



# Pennsylvania Dairy Future Commission

*Recommendations for a Vibrant Future  
for the PA Dairy Industry*

*August 1, 2020*

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## Background

The challenges of sustaining a viable dairy industry in Pennsylvania have been well studied and documented in recent years. Thanks to a heightened sensitivity of the general public and policy leaders to the plight of the dairy farmer, which has been exacerbated by five consecutive years of depressed milk prices and even more so by the novel coronavirus pandemic in 2020, Pennsylvania's leaders in the dairy industry and state government have rallied to help advance this enterprise that contributes more than 52,000 jobs and \$12.6 billion to the state's economy each year. The unprecedented focus on improving the dairy industry matches its extraordinary need for help at this time.

The Pennsylvania dairy industry began an intensive self-evaluation beginning with the [PA Dairy Study](#) commissioned by the PA Center for Dairy Excellence and Department of Agriculture in 2017. This was followed in 2018 by the [Pennsylvania Dairy Development Plan](#) with six broad strategies to help set the stage with several initiatives to expand opportunities in the industry. And shortly after the Dairy Future Commission convened for the first time in September of 2019, the Legislative Budget and Finance Committee released a thorough [Study of Pennsylvania's Dairy Industry](#), documenting the historic challenges and complex issues the dairy industry faces daily. All of these publications, and the information sharing they facilitated, helped significantly to inform the work of the PA Dairy Future Commission.

## The Pennsylvania Dairy Future Commission

The PA Dairy Future Commission was established with the passage of [Act 66](#) during the 2019-2020 Regular Session of the Pennsylvania Legislature, as part of a larger package of initiatives to help the dairy industry regain its footing in the global market. Signed into law in July, 2019, Act 66 authorizes the Commission to review and make recommendations to promote and strengthen the Commonwealth's dairy industry and to issue a report of the commission's findings and recommendations to the Governor, the Majority Leader and Minority Leader of the Senate, the Majority Leader and Minority Leader of the House of Representatives, the chairperson and minority chairperson of the Agriculture and Rural Affairs Committee of the Senate, and the chairperson and minority chairperson of the Agriculture and Rural Affairs Committee of the House of Representatives. Given one year from enactment to complete its mission, and supported by the Department of Agriculture and Team Pennsylvania, the Commission convened for the first time in early September of 2019 and worked diligently into July of 2020.

Membership on the Commission was representative of a broad cross section of State Government and appointees from the dairy industry designated in the enabling legislation: one individual appointed by the Governor, the Secretary of Agriculture or a designee, the Secretary of Community and Economic Development or a designee, the Secretary of Revenue or a designee, the Secretary of Transportation or a designee, the Secretary of Environmental Protection or a designee, one individual appointed by the President pro tempore of the Senate, one individual appointed by the Speaker of the House of Representatives, two individuals appointed by the Majority Leader of the Senate, one individual appointed by the Minority Leader of the Senate, two individuals appointed by the Majority Leader of the House of Representatives, one individual appointed by the Minority Leader of the House of Representatives, the chairperson and minority chairperson of the Agriculture and Rural Affairs Committee of the Senate or a designee, the chairperson and minority chairperson of the Agriculture and Rural Affairs Committee of the House of Representatives or a designee, a representative of the Milk Marketing Board, a representative

of the Center for Dairy Excellence, a representative of the Pennsylvania State University with expertise in the dairy industry, a representative of the Pennsylvania Farm Bureau with expertise in the dairy industry and a representative of the Center for Rural Pennsylvania.

## Process

With little prescript in how the Commission was to execute its charge, or the process it should follow, the group worked efficiently and democratically, operating by basic Robert's Rules and simple majority. When it first convened on September 3, 2019, the Commission appointed a dairy producer, Brett Reinford, to serve as Chair and immediately organized itself into four working subcommittees, each chaired by a dairy producer, to focus on specific areas of concern to the dairy industry:

**Consumer-Level** - to consider such issues as opportunities and gaps in marketing milk and dairy products, product innovation, and policies that enable dairy consumers for life.

**Farm-Level** – critically thinking about Pennsylvania's challenges on the farm related to cost of production, reinvestment, and regulations, as well as workforce, succession, and training and education.

**Market-Level** – considering export opportunities and challenges, the need for new investment, and expanding current processing and funding programs to advance it.

**State-Level** – addressing issues primarily related to government regulation such as Federal milk pricing, PMMB, and environmental protection and stewardship.

### ISSUES OF CONCERN TO PA DAIRY INDUSTRY

- PROCESSING • PRODUCTION • MARKETING • PRICE CONTROLS • WORKFORCE •
- BARRIERS TO ENTRY AND INNOVATION • LOCAL GOVERNMENT IMPACTS •
- IMPEDIMENTS TO IMPROVEMENTS ON THE FARM • TRAINING •
- STATUTORY AND REGULATORY BARRIERS •
- CONSUMER DISCONNECT AND DEMAND • COMPETING IN GLOBAL ECONOMY •

Issues and recommendations were gathered from a multitude of sources, including but not limited to the aforementioned reports, members of the Commission, dairy producers and industry professionals. Each issue, regardless of its origination, was sent to the appropriate subcommittee which analyzed the problem, framed a concise articulation of the issue, formulated and deliberated a recommendation, then voted on its advancement to the full Commission for consideration. At this stage, primary implementors were noted on the recommendation to provide clarity on what entities would be most appropriate to take the lead to implement it. The "Implementation Leaders" indication does not imply that they are solely responsible for successful implementation, but instead notes where particular authority and leadership is most likely to be found. The Commission recognizes the need for collaboration among various coalitions on many of these recommendations and encourages a team approach, similar to that which the Commission itself has taken. When needed for a more thorough understanding of an issue, the



subcommittees and full Commission invited subject matter specialists to bring different insights and perspectives that were not represented within the membership.

With a majority vote of the subcommittee, recommendations were sent to the full Commission for consideration at its next scheduled meeting. If the full membership believed more work needed to be done on a recommendation, it was sent back to the subcommittee level to revise the proposal before taking it back to the Commission. Although only a simple majority vote was required of the full Commission to approve a recommendation, nearly every recommendation was ratified by an overwhelming majority. The process of using subcommittees and advancing recommendations for continuous voting enabled the Dairy Future Commission to successfully adopt nearly 60 recommendations to help the dairy industry remain viable and become more competitive in this global economy.

Respectful and informed deliberations at every level were thorough and vibrant, with full participation and engagement from members. At times when a recommendation was challenged by the prohibitive nature of a current law or regulation, anticipated costs or controversy, the Commission was reminded that their charge was simply to identify the actions that would most help the dairy industry, not to determine whether or not they could be easily achieved.

As the Commission was nearing the completion of identifying issues of concern to the dairy industry, the new Coronavirus brought a whole new perspective and forced another look at what might be missing from the compilation of recommendations. The economic shut down in response to the COVID-19 pandemic drastically altered the existing “essential” dairy industry; forcing unprecedented amounts of milk wasted and price volatility. It also weighted the Commission’s estimates on how long each recommendation might take to implement.

***“We are tasked with making recommendations we agree would most help Pennsylvania’s dairy industry and should not disregard any just because they will require a heavy lift.”***

**- Glenn Stoltzfus, Pennwood Farms**

Each recommendation was assigned a projected timeframe in which the Commission believes the initiative can reasonably be accomplished. Because the Commission believes that all the recommendations are important to the overall advancement of Pennsylvania’s dairy industry, no recommendation was given priority over another. However, members also believe that by providing targeted timeframes in which each can be achieved, continued monitoring of progress will be more likely. With achievable goals for completion, the hope of the Commission is that implementers will hold themselves more accountable and progress can be measured. The Commission was judicious in estimating these timeframes; considering current conditions in the industry, initiatives that are already underway, how long it takes for legislative and policy reform, and even extending timeframes for those requiring financial commitment given the State’s immediate budget restraints. One-year, three-year, and five-year timeframes have been assigned to each recommendation and they are presented herein in these categories so implementers can easily identify the “low-hanging fruit” versus initiatives that might require longer-range planning and coalition building. It should be noted that the Commission estimated only a handful of recommendations that will likely require up to five years to accomplish, given the significant

financial investments and/or systemic change in government policy or industry infrastructure necessary.

## Recommendations

The Dairy Future Commission took care to frame each recommendation herein so they not only include their findings on the issue they are intended to resolve, but so they can also be used as action items with suggested implementation leaders and targeted timeframes for accomplishment. This report is designed to serve as an action plan for policy makers and the dairy industry to set goals, benchmark progress and track achievement. With that sincere intent, the Commission has asked the Center for Dairy Excellence to host and maintain a [dashboard](#) so that progress on implementation can be monitored, documented, and celebrated.

The recommendations of the Dairy Future Commission have not been ranked in order of importance, as it is the members' firm belief that they are all equally important to the dairy industry. Without assigning any priority, the recommendations are presented in this report by targeted timeframes for implementation as estimated by the Commission; 1 year, 3 years, and 5 years. A [glossary of terms](#) and acronyms referenced throughout the document is provided in [Appendix A](#) to assist both dairy industry and non-dairy industry readers to better understand and utilize the issues and recommendations.

## TARGETED FOR IMPLEMENTATION WITHIN 1 YEAR

### 1.1 Extend the Pennsylvania 17-Day Code for Fluid Milk

**Implementation Leaders:** PA Department of Agriculture, PA General Assembly

**Issue:** The current 17-day milk code mandated by PA regulations presents a competitive disadvantage for fresh fluid milk. According to a Saint Joseph's School of Food Marketing study completed in 2019, consumers rank freshness (as determined by the date code), as the most important attribute they look for when purchasing milk. This means that fresh milk produced in-state is at a competitive disadvantage on a store shelf in comparison to extended shelf life milks and plant-based beverages traveling further distances to market and printed with longer codes.

Milk code is not considered a food safety issue by FDA or state regulatory authorities. Only two other states have fixed code dates for milk in their regulations.

