

Testimony

PA House Agriculture and Rural Affairs Committee
State of the Dairy Industry Hearing
“Dairy 101 – From the Cow to the Consumer”

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Offered by:
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Good Morning Mr. Chairman and members of the House Agriculture and Rural Affairs Committee, thank you for the opportunity to offer testimony on the state of the Dairy Industry from a feed and agronomic cooperative perspective.

My name is Katrine Parmley-Gates, I work for Cumberland Valley Cooperative Association; my title is Manager of Quality Control & Compliance. Along with my quality control duties, my other duties include feed and fertilizer formulation, and purchasing of feed ingredients. I'm the Chairwoman of The Feed, Grain and Allied Industry Executive Council for PennAg Industries Association. And I'm a member of the Nutrient Management Advisory Board, a function of the State Conservation Commission. I'm a graduate of the University of Washington with a Bachelor's degree in Psychology, and a graduate of Washington State University with a Bachelor's in Animal Sciences, and a Master's of Science in Animal Science. I've been involved in agricultural directly or indirectly all of my life, with fourteen years experience working for two Cooperatives, whose predominate patrons are dairy farmers.

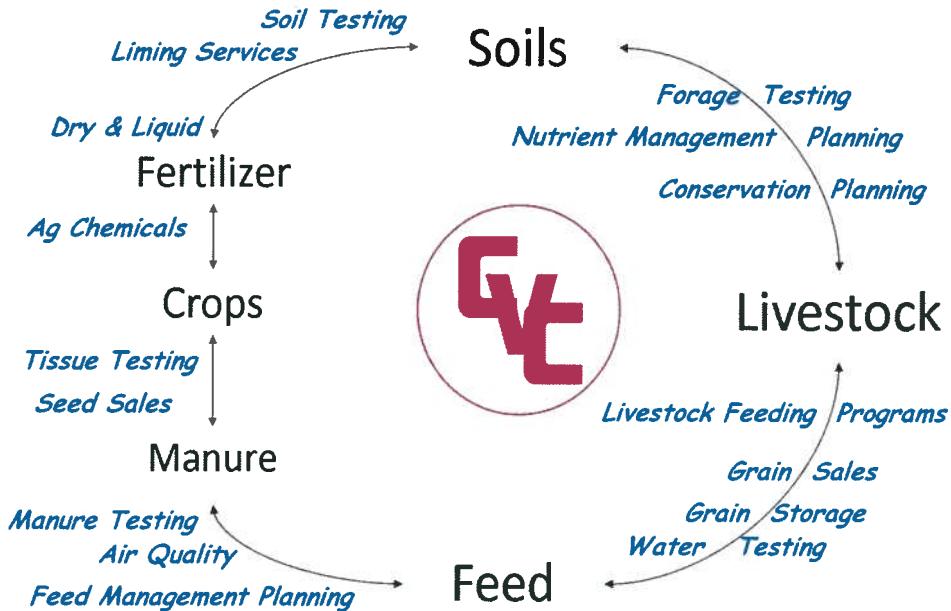
This morning I would like to tell you:

- a. Who is Cumberland Valley Cooperative Association;
- b. What we offer;
- c. And the trends we've experienced on the feed, and agronomic solutions sides of our business.

Cumberland Valley Cooperative Association is located in Shippensburg, PA. The Cooperative was founded in 1929; now in its 82th year. The original purpose of the Cooperative was to provide a localized farmer group marketing effort for grain. Today, the Cooperative has grown to over 550 active participating members. The predominate counties that we serve are: York, Adams, Franklin, Cumberland, and Perry. And a person does not have to be a member of the Co-op to purchase products and services from us.

