, I attend a number of industry events where I am interacting with members all of the time. I have not heard any resounding complaints regarding the way we pay PMMB premium money at any time now or in the past, and therefore we do not see the need for HB 1265.

The PMMB over order premium only applies to milk produced, processed and sold in Pennsylvania as fluid milk; we collect the PMMB premium on less than 15% of our Pennsylvania member milk. The other over order premiums we collect includes milk sold and packaged in Pennsylvania and sold in other states, milk sold to fluid milk plants outside Pennsylvania and milk sold to manufacturing plants. DFA combines all these premiums, and after marketing expenses, pays all the money to members in the form of market driven premiums, which include premiums for quality, volume and for not using rbst. HB 1265 would disrupt the way we pay our members and change the way we conduct business. Also, the Pennsylvania Milk Marketing Law specifically authorizes cooperatives to blend the proceeds of all sales and make payments to member farmers as the members determine through their cooperative governance. Federal law provides the same right.

HB 1265 would also create a costly administrative burden. Unlike independent milk supplies that are normally close to the plant purchasing the milk and delivered to the same plant almost all the time, DFA has members in almost every Pennsylvania County delivering to more than 50 milk plants. Nearly half of those plants are located outside the state and only 11 of them pay the PMMB premium. Please see the map included with our written submission of this testimony.

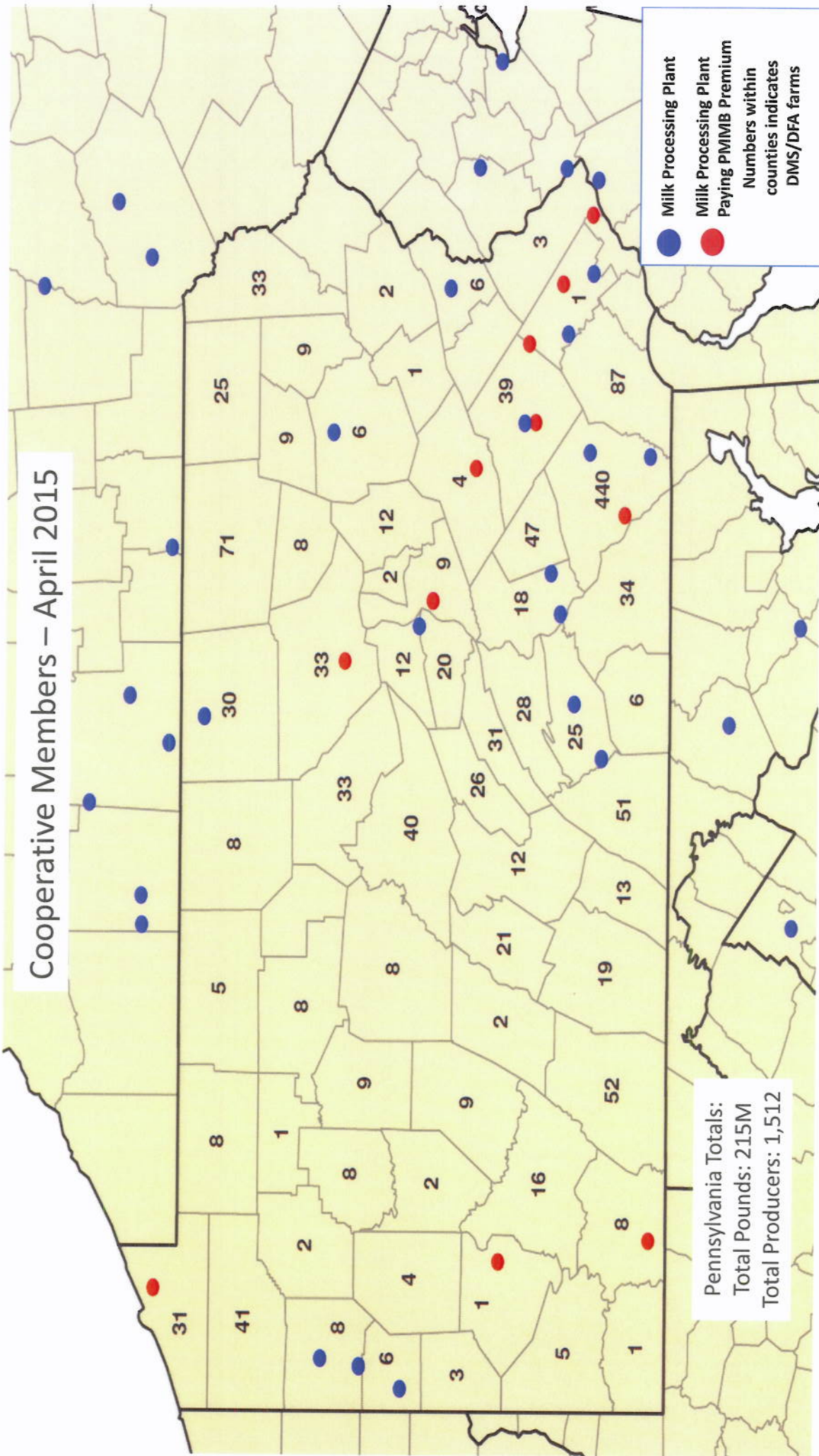
As a result of DFA having many customer relationships, we take on the burden of balancing much of the excess milk in the marketplace due to seasonal ups and downs in demand and on-farm production. We balance milk to assure markets for member's milk even when the Class 1 plants don't need milk. Typically their demand peaks on Thursdays, right before the heavy shopping weekend and it is at its lowest on Sunday, sometimes taking no milk at all. So, this balanced milk moves in and out of plants daily. Therefore, it is not uncommon for a member's milk to be delivered to 5 different plants in one month. To track the shipments of more than 1,500 DFA PA members milk and determine a PMMB value monthly would burden DFA with an unnecessary administrative cost. Additionally, it would be meaningless to the majority of members since their milk is not being delivered to a plant paying the PMMB premium.

We feel ample transparency and accountability already exist. By regulation, PMMB requires milk dealers to detail premium payment to independent producers and payments made to cooperatives. For the purposes of PMMB payments, Cooperatives are recognized by the PMMB as a producer. Milk dealers are audited by the PMMB to ensure that correct payments are made to producers and these monthly amounts paid to Pennsylvania producers appear on the PMMB web site.

As chairman, I am regularly in contact with management of the Cooperative discussing overall business operations and our Council regularly reviews premiums paid to members. There is significant transparency at the farmer-leader level on this issue and if a member were to want additional information on this topic, I can get their questions answered.

In summary, DFA opposes HB 1265 because it does not benefit our members, it disrupts the way we conduct business and ample transparency and accountability already exist.

Cooperative Members – April 2015



● Milk Processing Plant
● Milk Processing Plant Paying PMMB Premium
 Numbers within counties indicates DMS/DFA farms

Pennsylvania Totals:
 Total Pounds: 215M
 Total Producers: 1,512