**Recommendation:** Move the current 17-day milk code to an open code supported by product testing, as outlined by the Pasteurized Milk Ordinance.

### 1.2 Lower the Somatic Cell Count (SCC) Limit to 400,000

**Implementation Leaders:** PA Department of Agriculture, PA General Assembly

**Issue:** The Somatic Cell Count (SCC) is used as an indicator of milk quality by the Pasteurized Milk Ordinance. Pennsylvania's dairy farmers work hard to produce higher quality milk than required by this federal limit. Lowering the state SCC limit to 400,000 would allow the Pennsylvania dairy industry to strengthen its commitment to producing high quality milk for consumers.

**Recommendation:** Modify PA Code Title 7, Chapter 59a, Section 110: Somatic Cell Count, to make 400,000 somatic cells per milliliter the upper limit on Class I milk sold by Pennsylvania farms.

### 1.3 Encourage Pennsylvania Consumers to Choose Fresh Local Dairy Products

**Implementation Leaders:** PA General Assembly, PA Executive Administration, Dairy Industry

**Issue:** Pennsylvania's dairy industry is unique. Our state is home to 5,730 family dairy farms that are diverse in herd size, cow breed, and management style, but share a commitment to produce quality milk. Our state is also home to a variety of dairy processors of all sizes who provide fluid milk, cheese, ice cream, butter, milk powder, and other dairy products fresh to local consumers. Pennsylvania consumers are lucky to have access to locally-produced dairy products, and dairy producers are lucky to have the community support of their neighbors. Consumers are bombarded by marketing claims in the dairy case, and need help understanding that their purchasing decisions can directly impact local farms.

**Recommendation:** The State and dairy industry should continue to support the "Choose

**PA Dairy” campaign, as well as the PA Preferred® Program, as resources to communicate to consumers the importance of choosing fresh local milk and dairy products.**

## **1.4 Continue Support for Center for Dairy Excellence**

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** The Center for Dairy Excellence serves as a catalyst to strengthen individual dairy farm businesses and foster collaboration and opportunity across the broader dairy industry. The Center for Dairy Excellence has a fourteen-year history in providing the resources, support and coordination needed to address the needs of individual farms and the broader industry. With emerging issues related to processing infrastructure and on-farm profitability, along with a heightened awareness of the industry’s need to collaborate, the Center will have new opportunities to lead this collaboration, coordinating and empowering both private and public industry stakeholders.

The Center is able to leverage Commonwealth support to bring together industry collaboration to strengthen individual farm businesses, address critical issues impacting and threatening the regional dairy industry, and build collaborations at all levels of the dairy value chain to strengthen and grow dairy in Pennsylvania. The Center’s efforts have helped to bring the significant issues within Pennsylvania’s dairy industry to light and started conversations on solutions that could address the issues.

As many dairy farms and businesses continue to consider key decisions related to their future here in Pennsylvania, it is essential that the Center for Dairy Excellence continue to leverage Ag Excellence dollars to continue its work in creating a path forward for the dairy industry in Pennsylvania while continuing to provide much needed support and resources to individual dairy farms in a challenging marketplace. The 2017 Dairy Study conducted by the Center and the PA Department of Agriculture demonstrated how critical dairy is to the Commonwealth, contributing more than \$14.7 billion in annual economic revenue and supporting over 52,000 jobs.

**Recommendation:** The Commonwealth of Pennsylvania should continue to allocate consistent funding to the Ag Excellence Line to support the work of the Center for Dairy Excellence in assisting individual dairy farm families with business planning and decision making and serving as a catalyst for collaboration and support across the dairy industry.

## 1.5 Allow More Flexibility of On-Farm Disposal of Milk During Crisis

**Implementation Leaders:** PA Department of Agriculture, PA Department of Environmental Protection

**Issue:** Milk is an extremely perishable product and must be moved from farm to processing facility within a day or two of production. Any number of crisis situations (weather, pandemic, etc.) can cause disruptions in transportation or supply chains that impact the timely transfer of milk from the farm to the processing sector. In these times of crisis, dairy producers may be forced to dispose of their milk on farm. Milk disposed of on-farm is most commonly placed in manure storages for later land application in a manure / milk mixture. Several serious concerns accompany this land application of manure mixed with milk. Degradation of milk in a manure storage or in a field can be expected to create offensive odors and enhance fly populations if the manure is surface applied. Additionally, because milk has a higher biological oxygen demand than manure, greater setbacks from streams need to be practiced with surface applied manure / milk mixtures.

Odor, increased fly populations and water quality concerns from manure/milk mixtures can all be greatly diminished by changing the manure application method from surface application to shallow soil injection or conservation tillage to place the slurry below the soil surface to limit odor emission and potential rapid growth of fly populations.

However, most conservation and nutrient management plans are based on no-till field crop systems, which prevents almost all tillage, including shallow injection of manure. Additionally, selecting shallow incorporation or conservation tillage over surface application of manure adds significant cost to the manure spreading operation. Dairy producers, faced with significant income loss from disposing of milk, may be reluctant to choose a higher cost option of spreading a manure with milk mixture.

**Recommendation 1:** The PA Department of Environmental Protection and the PA Department of Agriculture are encouraged to provide short term waivers of nutrient management plans and CAFO plans to allow shallow injection or soil incorporation by conservation tillage of manure / milk mixtures.

**Recommendation 2:** The PA Department of Agriculture is encouraged to designate funding to pay dairy producers during unprecedented emergency events, such as the COVID-19 pandemic, for the additional cost of manure application if they choose shallow soil injection or conservation tillage for manure in which milk has been mixed.

## 1.6 Exempt Milk Trucks from Weather Travel Bans

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** While the State of Pennsylvania argues that winter travel restrictions, based on weather forecasts, are in the interest of public safety by preventing accidents, they do not consider the very unique nature of milk production and hauling. Although there are other perishable products that enter commerce via travel on the highways, milk is the only product where the cows keep giving it and the schedule for their milkings cannot simply be adjusted.



Unlike typical commercial businesses that use the state roads, dairy farmers cannot simply reschedule raw milk deliveries until the roads clear. Dairies have limited capacity to safely store fresh milk and must regularly empty bulk tanks into trucks. Prohibiting travel of milk trucks causes a disruption that may result in a farmer needing to dump milk to make room for the next milking; adding more financial burden to the struggling dairy industry.

As state government continues to look for practical and implementable solutions to help struggling dairy farmers, it should include removing impediments to their viability. In testimony to the House Agriculture Committee, a representative of the Department of Transportation reported that in the past, when Governors announced closure of highways to all non-essential travel, milk trucks were in fact considered essential and thereby exempt. However, in recent winters, this practice was not employed, causing not only confusion among our dairy farmers and experienced milk haulers, but also putting their precarious revenue at even greater risk.

It has been well established that one of the reasons Pennsylvania's dairies are struggling is the lack of processing facilities to maximize revenue from PA's fluid milk production. This same lack of processing facilities is why milk haulers must travel far from the farms where the cows are milked; long distances across roads within multiple jurisdictions. For the safety of the citizens who drink the milk, it must be delivered within regulated timeframes and usually at great distances. Exempting milk trucks from weather related travel bans would be one way for the Commonwealth to eliminate impediments to dairy farms' viability.

**Recommendation: The practice of exempting milk trucks from weather-related commercial vehicle travel bans should be institutionalized by both the Legislative and Administrative branches of Pennsylvania State Government to ensure farmers can get their milk to market regardless of weather forecasts.**

## **1.7 Credit Farms for BMPs When Assessing Storm Water Fees**

**Implementation Leaders:** PA General Assembly, PA Department of Environmental Protection, Municipal Governments

**Issue:** For years, farmers across Pennsylvania have implemented many different best management practices (BMPs) that have helped keep water and soil where it belongs: on the farm. Many of these BMPs have been installed at the farmer's own expense and are therefore overlooked by regulatory agencies because only those installed using funding assistance from state and/or federal resources are captured in regulatory records.

Unfortunately, farmers have received very little recognition for mitigation measures that have become common practice on many farms. As townships and local governments look for ways to pay for storm water control, farmers are afraid they will once again be asked to contribute their limited financial resources to help fund a solution to a problem they did not create.

**Recommendations: The PA General Assembly is encouraged to enact legislation that would require townships and local governments that are assessing storm water fees to recognize and credit farms for the Best Management Practices (BMPs) and the storm water control that is already in place on many farms.**

## 1.8 Connect Agriculture with Workforce Development Systems

**Implementation Leaders:** Local and State Workforce Agencies and Organizations, PA Department of Agriculture, Dairy Industry

**Issue:** From the dairy industry perspective, the local, state, and federal workforce systems can be seen as complex and difficult to navigate. However, there is a desire and a need for industries to be involved in providing input and feedback, including the dairy industry as an important part of Pennsylvania's economy.

Pennsylvania's Local Workforce Development Boards (LWDBs) are part of the public workforce system, which serves as a network of state and local providers and programs that support local and regional economic development, and the education and training of the commonwealth's workforce.

LWDBs connect the Pennsylvania Department of Labor & Industry (L&I) with PA CareerLink® services for job seekers, workers, training providers, and employers. LWDBs also develop strategic plans for their region and set funding priorities for their areas. There are 22 LWDBs in Pennsylvania, and they rely on input from their local business communities.

**Recommendation:** The Pennsylvania Dairy Future Commission encourages PA Department of Agriculture, PA Department of Labor and Industry, and industry stakeholders to work collaboratively and seek opportunities for dairy (and other agricultural industries) to provide meaningful engagement and integration within the established workforce development system at both the local and state level.