The Cooperative has 31 service focused employees, with three part-time seasonal employees. The staff includes mill workers, drivers, office staff, spray rig operators, four Feed sales persons, six Agronomic Solution sale persons, a CPA, an Operation Manager, our General Manager, Joseph Theis, and myself. Two of the agronomic sales staff are Certified Crop Advisors (CCAs). Two of the feed sales persons are ARPAS (American Registry of Professional Animal Scientist) certified, and Certified Feed Management Planners; one of whom has the additional certification as a Technical Service Provider (TSP). He is the first to be certified in the Commonwealth of Pennsylvania under this national program. In comparison, just five years ago, there were 20 employees. In the last five years, we have invested in people to be able to offer products and services that enable our patrons to manage their total farming operation. (See The Nutrient Cycle)

The Nutrient Cycle



On what we refer to as the ‘feed side’ of the business, we offer a wide range of feed and mineral products across species available in bags, totes, and bulk qualities. We manufacture customized feed and mineral formulations to meet our patrons’ needs. We have the ability to roll and steam flake grains, and to manufacture fully pelleted feeds. Our corn dryer has the capacity to dry 1,200 bushels of corn per hour. Our grain bins have a total capacity to hold 270,000 bushels. As a Cooperative, we grain bank corn, soybeans, wheat, barley and oats for our patrons.

On the ‘Agronomic Solution’ side of the business, we are able to custom blend dry and liquid fertilizers. And depending on the product, we offer them in multiple package sizes. We offer a variety of custom spraying and spreading services for dry and liquid fertilizers, chemicals, and liming. We have two lime carts, and 15 fertilizer carts available for the patrons to use who would like to spread the products themselves. We have a seed mixer for doing lawn seed, pasture, and small grain mixes.

Trends and Comparisons: The annual business revenue for the calendar year of 2010 was 13.1 million dollars, down 1 million dollars from 2009, attributed mostly to the weather and the continued

'depression' in the Dairy Industry. In comparison, five years ago our business revenue was 8.0 million dollars. As a percent of our business over this five year period:

1. Feed sales have slowly increased from 54% in 2006 to 56% in 2010. Our feed sales across species: 70% is dairy, 15% is deer, 10% is beef, and 5% is horse, rabbit, backyard poultry and hogs. Of the 70% in dairy feed sales, approximately 60% of our patrons are 'Plain'. The number of cows per dairy range from 10 to 550, with the predominate size of 45 to 50 cows. That number has slowly increased over the last five years, as the new patrons we serve have more cows.
2. Agronomic Solution sales have slowly increased, at 44% of our total business. Thirty percent of those sales are directly related to the dairy industry. And approximately 40% of our patrons are 'Plain'. If we break this out:
 - a. Liquid and dry fertilizer sales increased from 2006 to 2009, but dropped in 2010 to the 2006 level. Dry fertilizer component pricing has increased as much as 115% during the past ten years. We've seen practices change drastically over the past five years: soil sampling has increased more than 150 percent; the number of custom blended fertilizers has increased exponentially, the importing of liquid hog manure and poultry litter, and the change to no-till scenarios. We service farms that are at 100% no-till.

We test the soil to find the nutrient status >>> feed the soil the nutrient to start/grow the specific crop (the addition of manure or poultry litter) >>> add the nutrients during the different growing periods >>> tissue testing >>> increased fruit and/or flowering of the plant with the help of mother nature.

