

Pennsylvania House Agriculture and Rural Affairs Committee

Representative Martin Causer, Majority Chairman

Dairy/Milk Supply/Retail Limits

Dairy processors are asking farmers to dump milk. Retailers may be limiting purchases or have empty dairy cases. This has led to confusion and questions. There is an oversupply of milk right now, not just in PA, but nationwide. Milk dumping is happening in other states, too. Why?

Supply

- Milk is a fresh product and has a finite shelf life.
- Spring is the time when dairy cows produce more milk, known as the "spring flush."
- Dairy cows produce milk 365 days/year.
- Dairy farmers have a finite amount of tank space to store milk before it goes to a processing plant. If the plant cannot handle the milk, it must be dumped.
- Dairy farmers are still getting paid for their milk, but at a reduced, re-blended price.

Demand

- Food service, export and restaurant use of milk and milk products are significantly down due to COVID-19.
- School sales are down. School student feeding programs are not using as much milk as what would normally be distributed through the school districts.
- Schools in PA were closed on a Friday and the school milk supply (in small containers) was already in the distribution pipeline. Some was still used for student meal programs; some was donated to food pantries; some was sold at a discount as per permission from the PA Milk Marketing Board.
- There is zero use of dairy products at the collegiate level.

Processing Plant Limitations

- Lacking orders for finished goods, several processing plants are curtailing or ceasing operations, resulting in cancelled milk orders.
- Processing plants may have a shortage of employees due to illness, self-quarantining due to personal or other household member exposure, or simply by limiting shifts to both help prevent situations where COVID-19 can be spread and to spend time cleaning and sanitizing.
- Plants that fill a certain container size of fluid milk cannot quickly change the lines to fill a different container size. Plants that make, for example, 50 lb blocks of mozzarella cheese for pizza chains, cannot just start making one pound blocks. Processing plants need to "retool."
- Different sizes of containers and labels for increased retail sales need to be manufactured and distributed to processing plants. There are employee limitations at all types of manufacturing plants.
- Some non-fluid processors lack storage space to make more product, thereby disrupting normal balancing needs. Some have indicated they would continue to process if they had storage space.
- Cardboard and other containers have been in short supply in some locations.

Retail Sales

- Retail sales are up significantly, but it is not enough to counter the decline in other sales.
- Retailers are experiencing employee shortages for stocking shelves and dairy cases.
- Many of the chain stores use computerized ordering systems based on historical sales data. Small, locally-based retailers seem to be doing a better job of managing inventory.
- Retail stores may choose to limit sales. Government has no oversight.
- Customers continue to want to comply with the stay-at-home order, and are therefore trying to limit their trips to the grocery stores. They want to buy in bulk to last for a week or more, and they wish to limit how many stops to make before returning home.
- Milk is a fresh product with a finite shelf life. Retailers do not want to over-purchase and have unusable product. Finding the balance between local supply and demand can be challenging.

- PA Secretary of Agriculture Redding has and continues to make calls to retailers to encourage them that limits are not necessary, and that local store managers of retail chains need latitude to meet local demand.

Donating Excess Supply

- Milk cannot just be redirected into the charitable food system.
- Raw milk still needs to be pasteurized before it is used for fluid use or other dairy products, then packaged, then distributed.
- There are costs associated with processing, packaging and distributing. Who pays?
- Charitable organizations may lack enough refrigerated space for dairy products even if products could be redirected to them.

Summary

- The collapse of the food service industry, massive economic insecurity, export disruptions and seasonally rising milk supply have created a massive gap between dairy supply and demand, which is expected to increase as "shelter in place" conditions endure.
- There is plenty of milk available, but the logistics of getting it to consumers in the desired sizes and products is challenging.
- Milk dealers and cooperatives are exploring all options to keep value in milk.
- Government leaders are exploring all options to keep dairy farm families from going out of business.
- Consumers can help by expressing their desire for dairy products to retail managers.
- USDA has some funds available for government food and commodity purchases, and calls to US House and Senate members would be valuable.

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