## 1.9 Increase Awareness of DCED Loan Guarantee Program

**Implementation Leaders:** PA Department of Community and Economic Development, Financial Institutions

**Issue:** The Department of Community and Economic Development (DCED) currently has a program available to small businesses, including dairy farms and dairy manufacturing plants, that offers a loan guarantee on up to 50 percent of the borrowed money at no cost to the applicant, and up to 90 percent with a 2 percent one-time fee. This program would be ideal for new and beginning dairy farmers to use to acquire land, facilities, or capital assets. However, it is drastically underutilized by the agriculture industry. Increasing awareness that this program is available to farms and other agricultural businesses would increase its utilization and provide much needed capital to the dairy industry.

**Recommendation:** DCED and financial institutions should increase awareness surrounding DCED's loan guarantee program to advance utilization among new and beginning dairy farmers, manufacturers and processors to further innovation, market development, and expansion of dairy farms and dairy product industry.

## 1.10 Enforce the Definition of Milk on Product Labels

**Implementation Leaders:** U.S. Food and Drug Administration

**Issue:** Federal laws state that milk comes from a cow or certain other lactating animals, and that other dairy products are likewise made from animal milk. The Dairy Pride Act, introduced in the U.S. Congress in 2019, seeks to force FDA to uphold the law. Allowing non-dairy products to use dairy terms to promote goods with wildly different nutritional values has undermined public health and disregards FDA's own rules.

**Recommendation:** The U.S. Food and Drug Administration (FDA) should enforce their own definition of milk, which should not include plant- based beverages.

### 1.11 Improve the School Milk Experience

**Implementation Leaders:** U.S. Department of Agriculture, Schools, Dairy Processors and Marketers

**Issue:** School students should have access to quality milk and a pleasing variety of dairy products, served cold. Children are increasingly influencing their family's meal and milk decisions. Current school lunch program guidelines are not providing these future consumers with our best effort to encourage their continued dairy consumption. Improvements should be made to the school milk experience in order to build consumers for life.

**Recommendation 1:** Federal school milk program standards should allow the flexibility to offer a choice in flavored and unflavored milk, including whole milk.

**Recommendation 2:** Dairy Processors are encouraged to work within current and future guidelines to provide school students with a pleasing variety of dairy products.

### 1.12 Encourage Regulatory Changes to FDA Product Standards of Identity

**Implementation Leaders:** PA General Assembly, PA Executive Administration, U.S. Congress, U.S. Food and Drug Administration

**Issue:** The dairy industry has many standards of identity that tightly regulate ingredients and how products like cheese, milk, and yogurt are made. Most of these standards have not been substantially changed in several decades and do not consider the new processing technologies and innovations that are now widely available. This puts the U.S. dairy manufacturers at a competitive disadvantage as European dairy companies are able to use these technologies to make products more efficiently than the U.S., as well as produce some new types of value-added products.

**Recommendation:** The Pennsylvania General Assembly, Governor's Administration, and PA's Congressional Delegation should encourage FDA to update and modernize their standards of identity for dairy products which hinder product innovation, such as, recent technologies for milk concentration and membrane filtration.

### **1.13 Support the Fill a Glass with Hope® Campaign to Provide Fresh Milk to Consumers in Need**

**Implementation Leaders:** Dairy Industry

**Issue:** Prior to the Coronavirus pandemic, it was estimated over 1.5 million Pennsylvanians were food insecure, while our state produces an abundance of fresh milk for consumers. Fill a Glass with Hope® is the first statewide charitable fresh milk distribution program in the country. With leadership from the Pennsylvania Dairywomen's Association, Feeding Pennsylvania, and American Dairy Association North East (ADANE), Fill a Glass with Hope® has provided more than 14 million servings of milk to families in need through Feeding Pennsylvania's nine-member food banks statewide. This unique program provides nutrition to consumers in need while also supporting the farm families producing milk in our state.

**Recommendation:** The Pennsylvania dairy industry should support the Fill a Glass with Hope® campaign to provide all Pennsylvanians access to the nutrition of fresh milk.

### **1.14 Improve the Consumer Experience**

**Implementation Leaders:** Dairy Industry

**Issue:** Dairy products should be presented for consumption in clean settings that are kept cold. Consumers will have a more positive experience and continue to choose milk and dairy products if these items are merchandised in an attractive way that maximizes their shelf-life. Dairy check-off promotion organizations work with school nutrition directors and retail partners to be sure milk is kept cold and in stock, rotated, and presented for consumption and/or sale in clean, attractive coolers. Recent efforts to provide store signage that highlights product placement, nutritional benefits, and local sourcing has increased shopper time spent in the dairy aisle and increased sales. Farmers can produce high-quality milk, and processors can manufacture and deliver these products, but we need the help of school districts and retail partners to provide consumers with positive dairy experiences in the marketplace.

**Recommendation:** Support dairy check-off efforts to work with schools and retail partners to provide consumers with positive milk and dairy product purchasing experiences.

### **1.15 Support the National Dairy FARM (Farmers Assuring Responsible Management) Program or Equivalent**

**Implementation Leaders:** Dairy Industry, Veterinarians, Allied Industries

**Issue:** Ensuring an ample supply of the highest quality milk is essential for processing superior quality dairy products, and healthy cows produce wholesome milk. The Dairy Industry has recognized a collaborative responsibility to ensure the best care is provided to dairy cows, not only because it is good for business but because it is the right thing to do. The Pennsylvania Dairy Industry (Processors, Producers, and Allies) is firmly committed to ethical treatment of dairy cattle and sustained animal wellness on dairy farms. The well-being of animals raised and used in the food supply is important to everyone in the industry, as it is to the consumers of dairy products.

The National Dairy FARM Program is founded on the principles of continuous improvement and details specific animal care guidelines and best practices that are available at [www.nationaldairyfarm.com](http://www.nationaldairyfarm.com). FARM has four program silos that are implemented with dairy producers, processors and industry partners to assure the highest standards on U.S. dairy farms. The silos focuses are: Animal Care – Demonstrating Excellent Cow Care; Environmental Stewardship - Protecting the Environment for Generations to Come; Antibiotic Stewardship - Producing Safe, Wholesome Milk; Workforce Development - Best Management Practices on Human Resources (Hiring, Training and Supervision), Worker Health and Worker Safety.

The Pennsylvania Dairy Future Commission strongly believes that all dairy farms and manufacturers supplying dairy processors with milk or dairy products should do so in a manner that meets or exceeds industry standards and government regulations regarding animal welfare.

**Recommendation: The Pennsylvania Dairy Future Commission recommends the following:**

- **Support the animal care guidelines outlined in the National Dairy FARM Program;**
- **Ensure all processors enroll and participate in FARM and/or an equivalent program that is similarly science-based and cow-centric;**
- **Encourage Allied Industry (mostly veterinarians and some consultants) to support the FARM Program by helping producers implement the FARM Program and to write the Standard Operating Procedures (SOP's) that are required; and**
- **Processors, Producers and Allies should make every effort to report progress on FARM program implementation and be as transparent as possible on progress and results.**

### **1.16 Encourage Broader Utilization of Risk Management Resources**

**Implementation Leaders:** Agricultural Lenders and Financial Industry, Dairy Support and Education Entities

**Issue:** Price volatility and low milk prices threaten the viability of dairy farmers who are “self-insuring.” With the Dairy Margin Coverage and Dairy Revenue Protection Programs recently introduced by the USDA, farmers have options to protect their businesses against falling milk prices. However, very few Pennsylvania farms are utilizing the programs available to them. Only 14 percent of the dairy farms in Pennsylvania are currently enrolled in the Dairy Margin Coverage Program, and only 81 farms are enrolled in Dairy Revenue Protection.

Both Penn State Extension and the Center for Dairy Excellence have worked to educate farms about their risk management options through a variety of measures. However, farms still do not utilize the programs. The industry needs to push harder for broader enrollment in these programs to protect farmers from volatile prices. Having requirements for financing and other programs related to risk management would ensure greater participation among our farm community.

**Recommendation: Financial advisors and agricultural lenders, including banks and the Farm Credit System, along with the USDA Farm Service Agency and other financial support industry should strongly encourage and/or require their dairy farm customers to understand their cost of production and utilize the risk management programs available to them to mitigate their milk price risks. The Pennsylvania Association of Ag Bankers and**



**Farm Credit should also organize educational meetings, involving Penn State Extension, the Center for Dairy Excellence and others, to educate dairy farm families on the importance of having a risk management program to protect their businesses from market risks.**

### **1.17 Require Milk Contracts or Member Agreements**

**Implementation Leaders:** Dairy Cooperatives, Producers, Milk Buyers

**Issue:** The abrupt dismissal of dairy farm markets for milk causes serious consequences for individual dairies that struggle to find a new home for their product.

**Recommendation:** All milk producers and buyers should have a contract/member agreement with the organization marketing their milk. They must understand and communicate the notice period when either party can exit, consistent with applicable law, and the policies that either party must meet to comply. The contract/agreement should include enforceable action if either party is in breach of the contract/agreement.

### **1.18 Support Dairy Checkoff Initiatives to Increase Dairy Innovation and Milk Utilization**

**Implementation Leaders:** Dairy Industry

**Issue:** Since its inception in 1983, the Dairy Research and Promotion Program, also known as the dairy checkoff, has evolved with changing consumer demands and an ever-shifting business landscape, both domestically and globally. Before dairy farms began contributing 15-cent per hundredweight toward a marketing and utilization fund by “check off” from their revenue, milk production exceeded consumer sales resulting in an 18-billion-pound surplus. USDA Commodity Credit Corporation purchased butter, cheese, NFDM, etc. that was stored and released for sale from time to time but that did not increase milk utilization enough to solve the surplus problem.

From generic advertising in the beginning, to working with industry partners today, the goal remains the same, to optimize the checkoff’s investment through increased milk utilization and purchase of more dairy foods. This dairy farmer sponsored research and promotion has resulted in a per capita consumption rate that is at a 58-year high. Domestic per capita consumption has grown from 573 pounds in 1983 to 646 pounds in 2018, an increase of 73 pounds per person.