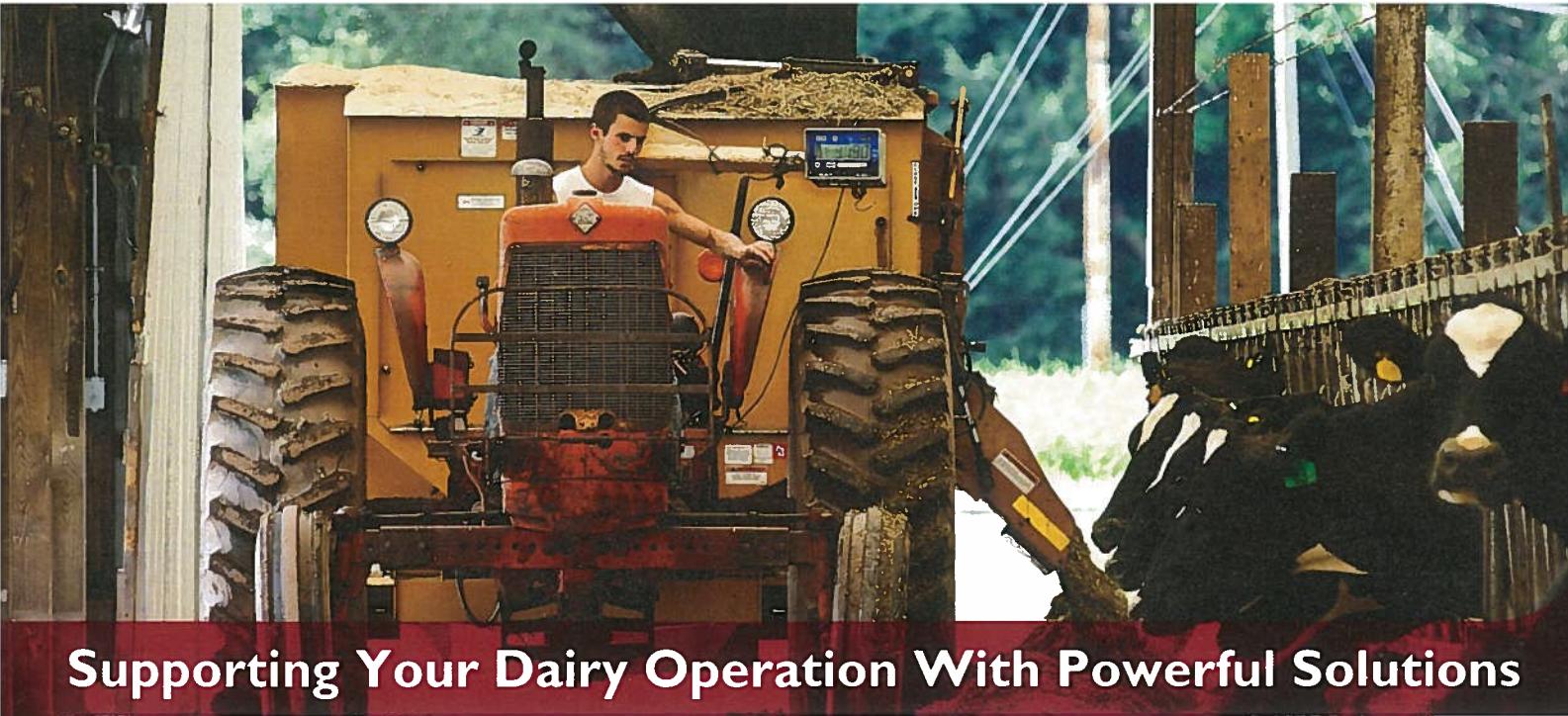
- b. Seed sales have stayed steady, but flat. If we look at corn seed and the evolution of traits over the past ten years. Today, seed corn can be stacked with multiple proteins to protect/have resistance to a variety of pest and/or herbicides. The price of a conventional bag of seed corn in 2000 was less than \$90, today the price is approximately \$145; the multiple stacked corn costing as much as \$400 per bag.
- c. The sales of bulk and packaged chemicals has decreased, approximately 3%. This is due to two things: the availability of generic chemical as the patents have ended for many of the brand name herbicides, insecticides, and fungicides, and secondly, local competition.
- d. Custom application (spraying & spreading) has had steady growth over the past five years. Application programs have changed due to seed traits, weed management tactics, and crop management. We now cover more acres each year, but the trend is to cover the same ground multiple times.

Our patrons are concerned about spending wisely, water quality and environmental regulations. Over the past three years, our patrons have taken advantage of as many

programs/workshops/seminars as they can to improve their operation, to stay viable – to be sustainable. We have provided over 133 plans/balance sheets, including one odor management plan to our patrons. Our ‘Plain’ patrons rarely take advantage of government programs. The best management practices that they have put in place, along with manure management plans, nutrient management plans, conservation plans may not be accounted for when looking at government statistics. Cash flow is the number one concern of our patrons, followed by water quality and possible new regulations. Also mentioned, was the possibility of animal welfare regulations. With less than two percent of the population involved in agriculture and the explosion of information (correct and incorrect) on the internet, the dairy industry is under great scrutiny.

