

Pennsylvania Farm Bureau

**TESTIMONY
PRESENTED TO THE
PA SENATE AND HOUSE
AGRICULTURAL & RURAL AFFAIRS
COMMITTEES
REGARDING DAIRY ISSUES & HB 1265**

BY

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Good morning Committee Chairs, Senators and Representatives.

Thank you for the opportunity to discuss Pennsylvania's dairy industry and House Bill 1265.

For more than a decade, I testified regularly before the Pennsylvania Milk Marketing Board, sharing the trends of my farm's detailed input costs and profit margins. I don't intend to get that far into the weeds today, but I will simply say that things are extremely tight right now on my farm and others across the entire United States.

Low milk prices and rising input costs are pinching farm families just like mine.

For many dairymen, 2016 is beginning to feel like 2008 and 2009, when we – unfortunately – saw a number of dairy farms go out of business.

In 2014, we were able to pre-pay many expenses... so the low prices in 2015 were uncomfortable, but still tolerable. However, last year's tight margins prevented me from pre-paying any expenses for 2016, making the situation quite drastic.

Today, many dairy farms are living on lines of credit, and – when prices do turn around – will need to dig back out of significant debt. Unfortunately, many parts of the state have been hit hard by dry weather, adding salt to the already open wound.

And, as you know, insurance, labor and personnel costs; mortgage payments; property taxes; expenses for repair parts and general supplies; and the costs associated with environmental regulation compliance are **not** put on pause just because farm profits shrink or disappear.

Things are tight... and farmers of all commodities are stressed in the current market.

Today, I sit before a panel of state lawmakers who – unfortunately – cannot wave a magic wand and make the price of milk increase for dairy farmers in Pennsylvania.

But, as state lawmakers, you can seek to maintain a positive business environment for farms... for family businesses. As you know, our farms are, indeed, family businesses. Our small business are very complex in equipment, scope, function, record-keeping and management.

As state lawmakers, I encourage you to help find the delicate balance in improving local water quality and keeping family farms farming productive ground.

Farm Bureau thanks the legislature for your ongoing commitment to Extension and Research. This allows the brilliant minds at Penn State to share their knowledge with farmers across the state and helps us implement food safety, pest management, crop science and animal health techniques on our farms.

We also thank you for making sure that farm families are not subjected to onerous inheritance tax liabilities and that when farm land is preserved, realty transfer taxes are not imposed. These important steps will help keep Pennsylvania families farming.

In my short time remaining, I'd like to comment on House Bill 1265.

Pennsylvania Farm Bureau supports House Bill 1265.

Since 1987, the PMMB has mandated producers be paid an “over-order premium” (a price paid above federal order minimum) per hundredweight of Class I milk (milk marketed for drinking purposes) that is produced, processed and sold in Pennsylvania. The PMMB has additionally required dealers purchasing milk from Pennsylvania producers to account and identify on the milk check of each producer marketing milk to the dealer the proportionate amount of that check that is attributable to the PMMB mandated over-order premium. A Pennsylvania producer who directly markets milk to a Pennsylvania processor clearly understands the value added by the PMMB over-order premium to each payment he or she receives from milk produced.

For a producer who markets milk through a producer cooperative or similar joint venture, the value added by PMMB's over-order premium to his or her milk check is less clear. The Milk Marketing Law, which governs the regulation of milk pricing, legally treats the cooperative as a “producer” rather than a “dealer.” While dealers are required to report to the cooperative as “producer” the value added by PMMB's over-order premium on payments made to the cooperative on milk it supplied, individual farmers who market through and are paid for milk marketed through the cooperative are not required to be provided on their milk checks an accounting of value added by the PMMB premium to the payment received.

We support the concept of transparency by every marketer of milk identifying the amount of the payment received that is attributable to the state-mandated over-order premium.

Transparency is always a good thing, and it is especially true, given that some of our dairy farmers are currently receiving significant amounts of the PMMB over-order premium while others are not.

We have heard from several farmers who understand House Bill 1265 will change the course of the dairy in Pennsylvania and improve market conditions. And while we support this legislation, we must also note – to both lawmakers and farmers – that House Bill 1265 will not impact any of the market forces that drive milk prices.

Pennsylvania Farm Bureau encourages the Senate Agriculture and Rural Affairs Committee to take positive action on House Bill 1265, and provide the transparency dairy farmers desire to see on their milk checks as it relates to the PMMB over-order premium.

At the national level, Farm Bureau has encouraged USDA to exercise its ability to pump some money into the dairy economy by purchasing dairy product for nutrition programs and food banks. We are hopeful USDA will take such action.

In years past, we've seen federal lawmakers take specific – and sweeping – action to make sure large businesses in vital industries did not close their doors. Many feel that the current federal dairy program over-promised or under-delivered... perhaps both. Either way, Farm Bureau is

examining what additional federal actions might be helpful to keep dairy farms – engines of their local economies – in operation.

Thank you for your time, and for the invitation to speak before you today. I look forward to your questions.