Since dairy checkoff began, dairy product utilization has shifted; the single largest impact being increased consumption of cheese - an area on which checkoff has focused, i.e. pizza brand partnerships. Exports have impacted NFDM, SMP, cheese, butter, etc.

To accelerate sales of dairy, domestically and internationally, checkoff works on behalf of dairy farmers directly with partners in Food Service, Retail, Culinary and Dairy Cooperatives. Nearly half of Americans’ food dollars are spent away from home, and forming partnerships with McDonald’s, Domino’s, Pizza Hut, KFC, and Taco Bell, has reached restaurants worldwide. Checkoff’s product innovation includes more cheese on pizza, cheese on chicken sandwiches, and specialty milk-based coffees and smoothies and fluid milk sales in their restaurants that help

ensure dairy's relevance with menu innovation and new products. To address declines in fluid milk consumption, dairy checkoff has engaged with key brands to influence and inspire innovation for milk.

**Recommendation: Pennsylvania's dairy industry will be best served by continuing to work cooperatively with the national and regional dairy checkoff programs to increase milk utilization and product innovation that drives consumer demand and consumption of dairy foods.**

### 1.19 Clarify Labeling Practices for Whole Milk

**Implementation Leaders:** Dairy Processors

**Issue:** Milk labels, specifically labeling of milkfat content, has caused confusion among consumers. Milk labels with 1% and 2% provide a clearer definition of the percentage of fat, while "whole milk" labels have proved to be less understood. The PA Department of Agriculture's Bureau of Food Safety released a memo in February 2020 clarifying federal milk labeling requirements; explaining that processors are allowed to label milk with the specific fat percentage as long as the processor evaluates the milkfat within and it is labeled accordingly. The Dairy Future Commission believes processors can leverage this labeling method to drive sales by educating and providing transparency to consumers.

**Recommendation: The Dairy Future Commission recommends processors adopt milk labeling practices that provide more clarity to consumers by adding the specific milkfat percentage to whole milk labels, consistent with federal labeling law.**

### 1.20 Continue Engagement with State and Federal Government Leaders

**Implementation Leaders:** Individual Dairy Farmers, Dairy Processors and Support Organizations

**Issue:** The challenges facing the dairy industry are complicated and are constantly evolving. To ensure continued support for the industry and secure necessary policy changes, the industry must continue its efforts to communicate effectively with all stakeholders, including government leaders.

Existing efforts by industry groups in Pennsylvania include assisting stakeholders in identifying and contacting key legislators and the state and federal administrations' policy makers. These are important measures, and the industry should continue to collaborate and provide training and guidance on how best to engage with key decision makers in person, by phone, and digitally.

**Recommendation: It is recommended that dairy farmers, processors, dairy-related trade groups, and businesses continue to work together to increase and enhance their communication and education efforts with state and federal government leaders, including legislators and administration officials in both Harrisburg and Washington, D.C.**

## TARGETED FOR IMPLEMENTATION WITHIN 3 YEARS

### 3.1 Reduce the Regulatory Burden for Agritourism

**Implementation Leaders:** PA General Assembly

**Issue:** Many farmers have diversified their income by hosting agritourism activities. Farmers are inviting the public to visit their farms to interact with animals, explore corn mazes, pick fruit, and enjoy other farm experiences in exchange for admission fees. These activities can supplement traditional farming income, but they also expose farmers to regulatory and insurance burdens associated with potential frivolous lawsuits from the visiting public. Because these activities take place on a farm, there are risks present that a farmer cannot take away, like uneven ground or unpredictable animals and weather. Twenty other states have legislation to protect agritourism businesses from lawsuits where no party is at fault for injuries or damages. As Pennsylvania farms look to diversify, we need to update laws to help with the promotion and protection of these unique agriculture businesses.

**Recommendation:** Support legislation to provide liability protection of agritourism businesses.

### 3.2 Reform State Income Tax Laws for More Consistency with Federal Tax Laws and Regulations

**Implementation Leaders:** PA General Assembly

**Issue:** Pennsylvania income tax laws do not allow pass-through business owners/residents to:

- Carryover losses to offset income in future years;
- Carry back losses to offset income in prior years;
- Offset business losses against other categories of income such as rental income, wages, gain on sale of assets, and interest/dividend income; and
- Use accelerated depreciation (i.e. Section 179 or bonus depreciation) to offset earnings.

Lacking these provisions for State taxes, which are available in the Federal tax system, business owners in PA are required to pay income taxes instead of utilizing the capital in their business to allow the business to grow and reinvest for a stronger operation in-state. In addition, it requires these business owners to carry a separate set of income tax records for depreciation and investment, thus, increasing their tax compliance costs.

**Recommendation:** It is recommended that the Pennsylvania General Assembly adopt legislation to implement a program for income taxes that more closely mirrors the Federal system; allowing for loss carryovers, loss carrybacks, and accelerated depreciation options, which will allow for more capital to be retained by Pennsylvania business owners for reinvesting in growth, efficiencies, and productivity.

### 3.3 Allow Branded Advertising Partnerships with MilkPEP Dairy Processor Check-Off Program

**Implementation Leaders:** Federal Check-off Administrators, MilkPEP, Dairy Processors

**Issue:** The MilkPEP program is the national dairy processor check-off program. MilkPEP has numerous advertising campaigns - Milk Life, Milk It!, and Built With Chocolate Milk - that target appropriate audiences of moms, families, kids, and athletes. MilkPEP works with market research leaders to gain insights and consumer data, which ensures they are targeting the right consumers at the correct time. MilkPEP collaborates and coordinates efforts with the dairy producer check-off programs, but not with the dairy processors that provide the program funding.

Dairy processors use their brands to create consumer trust, build loyalty, and provide credibility to advertising messages. MilkPEP and dairy processors should work together to communicate milk's positive messages, build brands, and drive consumption.

**Recommendation:** MilkPEP should coordinate their current programs, insights, and resources to collaborate with the brands and businesses that provide them with funding. The industry should take advantage of the programs and insights that MilkPEP has in place as they fit into their brand messaging.

### 3.4 Promote Agritourism in Pennsylvania

**Implementation Leaders:** PA Department of Agriculture, PA Department of Community and Economic Development

**Issue:** Agritourism businesses are important specialties for many dairies. More farms are looking to develop future business plans that involve agritourism to diversify and supplement their farm income. Agritourism is important to the economic vitality of rural communities and the dairy industry in Pennsylvania. The 2019 Ice Cream Trail is a great example of collaboration between the PA Department of Community and Economic Development (DCED) and the PA Department of Agriculture (PDA) to simultaneously promote Pennsylvania agriculture and encourage tourism. The Commonwealth's tourism webpage, [visitpa.com](http://visitpa.com), showcases many tourist destinations and activities across our diverse state- including driving tours of wineries and breweries- but farms are notably absent from this resource. Pennsylvania Government Agencies should collaborate to provide a resource for consumers to easily identify local farms selling directly to consumers. Agritourism should receive as much tourism promotion as other businesses in our state.

**Recommendation:** The Pennsylvania Dairy Future Commission recommends DCED and PDA work together to include agritourism businesses, farm brands, and on-farm stores into tourism marketing efforts to help consumers locate farms and promote agritourism in Pennsylvania.

### 3.5 Increase Support for the Pennsylvania Agricultural Surplus System (PASS)

**Implementation Leaders:** PA General Assembly

**Issue:** Food insecurity among Pennsylvanians continues to be a critical concern, and in the midst of the coronavirus pandemic, the charitable food system has been relied upon at extraordinary levels. In addition to this increased demand, supply chain disruptions have also affected the availability of wholesome and nutritious foods traditionally purchased for use in the charitable food system.

The Pennsylvania Agricultural Surplus System (PASS), administered by the Pennsylvania Department of Agriculture, helps to support both production agriculture and non-profits responsible for distributing food. PASS provides an efficient mechanism for Pennsylvania's agricultural producers to donate safe, nutritious foods, that may otherwise unnecessarily go to waste, into the hands of Pennsylvanians in need. State funding for the program reimburses producers for the costs incurred with harvesting, processing, packaging, and transporting food. PASS enables the procurement and distribution of many types of Pennsylvania-produced agricultural products, including butter, cheese, milk, and yogurt.

**Recommendation:** The Pennsylvania General Assembly should increase funding allocation for the Pennsylvania Agricultural Surplus System (PASS).

### 3.6 Study Existing Environmental, Zoning and Other Regulations that Impact Pennsylvania's Ability to Attract Manufacturing and Processing Plants

**Implementation Leaders:** PA General Assembly

**Issue:** There does not appear to be much beyond anecdotal information available on the impact of regulations on a company's decision to locate in the Commonwealth, particularly from the dairy manufacturing and processing sector. Some believe that Pennsylvania's regulations, while worded similarly to those of other states, result in longer approval time than those states. Even if empirical data on this issue are available, they have not been aggregated and compiled for a review by the legislature or other decision-makers.

**Recommendation:** The PA General Assembly is encouraged to commission a rigorous study of environmental, zoning, and other regulations that impact dairy manufacturing and processing plants' location decisions.



### **3.7 Utilize Student Loan Forgiveness Program for Individuals Returning to Production Agriculture or a Primarily Production-Agriculture Veterinary Practice**

**Implementation Leaders:** PA General Assembly

**Issue:** Student loan debt is preventing a generation of young people from building successful careers in production agriculture. Removing the barrier of student loan debt would potentially incentivize aspiring college graduates to seek careers in production agriculture or in production agriculture veterinary practices. The capital requirement needed to invest into today's production agriculture businesses is intense, and student loan debt can be a barrier to individuals entering the industry. Renewed commitment to the 1992 Agriculture Education Loan Forgiveness Act would be a worthwhile endeavor and a sustainable student loan forgiveness or repayment program, similar to those that exist for the veterinarians serving underserved areas and for public servants, should be adequately funded and administered.

**Recommendation:** It is recommended that the Agriculture Education Loan Forgiveness Act, Act 64 of 1992 be reviewed and adequately funded.