In summary, the health of the dairy industry in PA does have an economic impact on our business, our employees, and the local economy. We hope to educate, grow and offer services that will best fit our patrons’ needs . . . to keep our business, and the dairy industry sustainable in south-central PA.

Again, thank you for this opportunity, and please feel free to contact me if I could be of further assistance.



Supporting Your Dairy Operation With Powerful Solutions



More Than 100 Years of Commitment to Farmers Like You

As the premier milk-marketing organization in the Northeast, Dairylea Cooperative Inc. prides itself on its strong heritage, integrity, excellent service and, most importantly, loyal members. We are a farmer-driven organization, dedicated to ensuring our farmers' success through customized programs that address their unique needs as agri-business owners. We offer a number of solutions, all with the goal of improving our members' bottom line.

Our members take advantage of a robust network of buyers and receive the best milk prices. We maintain relationships with major companies in the Northeast. We strive to create increased efficiencies in milk assembly, field services and hauling. Dairylea provides secure markets, competitive premiums, quality incentive programs and knowledgeable field staff.

In addition to milk marketing, Dairylea offers the following member resources:

Agri-Services Agency (ASA)

For more than 40 years, ASA has delivered agriculturally-focused, competitively-priced insurance solutions to farmers, agri-business owners, their families and employees. Our group buying power provides access to exceptional insurance products that may not otherwise be available.

Solutions Offered: Health, Dental, Life, Workers' Compensation, Property and Casualty

Eagle Dairy Direct®

Through Eagle, our members have the opportunity to buy farm inputs and supplies directly from manufacturers, and realize cost savings. Regardless of farm size, our members are able to increase their buying power through participation in one of our buying programs.

Solutions Offered: Animal Health Products, Barn Equipment, Dairy Sanitation Products, Shop and Maintenance Supplies, Calf Supplies, Forage Harvest Supplies, Milking Supplies, Hoof Care, Minerals and Bagged Feeds, Feed Ingredients



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Agri-Max Financial Services

Agri-Max understands the specific needs of dairy farmers and empowers them with financial options to improve cash flow and make goals a reality. We offer quick turnaround on financial requests, competitive rates and flexible options.

Solutions Offered: Lines of Credit, Loans and Leases for Cattle, Equipment, Farm Projects and Real Estate

Dairy One Cooperative, Inc.

Dairy One streamlines farm management through herd management software and farm management information services. Our mission is to create and deliver data and information that will be used by our members to make profit-enhancing decisions.

Solutions Offered: Laboratory Analysis Services for Milk, Feed, Water, Manure and Soil, Management Records Support, Software Solutions, Plan Development Services

Risk Management Services (RMS)

RMS utilizes forward contracting to help alleviate some of the risk associated with milk price uncertainty and allows members to better control profitability. Through RMS, we can customize a program based upon any risk level, for any size farm.

Solutions Offered: Fixed Price Contracts, Fence Contracts, Upside Riders, Minimum Price Contracts, Blend Price Stabilizers and Milk-Feed Margin Contracts

Empire Livestock Marketing

Through Empire Livestock and its suite of services, our members are able to maximize their income on livestock, equipment and facility sales. Empire is the Northeast's largest livestock marketer, with a 50 percent market share of all sales in New York State.

Solutions Offered: Weekly Commission Auctions, Dairy Replacement Sales, Cattle Auctions, Farm Dispersals, Private Treaty Sales, Complete Real Estate Transactions, Online Auctions

Agri-Edge Development

Agri-Edge provides tools and a support network for our members to run, grow and transition their operations successfully. Our goal is to increase productivity and profitably through programs that address specific agri-business issues.

Solutions Offered: Management Support, Business Planning and Coaching, Financial Consulting



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