

Pennsylvania

DAIRY DEVELOPMENT PLAN





Pennsylvania's dairy producers continue to struggle through unprecedented market challenges. A convergence of forces including oversupply, shifting consumer consumption trends, global competition, and supply chain alignments have contributed to downward price pressures that have endured for nearly three years. Adding to the on-farm and industry-wide stress, international tariffs and retaliatory actions threaten future prices for dairy, which have already suffered decreases following announcements of new tariffs. Just as there are multiple components to the challenge, the solutions must be equally diverse.

Governor Tom Wolf and his administration have been working to address many of these challenges since early 2015. Beginning with the convening of the leading dairy economists in the United States, the Pennsylvania Department of Agriculture and the Center for Dairy Excellence (CDE) commissioned a study to provide expert views on a path forward for Pennsylvania dairy. The result is a five-part [2017 Pennsylvania Dairy Study](#) that covers farm-level and dairy processing-level performance, the economic incentives



for investment in processing capacity, the economic impacts of the state's dairy industry, the capacity of PhilaPort to support export market development, and the impact of the Pennsylvania Milk Marketing Board (PMMB). The data and information gained from this comprehensive analysis provide confirmation of Pennsylvania's dairy potential and a guide for industry development.

The 2017 dairy study builds on the economic impact analysis and strategic planning initiative undertaken with the Team Pennsylvania Foundation and its Agriculture Advisory Board, formed in 2016. The mission was to quantify the economic impact of Pennsylvania's agriculture industry and analyze its strengths, challenges, opportunities, threats, and trends to develop a blueprint of strategic recommendations. With significant input from industry leaders across the state, we partnered with Econsult Solutions, Inc. and the Temple University Fox School of Business and published "[Pennsylvania Agriculture: A Look at the Economic Impact and Future Trends](#)" in January 2018.

These efforts led to the recent creation and hiring of the very first Manager of Agriculture Policy & Programs position through the department's public-private partnership with Team Pennsylvania and industry leaders. The incumbent's job is to wake up every morning and work in pursuit of economic development within Pennsylvania agriculture. Thanks to support from CDE and other private sector investors, a significant portion of Team Pennsylvania's economic development work will now focus on opportunities for the dairy industry.

As the Wolf Administration and its partners have considered the competitive position of Pennsylvania's dairy industry, we have discovered many things-- that the balance between what is produced and consumed matters a great deal; that the fundamentals of Pennsylvania's dairy industry afford us competitive strengths that we must leverage to our advantage; that dairy is food and nutrition; that consumers want to know who is feeding them; and that the dairy industry is amazingly resilient. In this discovery, we have also been reminded that everyone has a role and a responsibility to see that Pennsylvania's dairy industry is valued for its many contributions to the health of our bodies, communities, and economy.

Governor Wolf believes we must use every ounce of authority at our disposal in our state and federal governments to best position our dairy industry to remain a critical part of our community and economy.

All options must be considered, except for the status quo. To this end, the department has:

- Worked collaboratively across state agencies to develop new resources to market Pennsylvania to prospective economic development projects; Governor Wolf and his cabinet have personally contacted executives with state, national, and international dairy/food processors to recruit new businesses; and the commonwealth has opened programs to displaced dairy producers previously available only to other industries, particularly in the areas of workforce development and retraining. The Wolf Administration continues its work to secure new investments in Pennsylvania's milk processing infrastructure, collaborating with stakeholders to develop and consider new ways of capitalizing on market opportunities. In response to increasing consumer demand, the administration and its partners this Spring unveiled a statewide "Choose PA Dairy: Goodness that Matters" milk promotion campaign and interactive GIS map to connect consumers with Pennsylvania produced and processed milk.
- Provided farm-level support through the Center for Dairy Excellence, including resources for business planning and consultation services. A letter was mailed to all commonwealth dairy producers to pledge the support of the Wolf Administration and to solicit public feedback to inform the administration's dairy development policies.
- Advocated for federal policy and program changes. In response to shifts in federal education and nutrition policy, the state departments of Agriculture and Education sent letters to encourage schools across the commonwealth to serve low-fat (1% milkfat) flavored milk in cafeterias, resulting in participation by 244 school districts and 64 individual schools in school year 2017-18. Secretary Redding signed a multi-state letter calling on the U.S. Food and Drug Administration to enforce the standard of identity for milk.
- Solicited productive input from dairy farmers, cooperatives and processors, retailers, allied industry, and consumers through direct correspondence, heart-felt phone calls, meetings, and online public comments. This input provides new ways of thinking, even stronger relationships, new partnerships, and valuable input from stakeholders.
- Petitioned the Pennsylvania Milk Marketing Board (PMMB), an independent administrative agency, to use its authority for the betterment of the industry to the fullest extent. The PMMB is designed to create stability by giving dairy farmers a fair and equal opportunity to market their milk. Payment for Pennsylvania-produced milk is guaranteed