### **3.8 Grow Existing On-Farm Internship and Establish Apprenticeship Programs Within Pennsylvania Dairy Industry**

**Implementation Leaders:** PA General Assembly, PA Executive Administration, Dairy Industry

**Issue:** Pathways into dairy farming are limited to individuals who may not have been born into a farm family or whose family farm operations are too small for them to join. Internships and apprenticeships give individuals the opportunity to actively learn on-the-job alongside an established dairy farmer or manager. This experience provides the individual a valuable learning experience, while helping them ease into their own potential career in dairy production. While these programs are beneficial for the young people, they can create a significant cost of both time and money to the mentor or farmer involved in the internship. Individuals should come prepared with specific skill sets as a prerequisite to fulfill the requirements of either the internship or apprenticeship.

**Recommendation:** Financial support should be provided to enhance and grow the established on-farm internship program and to establish a dairy herd management apprenticeship program to enhance skill sets of next generation dairy managers in Pennsylvania.

### 3.9 Incentivize Investment in Pennsylvania Dairy Farms Through Tax Credits

**Implementation Leaders:** PA General Assembly

**Issue:** Pennsylvania falls behind other major dairy states in milk production per cow, ranking 22 in the top 24 dairy states. With the lower productivity, many farms in Pennsylvania struggle with high cost of production, with the state's average cost of production on dairy farms of \$18.55 per hundredweight currently above the 15-year average national mailbox milk price. To improve productivity and lower production costs, farms must invest in their dairies to utilize new technology and capture improvements in cow comfort, milking efficiency, and other areas of their business. However, with the systemic low milk prices, farms do not have the revenue to invest in their dairies. Without investment in these dairies, they will continue to struggle with lower productivity and higher production costs and, ultimately, may be forced to exit the industry. As these farms exit the industry, Pennsylvania's rural communities lose valuable economic revenue and good jobs, with each single cow supporting \$24,000 in annual economic revenue and every 10 cows supporting one job within the Commonwealth.

**Recommendation:** The Pennsylvania General Assembly is encouraged to adopt legislation to offer tax credits to farmers and farm businesses who make investments that lead to improvements in on-farm productivity. Tax credits would only be available to farmers who have developed a business plan and demonstrate a history of financial benchmarking and management, risk management, and regulatory compliance.

### 3.10 Provide Additional Funding for Farm Business Succession Facilitators and Farm Team Resources

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** The average age of farm operators is approaching 60 years old. As an increasing number of farm businesses approach succession and transition of assets to a younger generation, there are a limited number of facilitators to aid in the process. These farm owner's need access to group and individual education and facilitation.

Additionally, farm operations have become increasingly complex and more strategic planning is needed by these operations. These operations' farm teams need access to the same limited group of facilitators for strategic planning support. A 2017 survey conducted by the Center for Dairy Excellence indicated only about 16 percent of dairy farms within Pennsylvania have a formal transition plan in place. As the primary owner continues to age, this becomes an essential need for the farm to continue into future generations.

Having facilitators skilled on both the hard and soft issues associated with transitioning the operation is a critical need within Pennsylvania's dairy farms. Creating a funding source to support having more professionals trained to do this would be beneficial to support the industry.

**Recommendation:** Additional grant funds should be made available to the Center for Dairy Excellence, Penn State Extension, and Private Industry Organizations to provide a mechanism to hire, train and support qualified facilitators and resources within the industry to support dairy transitions, succession planning & dairy farm team facilitation.

### 3.11 Enhance Access to New and Beginning Farmer Loan Programs

**Implementation Leaders:** U.S. Department of Agriculture, PA Department of Community and Economic Development

**Issue:** The capital required to enter the dairy industry as either a producer or a processor creates a barrier to entry preventing the continual evolution of the industry. The large capital requirements to enter dairy farming result in a higher financial risk profile, limiting available options to gain start up financing. While assistance programs for new and beginning farmers exist at both the USDA Farm Service Agency (FSA) and PA Department of Community & Economic Development (DCED), each of them has entry limitations that can hinder eligibility. The first limitation to qualifying is a new farmer's position of ownership in a Corporation, LLC or LLP structure. Such business structures are oftentimes a more efficient way for farm families and new farmers to transfer ownership and should be encouraged rather than being considered a barrier to entry in the loan programs. Secondly, in situations in which those business structures are not used, shared facility arrangements and program rules surrounding what constitutes an operating entity can also limit borrower eligibility.

**Recommendation:** The USDA Farm Service Agency and Pennsylvania Department of Community and Economic Development should address and remove any barriers within program eligibility requirements to:

1. **Make it easier for new and beginning farmer loan programs to be made available to members of an LLC, LLP or Corporation, if the individual otherwise would meet the beginning farm definitions, helping the individual to become an owner, through purchase of a portion of the business, rather than through ownership of hard assets.**
2. **Modernize and facilitate a method to simplify shared facility agreements to ensure eligibility for beginning farm loans is not impacted.**
3. **Review and increase the eligible amount a beginning farm can borrow for starting out.**

### 3.12 Incentivize Farmer Participation in Risk Management

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** Price volatility and low milk prices continue to threaten the viability of dairy farmers who are “self-insuring.” Although the Dairy Margin Coverage and Dairy Revenue Protection Programs, recently introduced by the USDA, provide farmers with options to protect their businesses against falling milk prices, very few Pennsylvania farms are utilizing the programs available to them. Only 14 percent of the dairy farms in Pennsylvania are currently enrolled in the Dairy Margin Coverage Program, and only 81 farms are enrolled in Dairy Revenue Protection.

Other states have encouraged farmer enrollment in the Dairy Margin Coverage Program by subsidizing the premium costs associated with enrollment. For example, the state of Maryland covered the premium cost for dairy farm families to enroll their milk in Year 1 at the Tier 1 Level up to the \$9.50 Margin Coverage Level. The farmer then was responsible for premium costs for the remaining years. As a comparison, Maryland had 57 percent of its dairy farms enrolled in the program, while Pennsylvania only had 14 percent enrolled. Although it would be expensive for the Commonwealth of Pennsylvania to cover all of the premium costs for Pennsylvania farms to enroll, offering a tiered subsidy or some other form of financial incentive to participate may

encourage more Pennsylvania dairy farms to enroll and provide a greater economic return to the state.

We expect that this subsidy could increase participation in the DMC program to 33% of Pennsylvania's dairy farms (approximately 1,891 farms) at an average herd size of 125 cows. Given these figures, if the commonwealth would provide a subsidy over three years for Tier 1 enrollment, it would cost the commonwealth a total estimated \$6.3 million. With a breakdown of:

Year 1: 50-percent subsidy with an estimated cost of \$3.6 M

Year 2: 25-percent subsidy with an estimated cost of \$1.8 M

Year 3: 12.5-percent subsidy with an estimated cost of \$0.9 M

Over the past 5 years, the average margin calculated through the DMC program would have been \$9.00, which would have generated about a \$.50/cwt margin on the highest rate of coverage. At this level, each Pennsylvania farm could have received an average of \$12,500 per year. This would have resulted in \$23.6M each year for the 1,891 farms, for a total of \$71.9M returned to Pennsylvania dairy farms over a three-year period. This would result in an economic revenue generation of \$179.8M for the commonwealth.

**Recommendation:** It is recommended that the Commonwealth of Pennsylvania allocate funding to offer financial assistance for enrollment on the Dairy Margin Coverage program, at a tiered subsidy level over 3 years, on a schedule of 50-percent subsidy level in year 1; 25-percent in year 2; 12.5-percent in year 3, on a Tier 1 enrollment. This recommendation is made in an effort to encourage Pennsylvania dairy farm families to enroll in the Dairy Margin Coverage Program and protect their dairy operations from milk price volatility while providing an economic return to the Commonwealth of Pennsylvania.

### 3.13 Provide Federal Year-Round Guest Worker Visa for Dairy Operations

**Implementation Leaders:** U.S. Congress, PA Government Leaders, Industry Stakeholders

**Issue:** Having dependable employees is essential to the health of dairy cows and the survival of dairy family businesses. Dairy farm businesses need a reliable, well-trained, and secure workforce willing and able to do the essential and complex on-farm duties without constant turnover. There is currently no long-term guest worker visa for year-round agriculture operations such as dairy and one is needed. Dairy farm families make a significant investment in training for their employees, and the current seasonal visa programs do not accommodate for these farms to retain trained employees. Immigrant labor is a resource that seasonal agriculture operations can access successfully, and year-round operations should have the same legal solution to help alleviate the severe labor shortages many dairy producers across the nation are experiencing. Having access to trained year-round employees is a matter of securing our nation's food supply.

**Recommendation:** To protect our nation's food supply, Pennsylvania's Congressional delegation and state General Assembly members should work together, along with industry stakeholders, to pass reform to the Federal guest worker programs that would provide longer-term visas to enable dairy operations to legally access essential immigrant workers for year-round employment.

### 3.14 Expand Dairy Exports Through the Port of Philadelphia

**Implementation Leaders:** PA Department of Agriculture, PA Department of Community and Economic Development, Dairy Processors

**Issue:** The economic impact of PA dairy exports is \$555 million, with an export value of \$267 million, demonstrating that exports are valuable to the PA dairy industry and growth should be pursued. The PhilaPort project completed in 2019, deepens the channel to handle ships up to 14,000-teu (twenty-foot equivalent unit) or larger. The terminal upgrade allows two mega ships that each have a 22 - container width to berth and added new cranes for loading and unloading.

**Recommendation:** As growing demand for dairy products has been identified in South and Central America, which are accessible by the Philadelphia Port, the PA Departments of Agriculture and Community and Economic Development are encouraged to have direct contact with current export processors, and future dairy export processors, to provide resources for brokering their product and other financing options available, such as Food Export USA.

### 3.15 Promote Pennsylvania Dairy Products in Expanding Global Markets

**Implementation Leaders:** Economic Development Agencies and Organizations

**Issue:** The results of the 2017 PA Dairy Study commissioned by the Center for Dairy Excellence suggest that there are substantial economic incentives for additional dairy processing capacity in Pennsylvania and that additional processing capacity would generate significant benefits to dairy producers and the state economy.

The Study's initial assessment of financial feasibility suggests that further consideration of specific investment scenarios is merited based on the benefits accruing to Pennsylvania dairy and one of the longer-term strategies in the Pennsylvania Department of Agriculture's (PDA) Dairy Development Plan is to: "Conduct qualitative market research to determine the value and impact of PA-produced milk and dairy." For lack of a fully informed and reliable plan for dairy processing expansion, the Pennsylvania's dairy industry will continue to struggle to compete.

**Recommendation:** The economic development community, in collaboration with the State should bring together Business, Market and Technical expertise to gather and assemble information and data needed to measure the most beneficial investments and markets for the PA dairy industry across several sets of business outcomes and market opportunities, and to then prepare suitable business development strategies that will enable the dairy industry to carry out investment in manufacturing capacity.

### 3.16 Enhance Education and Messaging on Economic Impacts of Pennsylvania's Agriculture Industries

**Implementation Leaders:** PA Executive Agencies, Industry Stakeholders and Community Organizations



**Issue:** The economic impact of Pennsylvania’s agricultural sectors, including the dairy industry, on the state’s Gross Domestic Product is generally not well known by the public and perhaps, in some cases, by decision-makers at the local and state levels.

Data-driven programming that could build a shared understanding of agriculture’s economic impact would work to improve the vitality of Pennsylvania’s agricultural heritage. Efforts along these lines have been established through Team Pennsylvania’s partnership with the PA Department of Agriculture and could be further supported to reach additional audiences. This effort should also build on the Economic Multiplier Impact study that was part of the 2017 Dairy Study to identify the economic impact by region.

**Recommendation:** In order to promote the large contribution of agriculture and dairy to Pennsylvania’s economy, collaboration between state, nonprofit, and industry partners should be supported and enhanced to encourage agricultural education programs and messaging with an emphasis on data from the dairy industry. Target audiences for this programming include state and local officials, economic development groups, chambers of commerce, and workforce development agencies throughout the state.

### 3.17 Encourage Innovation in the Pennsylvania Dairy Industry

**Implementation Leaders:** Dairy Industry, PA General Assembly, PA Executive Administration

**Issue:** There is no clear channel in Pennsylvania to encourage private/industry collaboration for dairy product innovation. Dairy innovation encourages consumption of dairy products by providing consumers with new and unique opportunities to enjoy milk and other dairy products. Technology-based innovation allows dairy products to be adapted to meet changing consumer and demographic preferences.

**Recommendation:** Collaborating partners should be identified to work together to streamline dairy innovation in Pennsylvania, while avoiding duplication of efforts. We recommend supporting the Regional Dairy Innovation Consortium Concept, as submitted to the USDA Dairy Business Innovation Initiative. We recommend continued and sustainable funding for the Pennsylvania Dairy Investment Program (PDIP) and similar grant programs to help dairy processors offset capital expenditures that impede innovation and efficiency.

### 3.18 Safeguard the Sustainability of the Pennsylvania First Industries Fund

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** The Pennsylvania First Industries Fund (FIF), established in 2004, is a program aimed at strengthening Pennsylvania’s agriculture and tourism industries through loan guarantees. The program is administered by the Pennsylvania Department of Community & Economic Development (DCED) under the direction of the Commonwealth Financing Authority (CFA). FIF was established as a revolving loan fund used for the development and expansion of small businesses in Pennsylvania’s “First Industries”. The intent of the fund is that it is a self-replenishing pool of money, utilizing interest and principal payments on existing loans to issue new loans.

The Pennsylvania Dairy Investment Program (PA DIP) was established under Act 38 of 2019 to award grants for research and development, organic transition, value-added processing, and marketing in support of Pennsylvania's Dairy Industry, and in both fiscal years 2019 and 2020, was appropriated a total of \$10 million in funding from the FIF. The PA DIP is widely revered as an important program to spur innovation in processing and innovative business models for the state's dairy industry. However, the First Industries Fund does not replenish when used for grant programs such as the PA DIP, creating a risk for the Fund's sustainability.

**Recommendation:** The PA Dairy Future Commission recommends a sustainable source of funds be established for the Dairy Investment Program independent of the First Industries Fund.

### 3.19 Streamline PA Act 167 / NPDES Stormwater Review Process

**Implementation Leaders:** PA Department of Environmental Protection, Municipal Governments

**Issue:** It is understood that stormwater rules and regulations are an essential component of Pennsylvania clean streams and Chesapeake Bay nutrient reduction obligations. However, the local land development stormwater planning and National Pollution Discharge Elimination System (NPDES) stormwater regulations, or more specifically the plan review processes, are stifling economic growth in the State's dairy economy. The duplicative review process by municipal engineers and the Department of Environmental Protection (DEP) is laborious, time consuming, costly, and unnecessary.

**Recommendation:** Governing bodies should adopt a review process that will result in efficient reviews, cost effective planning, and water quality improvements. This change in review requirements will only be applicable to municipalities that have adopted the model 167 stormwater ordinance provided by DEP. All storm water reviews should be completed by the local municipal engineer and a compliance letter provided to DEP. DEP would then issue the permit with the compliance letter and erosion and sedimentation plan approval from the local county conservation district. This simple change in process review would yield the following results: Allow understaffed DEP stormwater personnel to focus on plan implementation instead of plan review; Circumvent the current year-long NPDES review process; Promote government efficiency at zero cost; Simplify and streamlines the storm water process; Insure local dollars are protecting local waters; Entice widespread adoption of 167 to municipalities who are not currently meeting stormwater criteria set forth by DEP; Save time, money, and frustration by the ag development community.

### 3.20 Repeal PA's Prevailing Wage Requirements for Ag/Dairy Grants

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** Pennsylvania is one of 29 states that impose prevailing wage rates. Not only does the PA Prevailing Wage requirement add costs to grant awards over \$25,000, in rural areas where agriculture development is targeted, it can be impossible to find even one local contractor who can meet them, let alone the required three to submit a proposal. Counter to the goals of the state to promote and support initiatives like environmental improvements through grant programs,

the requirement often prevents farms from being able to use the grant they are awarded and/or inhibits farms from applying for grants at all.

**Recommendation:** To support grant programs to the dairy industry, the state should repeal the prevailing wage, or modify to exclude farm projects from the prevailing wage requirement for grants.

### **3.21 Enable the PA Milk Marketing Board (PMMB) to Develop an Additional Revenue Stream for Individual Pennsylvania Dairy Farms**

**Implementation Leaders:** PA General Assembly, PA Milk Marketing Board

**Issue:** Overall non-class 1 dairy product demand is increasing, particularly cheese. A decline in Class 1 consumption has reduced the revenue benefit of the over-order premium (OOP) to PA dairy farmers; therefore, a method to collect a tax or fee on non-class 1 products at the retail level has potential to generate increasing revenues over time while the OOP revenues may continue to decline.

There is no PA Milk Marketing Board (PMMB) retail price on manufactured dairy products, such as cheese, butter and yogurt. Even though retailers would be required to collect and submit the assessment they could establish their pricing strategies however they choose. Retailers on the PA border could price these products competitively with prices being offered by retailers in other states. Also, maintaining the over-order premium as is for now maintains positive industry relations between milk dealers and farm groups. The OOP is an issue that there currently seems to be agreement on its benefits and its amount.

**Recommendation 1:** The PA General Assembly is encouraged to update and approve House Bill 1224, giving the PMMB the authority to coordinate the collection of funds which will be appropriated for distribution to individual dairy farmers.

**Recommendation 2:** The PA General Assembly is encouraged to enact legislation giving PMMB the authority to develop a retail assessment on manufactured/processed dairy products, which would be appropriated for distribution to individual dairy farmers.

### **3.22 Enable the PA Milk Marketing Board (PMMB) to License Distributors Bringing Out-of-State Milk Into Pennsylvania for Sale In-State**

**Implementation Leaders:** PA General Assembly, PA Milk Marketing Board

**Issue:** The Legislative Budget and Finance Committee (LBFC) Recommendation #3 stated that PMMB should license milk retailers in order to collect data on out-the-door milk sales. PMMB is on record stating that the collection of more data would be beneficial. However, the Board is concerned that licensing retailers would impose undue licensing and reporting burden on the many small, independent, and family “corner stores” throughout the state. PMMB is able to gather information through current dealer licensing and to add a license/reporting requirements to capture milk imported through non-licensed sources.

A preferred method to capture additional data is through a change to existing law that would permit licensing of milk distributors, defined as any person or entity that purchases or receives for resale milk from sources outside the commonwealth and that handles milk within the commonwealth for further sale in the same containers in which it was purchased.

**Recommendation:** The PA General Assembly is encouraged to enact legislation which would permit the PA Milk Marketing Board to license and collect data from distributors bringing milk into Pennsylvania for sales purposes.

### **3.23 Address Transparency Issues Surrounding the Distribution of the PA Over-Order Premium**

**Implementation Leaders:** PA General Assembly, PA Milk Marketing Board

**Issue:** The Pennsylvania Class I over-order premium is paid to producers for milk that is produced and processed in Pennsylvania. It was established during a time when nearly 70% of milk that was produced in the state was also processed and sold in Pennsylvania. At this time, the situation is reversed and over 60% of PA-produced milk leaves the state. The over-order premium is paid by the consumer at the retail point of sale. However, the processor, who collects it, is only required to pay that premium back to the producer if the milk for which it is collected meets the “produced, processed and sold” requirement.

There are also differences in how independent processors report distribution of the premium to their producers as compared to cooperatives’ reports to their members. Milk processors must provide a line item on producers’ monthly checks that states the amount of over-order premium paid. Cooperatives are not under this regulation, although the PA Milk Marketing Board has put forth a regulation change to require them to do so.