by provisions in the Pennsylvania Milk Marketing Law. This law has been in place since 1937, and while its language may be considered antiquated, the truth and intent behind the words endure. Although the Pennsylvania Milk Marketing Law has withstood the test of time, all options must be considered. Therefore, on April 6, 2018, the Pennsylvania Department of Agriculture filed a petition with the PMMB requesting two categories of action in response to the current dairy market: (1) use the board's existing authority to address the dairy crisis; and (2) if additional authority is needed, ask for it.

In response to the petition, the PMMB held two public hearings/listening sessions on May 2 and May 16, 2018. Testimony was provided by more than 15 stakeholders, including producers, processors and retailers who shared input on the current application of the Pennsylvania Milk Marketing Law by the PMMB, their experiences in the marketplace, and thoughts on changes for the future. The department appreciates these swift actions by the PMMB and will continue to work with the board to explore all avenues for supporting the Pennsylvania dairy industry.

- Governor Wolf nominated two new members to the PMMB, who were unanimously confirmed by the Senate in June 2018. Dr. Carol Hardbarger will serve as the consumer representative, and Mr. Robert Barley was appointed by the Governor as the new chair of the PMMB in July 2018.



Over the past three years, the commonwealth has expanded public-private partnerships to include agriculture for the first time. The Department of Agriculture, CDE, and Team Pennsylvania have worked hard to quantify the industry's impact and identify challenges and opportunities through both the 2017 dairy study and the 2018 economic impact analysis. Vitaly important programs like the PA First Industries Fund have been utilized to invest more than \$36 million to expand agribusinesses, including 22 dairy projects. The Governor's Action Team continues to pursue processing investments aggressively across the state. The dairy industry and extended community demonstrated incredible empathy and resilience when new markets were found during a crisis. The public has been re-engaged through recent promotional campaigns. As the state continues to solicit input from dairy families, industry members, and consumers on how much Pennsylvania dairy matters to them, the commonwealth remains encouraged by the outpouring of support from across the state.

While these collaborative efforts represent a good initial effort, it remains clear that more must be done. Like most complex problems, the solution is not something that government alone can do. It will take creative solutions from the private sector, as well, however, each of us must do our part with the tools at our disposal. The following plan has been three years in the making, with input from every source available.

Both the immediate and longer-term strategies align with the six strategic recommendations developed by the Department of Agriculture, Team Pennsylvania, the Pennsylvania Agriculture Advisory Board, Econsult Solutions, and the Temple University Fox School of Business. These proposals represent needed investments to protect and strengthen the viability of Pennsylvania's dairy industry.

The six strategic recommendations include:



1. Capitalize on branding and marketing opportunities;
2. Expand on agricultural infrastructure, such as processing and manufacturing capacity;
3. Continue improving regulatory processes and the business climate;
4. Broaden workforce development and education opportunities;
5. Make additional investments in infrastructure systems like transportation and broadband; and

6. Diversify products to strengthen markets and build resiliency.

With these recommendations in mind, the department offered the following **immediate strategies** to illustrate how the state's 2018-19 final enacted budget could help grow Pennsylvania's dairy economy without further straining the commonwealth's fiscal position. Working across the aisle with bipartisan support, the administration secured many of the immediate strategies through Pennsylvania's 2018-19 budget:

- ✓ **Better utilize existing funding to support research and development of new dairy products and packaging to meet changing consumer preferences and demands. Research funding should likewise study consumer demands and buying habits in the marketplace.**
 - Historic investment of \$5 million in new, state-level grants for research and development, value-added processing, organic transition assistance, and marketing and promotion of Pennsylvania dairy.
- ✓ **Identify and pursue economic development projects within the dairy processing space, and better utilize existing funding to attract new dairy processing projects to Pennsylvania.**
 - \$15 million appropriated to the PA First Fund and potentially available to provide incentives to dairy processors looking to locate or expand operations in Pennsylvania.
- ✓ **Better utilize existing funding to help existing producers upgrade their dairy equipment and facilities, and to invest in on-farm processing capacity.**
- ✓ **Better utilize existing funding to help processors invest in new processing and packaging equipment.**
 - More than \$2 million appropriated to the Department of Agriculture's Agricultural Research line item, which will prioritize research and development work in the dairy products industry, among other important areas.
- ✓ **Better utilize existing funding to promote the sale, consumption, and health benefits of fluid milk and dairy products produced in Pennsylvania.**
- ✓ **Further streamline and expedite the regulatory processes in Pennsylvania to facilitate economic development projects in the dairy sector.**



- \$2.5 million increase for the Department of Environmental Protection to fill critical positions and continue to improve permitting processes and reduce backlogs.
- **Engage policymakers on the creation of a “School Milk Choice” initiative to encourage schools to offer low-fat (1%) flavored milk and others in anticipation of changes in federal education and nutrition policy.**
 - The departments of Agriculture, Education and Health sent a joint letter to encourage schools to offer the low-fat (1%) flavored milk that is now approved for the 2018-19 school year through the U.S. Department of Agriculture’s interim final rule for Child Nutrition Programs. In recognition of the vital role that schools play in both nourishing children and supporting local economies, the departments also asked schools to consider choosing Pennsylvania producers and vendors when selecting the healthy products they offer students.
- **Consider the development of “Dairy Development Zones” throughout the state to entice additional investments and economic growth.**

Further, recognizing the need for **longer-term strategies** to support Pennsylvania’s dairy industry through low-priced markets and to position the industry for future growth, the department offers the following strategies for implementation over the course of the forthcoming year:

- **Capitalize on international market opportunities by advocating for certainty in federal trade policy, particularly with respect to the continuation of the North American Free Trade Agreement; partner with stakeholders to inventory current dairy exports; identify opportunities and barriers to increasing dairy exports from the Port of Philadelphia; and support infrastructure improvements at the Port of Philadelphia that will allow for more ready and convenient access to international markets for Pennsylvania dairy products.**
- **Convene a Dairy Taskforce of industry leaders from across the Northeast.**
- **Hold a Dairy Innovation Summit to bring together members from across the value chain to identify and pursue new partnerships and opportunities for innovation and investment.**
- **Seek and support federal policy changes to provide the dairy industry with access to year-round guest workers.**
- **Develop dedicated workforce training programs to equip the next generation of dairy farmers with the skills needed to succeed in a competitive global marketplace.**
- **Identify opportunities in rapidly growing sectors of agriculture and develop transition assistance programs to help dairy producers transition or diversify their operations.**

- **Explore new sourcing opportunities for Pennsylvania dairy within state government.**
- **Leverage milk's designation as Pennsylvania's state beverage to recreate the identity of Pennsylvania milk and dairy industry.**
- **Advocate for additional federal resources to provide trade adjustment assistance to farmers impacted by changes in foreign markets.**
- **Work with PennDOT and the Pennsylvania Turnpike Commission to identify impediments to distribution and delivery within the dairy industry.**
- **Conduct qualitative market research to determine the value and impact of Pennsylvania-produced milk and dairy.**



The strategies included in the Dairy Development Plan create a timeline and framework to guide policy and legislative action. A clear path forward must be forged through critical thinking and a partnership of both the public and private sectors. Governor Wolf and his administration will continue to pursue every opportunity and consider every option--except the status quo--and the administration is committed fully to working with all stakeholders and the legislature to continue to realize the promising future for Pennsylvania dairy.