**Recommendation:** The PA General Assembly is encouraged to support PMMB efforts to improve transparency of the distribution of over-order premium between cooperatives and their respective members.

### **3.24 Recalculate Class I Differentials Within Federal Milk Marketing Order (FMMO)**

**Implementation Leaders:** PA General Assembly, PA Department of Agriculture

**Issue:** Class I differentials within the Federal Milk Marketing Order have not been adjusted in 20 years in most of the United States. In Pennsylvania, monthly calculations of the minimum price include Class I differentials for each of the six milk marketing areas.

**Recommendation:** The Pennsylvania General Assembly and PA Department of Agriculture should encourage USDA to review the FMMO system and a recalculation of the Class I differentials. Class I differentials should be based on today’s transportation costs, the location of milk supplies, and the location of processing plants.

### 3.25 Change Method in Which Make Allowances are Calculated

**Implementation Leaders:** PA General Assembly, PA Department of Agriculture

**Issue:** Make allowances are currently fixed, yet milk prices fluctuate. Since make allowances are fixed but milk prices fluctuate, the make allowance as a share of the value of milk is higher when milk prices are lower and lower when milk prices are higher. For example, in 2014, a \$3.17 Class III make allowance was equal to 14% of the annual average Class III price. In 2018, the same Class III make allowance represented 22% of the value of Class III milk (Farm Bureau).

A make allowance is a fixed deduction or processing cost/credit to represent the cost of turning raw milk into finished dairy products. Make allowances are different for each milk class and currently run from \$2.17 (Classes II and IV) to \$3.17 (Class III).

**Recommendation:** The Pennsylvania General Assembly and PA Department of Agriculture should encourage USDA to review the FMMO system and a change in how make allowances are calculated. Make allowances should change to be equal to a percentage of the commodity value on a commodity-by-commodity basis. Risk-sharing along the supply chain would be shared more equally and, in addition, the make allowance would rise and fall appropriately with the rise and fall of the commodity prices creating less volatility.

### 3.26 Support a Comprehensive Approach to Emergency Preparedness

**Implementation Leaders:** Dairy Farmers, Industry Stakeholders and Educators, State Government

**Issue:** Evident to everyone around the globe impacted by COVID-19 pandemic, weaknesses on the critical food infrastructure have been exposed.

**Recommendation:** The Pennsylvania Dairy Future Commission recommends the following:

- Encourage processors and producers to have emergency management plans;
- Encourage dairy producers to utilize resources in the Center for Dairy Excellence, funded by the Ag Excellence line, for assistance in creating emergency management plans and for other dairy support organizations and agencies (such as Penn State Extension) to prioritize such education and resources for dairy producers;
- Educate and market to dairy processors resources available for Emergency Management planning and business planning within the Pennsylvania Dairy Innovation Consortium and urge support organizations and agencies (such as Penn State Extension) to prioritize such education and resources for dairy producers; and
- A study should be conducted of impacts on processing and food manufacturing sectors during emergency situations, such as COVID-19, with recommendations for securing our critical food manufacturing and dairy processing infrastructure.

### 3.27 Expand Education and Workforce Development Within Production Agriculture

**Implementation Leaders:** PA Post-Secondary Education Institutions

**Issue:** Pennsylvania is losing the next generation of dairy managers to other states that offer more skill-based production ag training within existing educational programming and two-year degrees associated with dairy farm management. At the same time, individuals enrolled in Pennsylvania programs related to dairy management are not returning to production agriculture and/or are not gaining the hands-on skill sets and knowledge needed to work on and manage today's multi-faceted and complex dairy farms. Further, limited opportunities exist within Pennsylvania for dairy managers to grow their expertise and skill set to elevate both themselves as an individual and the dairy business on which they are employed.

**Recommendation:** To develop a stronger production agriculture education focus, it is recommended that Pennsylvania's post-secondary education institutions invest in incorporating more skill-based dairy and production ag training into their existing educational offerings, in initiating two-year degree programs in dairy and production agriculture, and in encouraging production ag-based internships as part of the curriculum.

### 3.28 Support a More Robust Extension Dairy Foods Program

**Implementation Leaders:** Penn State University and Extension, PA Executive Administration

**Issue:** Penn State Extension offers a variety of resources and educational programming for dairy farmers, but very limited resources for dairy processors. Extension could provide technical expertise to dairy processors to assist with quality control, product development, manufacturing defects, and regulatory assistance with a goal of providing consumers with high quality, great tasting milk and dairy foods. Assessing milk flavor in the marketplace can provide much needed improvement to the consumer demand for fluid milk. Much of the necessary equipment for quality testing is already located at the Penn State Berkey Creamery. The limiting factor to assist dairy processors with quality assurance is lack of staff to fulfill the necessary extension work throughout the commonwealth.

**Recommendation:** Support the development of a more robust Penn State Extension Dairy Foods Program to provide technical expertise to dairy processors and assure that consumers experience high quality, great tasting milk and dairy foods.



## TARGETED FOR IMPLEMENTATION WITHIN 5 YEARS

### 5.1 Provide State Assistance to Support a Farm Discovery Center

**Implementation Leaders:** PA General Assembly, PA Executive Administration, Dairy Industry Stakeholders and Educators

**Issue:** The Center for Dairy Excellence and Team Pennsylvania hosted a strategic planning session for Pennsylvania’s dairy industry in the fall of 2018. Subsequent focus group meetings produced support for developing a Farm Discovery Center in Pennsylvania, similar to what exists at Fair Oaks in Indiana and in Wisconsin.

The Wisconsin Center required \$13 million in start-up costs and received a grant from the state of Wisconsin for \$5 million to initiate the project. A similar project in Pennsylvania would likely cost \$14 million. Land O’Lakes and Hershey have expressed interest in supporting this concept.

The goal of the Farm Discovery Center would be to educate consumers on where their food comes from and how agriculture contributes both to the state economy and to local communities. With Pennsylvania’s leading industries being agriculture and tourism, a destination like this would build consumer support and awareness for the contribution of agriculture to the commonwealth.

This is obviously a large investment, and our state and our industry have many short-term needs. Nonetheless, this recommendation is an effort to propose a longer-term project that can be of benefit for future generations.

**Recommendation:** The Commonwealth of Pennsylvania should partner with the private sector to pursue the development of a Farm Discovery Center in Pennsylvania.

### 5.2 Expand and Improve Broadband Infrastructure

**Implementation Leaders:** Local, State and Federal Agencies, Private Sector

**Issue:** Identified in 2018 by the PA Department of Agriculture and Team Pennsylvania’s “Pennsylvania Agriculture Economic Impact” study, broadband infrastructure is an investment essential to the future success of agriculture businesses and the industry as a whole in Pennsylvania. Further, the Center for Rural Pennsylvania released the “Broadband Availability and Access in Rural Pennsylvania” report in 2018 that maps actual versus advertised broadband speeds, and further highlights the need for a path forward for rural broadband connectivity.

According to recent statistics provided by USDA, only 64% of Pennsylvania farms have internet access. Of those, 31% do not have broadband. In a 2020 review of the state’s overall economic performance in relation to peers, Pennsylvania ranks 8th nationally in broadband infrastructure (determined by coverage rate and speeds), with the caveat that PA has a low number of farms with Internet access compared to the other comparable states’ farm access ([Pennsylvania Economic Competitiveness Dashboard](#)).

Response measures of the COVID-19 pandemic called for continued operations and a heavy reliance on our essential businesses, including the dairy industry. These experiences have

stressed the need for establishing broadband infrastructure for Pennsylvanians in all corners of the commonwealth.

**Recommendation:** State leaders are encouraged to work with local stakeholders, federal government, and the private sector to expand and improve Pennsylvania's rural broadband infrastructure.

### **5.3 Enact Clean and Green II: Property Tax Abatement for Investing in Farm Facilities and Improvements**

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** Pennsylvania operations, especially dairy, fall behind other major agricultural producing states when investing or modernizing our farm structures. For dairy operations, this tends to provide us with older facilities that are not the most cow comfortable or employee efficient; thus providing less milk per cow and high costs. Investing in newer facilities can help with production and efficiencies that can lower a farm's cost of production. These types of investments do not tend to immediately return to the bottom line as they take time to construct, get to capacity, and make the returns desired. With these investments, property taxes tend to immediately increase, taking away from the bottom line before the improvement is fully realized.

Each local taxing authority in Pennsylvania has the ability to implement property tax abatement programs, similar to Local Economic Revitalization Tax Assistance (LERTA), but there is not consistent use or implementation of such programs. Meanwhile, other industries have had an easier time getting these deferments. Additionally, other states like New York have programs that automatically provide for new agricultural improvements to have property taxes deferred for a period of time before the increase goes into place, allowing time for the efficiencies to be realized.

A statewide property tax abatement program would allow an agriculture business to make improvements, gain efficiencies before paying increased taxes, and build the local tax base over time. Clean and Green (Act 319) is an example of a program that is state-approved and implemented by local taxing authorities in a consistent manner; thus a property tax abatement program implemented similar to the Clean and Green program is possible.

**Recommendation:** It is recommended that the Commonwealth of Pennsylvania develop an agricultural property tax abatement program that is consistently implemented by local tax authorities that will:

- Take place automatically on all newly permitted agricultural building projects.
- Defer any tax increase for the new improvement for a period of up to 10 years.
- Not increase property taxes in the year they are taxed by more than they would have if constructed that year (no catch up on years deferred).
- Be made available to all normal agriculture operations, and should be available to any entity (Trust, Corporation, Partnership, Limited Liability Company, etc.) they operate under.

The Commission further recommends that, if implementation of this recommendation requires a referendum, one should be executed and supported by the PA General Assembly and Executive Administration.

## 5.4 Expand Pennsylvania's Shelf-Stable Milk Processing Capacity

**Implementation Leaders:** PA General Assembly, PA Executive Administration

**Issue:** The COVID-19 pandemic has brought Pennsylvania's need for more shelf-stable milk processing capacity to the forefront. Gaps in the supply chain and limited processing capacity to fill shifting consumer demand has resulted in farmers and cooperatives dumping milk. In the midst of the crisis, requests for shelf-stable milk has increased through the charitable food system. Shelf-stable milk would also be better suited to serve institutions within Pennsylvania, such as schools and prison systems in a time where the traditional supply chain has been disrupted.

Pennsylvania currently has one plant processing shelf-stable milk, but it has limited capacity to address the scale of supply chain concerns that have arisen. Based on previous proposals, there is reason to believe Pennsylvania is well-situated to support a processing plant with shelf-stable processing capacity, in terms of supply and other feasibility elements, however, to this point, there has not been investment at the scale necessary to enable those projects.

**Recommendation:** The Pennsylvania General Assembly and Executive Administration should strategize collaborative efforts to attract and incentivize large-scale shelf-stable dairy processing capacity in order to address consumer and market demand and establish a greater focus on innovative processing technologies within Pennsylvania's dairy industry.

## 5.5 Eliminate Bloc Voting in the Federal Milk Marketing Order (FMMO)

**Implementation Leaders:** PA General Assembly, PA Department of Agriculture

**Issue:** It has been 20 years since the Federal Milk Marketing Order (FMMO) system has undertaken any major process of review and revision. In that time, the dairy industry has changed drastically. For example, the number of dairy farms in the U.S. is currently about half of what it was then, yet production has increased. Major changes have occurred in utilization. Fluid utilization (Class I) has declined by about 30% while at the same time the consumption of other classes has risen. In addition, exports are expected to make up a much larger portion of the milk market by the year 2050 than domestic sales according to Farm Bureau.

According to USDA, most of the milk currently marketed in the U.S. is through a cooperative. Cooperatives may choose to vote as a bloc on FMMO changes, which eliminates the potential for individual farmers' voices to be heard on any critical pricing issue. It should be noted that a few cooperatives do permit their members to vote as individuals; however, most choose bloc voting. As a result, individual producers in the U.S. have a limited impact on FMMO referendums or decisions made by vote.

Along with the cited issue of bloc voting, any change that does not receive a two-thirds vote of all voting producers OR a majority vote of producers representing two-thirds of the Order's milk supply results in an elimination of the respective FMMO rather than a return to the existing Order's provisions.

**Recommendation:** The Pennsylvania General Assembly and PA Department of Agriculture should encourage USDA to review the FMMO system and the elimination of bloc voting. To approve changes, two-thirds of voting producers AND a majority of producers representing two-thirds of the Order's milk volume must vote for the change. If the vote fails, the Order will be amended or a new one will be formed.

## 5.6 Encourage Flexibility of Dairy Processing Facilities

**Implementation Leaders:** Dairy Processors, Financial Institutions, PA Executive Administration

**Issue:** The coronavirus pandemic has caused major disruptions throughout the dairy supply chain. Traditionally, the largest markets for fluid milk, butter, cheese, and ice cream are institutions like schools and restaurants. However, closures of these institutions have resulted in significant disruptions, and ultimately, massive quantities of milk disposed of by Pennsylvania's dairy farms.

As a result of the mandatory closures and stay-at-home order, consumers are eating more food at home. While the demand for dairy still exists through both retail and the charitable food system, the adjustments in routing significant volumes of dairy intended for institutional sales into consumer sales is not a simple conversion the industry, specifically processors, were prepared to make. Dairy is historic to Pennsylvania's economy; along those lines, our processing facilities are often aging and designed to fit the specific needs of the businesses' well-established product portfolios.

**Recommendation:** Financial support is encouraged for Pennsylvania's dairy processors to improve their business resiliency by modernizing to flexible manufacturing facilities, adopting innovative technologies, and/or improving related business practices, in order to prepare for future shocks to the supply chain, market fluctuations, or shifts in consumer demand.

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## Appendix A

### GLOSSARY OF TERMS

**Agritourism** – The idea of bringing non-farm residents to the farm for leisure travel and spending to allow them to reconnect with the land, providing a "hands on experience" with local foods.

**Class 1 Differential** – Amount added to the base price as an incentive to move milk from areas of high supply to areas of low supply - often county-specific and dependent upon delivery location.

**Class I Milk** – Under the federal dairy program, Class I describes milk used for fluid, or beverage, milk products.

**Class III Milk** – Under the federal dairy program, Class III refers to milk used for making hard cheeses.

**Class IV Milk** – Under the federal dairy program, Class IV milk is used to make butter and dry products such as non-fat dry milk (NFDM).

**Consumers** – A person who purchases dairy goods and services for personal use.

**Dairy Pride Act** – A Federal Act introduced in January 2017 by Senator Tammy Baldwin to defend against imitations and replacements of Yogurt, Milk, and Cheese to promote regular intake of dairy products.

**Dairy Checkoff** – The Dairy Promotion Program or National Dairy Checkoff is a US commodity checkoff program for dairy product promotion, research, and nutrition education through a mandatory 15¢/cwt. assessment on all milk produced and marketed commercially in the 48 contiguous states.

**Dairy Margin Coverage Program** – The 2018 Farm Bill authorized the Dairy Margin Coverage (DMC) program, a voluntary risk management program for dairy producers, that offers protection to dairy producers when the difference between the all milk price and the average feed price (the margin) falls below a certain dollar amount selected by the producer.

**Dairy Revenue Protection Program** – Dairy Revenue Protection (Dairy-RP) is designed to insure against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities, and the amount of covered milk production elected by the dairy producer.

**Extended Shelf Life** –ESL (extended shelf life) milk is labeled as longer lasting than regular fresh milk but must still be stored on refrigeration. It doesn't spoil as quickly as fresh milk. An unopened bottle or carton of ESL milk when stored on refrigeration will keep for 21 to 30 days.

**FDA** – Food & Drug Administration, which stands for the US Food and Drug Administration, a federal agency of the United States Department of Health and Human Services.

**FMMO** – Federal Milk Marketing Orders (FMMOs) are geographically defined fluid-milk demand areas. Under FMMO law and regulations, the U.S. Department of Agriculture (USDA) establishes a minimum milk price, and those who buy milk from producers, known as handlers, are required to pay milk producers no less than this established price.

**Hundredweight (or cwt.)** – Raw milk from the farm is marketed and priced in hundredweights (cwt.), which represents 100 pounds of milk.

**Make Allowance** – The money designated to be withheld by the milk handler to use to operate plants. USDA sets manufacturing make allowances for all dairy products within the Federal Milk Marketing Order system.

**Mailbox Milk Price** – The Mailbox Milk Price is defined as the net price received by producers (dairy farms) for milk; payments received for milk sold, after deducting costs associated with processing and marketing the milk.

**Manufactured Dairy Products** – Manufactured dairy products are products manufactured from fluid milk and include concentrated and evaporated milk, hard cheese, soft cheese, ice cream, ice cream mix, dry milk products, butter, yogurt, cottage cheese, butter, cream, and whey products.

**Manufacturers** – Manufacturer is one of the terms used within the dairy industry to describe dairy processors who acquire raw milk and other fluid milk products and process them into manufactured dairy products, such as cheese, yogurt and butter.

**Milk Buyer** – For the purpose of this Dairy Future Commission report, “Milk Buyer” is defined as a milk processor or cooperative that purchases the raw milk from the farm for the purpose of manufacturing it into products for consumers.

**MilkPEP** -- The Milk Processor Education Program (MilkPEP), Washington, D.C., is funded by a mandatory checkoff from the nation’s milk processing companies and is dedicated to educating consumers and increasing consumption of fluid milk.

**Milk Trucks** – Tractor trailers or straight trucks with bulk milk tanker trailers that are used to transport raw milk and other fluid milk products from the farm to the processor or between processors.

**NFDM** – Nonfat Dry Milk Powder is the substance remaining after dairy cream and water has been removed from milk and is marketed domestically and exported internationally as a dairy ingredient.

**PA Executive Administration** – For the purpose of this report, the Pennsylvania Executive Administration includes the Governor and the various state agencies the Governor directs.

**PA General Assembly** – The Pennsylvania General Assembly is the Legislature of the Commonwealth of Pennsylvania. This bicameral Legislature of state government consists of two chambers: the PA House of Representatives and the PA Senate, and meets in the State Capitol building in Harrisburg, PA.



**Pass-through Business Owner** – Pass-through businesses include sole proprietorships, partnerships, limited liability companies, and S-corporations. Their owners or members include their allocated shares of profits in taxable income under the individual income taxes.

**Processors** – Entities that take in raw milk from the farm, pasteurize it, and process and package it into either fluid milk or dairy products.

**Producers** – For the purpose of this report, “Producers” is another term used to describe dairy farm families producing milk on the farm.

**SMP** – Skim Milk Powder, dehydrated non-fat milk, also marketed domestically, and exported internationally.

**Somatic Cell Count (SCC)** – a measurement of the number of white blood cells found in milk and an indicator of milk quality. The lower the SCC, the higher quality the milk is.

**Shelf Stable** – Shelf stable milk is Grade A fluid milk that requires no refrigeration until the package is opened, made possible with ultra-pasteurization and special packaging which preserves the product quality.

**UHT** – While most milk goes through a standard pasteurization process, UHT milk goes through ultra-pasteurization, which safely heats the milk to a higher-than-usual temperature. This, like regular pasteurization, kills bacteria in the milk that may be harmful or cause the milk to spoil. It is then packaged in sterilized containers, also known as aseptic packaging, which helps keep the milk safe up to three months without refrigeration.

**U.S. Congress** – The United States Congress is the bicameral legislature of the federal government of the United States and consists of two chambers: the U.S. House of Representatives and the U.S. Senate. The Congress meets in the United States Capitol in Washington, D.C.