Testimony Offered for
Pennsylvania Farm Bureau
Before the Pennsylvania Milk Board
Regarding the Level and Duration of the Over-Order Premium

November 6, 2024

Presented by Paul Hartman
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Introduction

Chairman Barley and members of the Board:

Good afternoon, my name is Paul Hartman, and I offer this testimony on behalf of Pennsylvania Farm Bureau (PFB)—the largest general farm organization in Pennsylvania. Farm Bureau thanks the Board for providing the opportunity to offer testimony regarding the level and duration of the Class I over-order premium. We agree with Petitioner's recommendation that the Board maintain the over-order premium at $1.00 per hundredweight for the next six months, along with the fuel-adjuster premium.

I chair PFB's Dairy and Farm Policy Committee. I'm an eighth-generation dairy farmer from Berks County. My family farm, Scattered Acres, Inc., is a ninth-generation farm in Berks County with around 2,000 Holsteins, spread across two milking locations and four heifer facilities. Our farm also grows forages and grain on approximately 1,200 acres. Our farm ships milk to both Clover Farms Dairy in Reading and Swiss Premium Dairy in Lebanon. We receive over-order premium from both shipments. In my daily duties, I'm employed as a herdsman where I help manage our milking facility in Reading where we milk around 340 cows three times per day.

Briefly, before delving into the reasoning for our recommendation for this hearing, we thank the Board for their recent efforts regarding over-order premium reform and the Senate's recent Agriculture and Rural Affairs Committee vote to advance the legislation. While we remain supportive of the legislation, increased clarity on the specific overall distribution of the premium remains an important point for Farm Bureau. That said, we again thank the Board for their support in bringing the legislation to fruition and realizing actual legislative movement on the issue. We remain committed to working with all shareholders on premium reform.

As to today's hearing, we agree with many of the points made by Petitioner to support continuation of the premium level and duration. We've similarly heard from farmers regarding the greatly reduced crop yields, and resulting effects, in Lancaster County this year. Additionally, our dairy farmer members have relayed concerns about weather-related effects on this year's crop yield. Members in Franklin and Somerset County have noted localized drought conditions resulting in reduced crop yield, which in turn has caused farmers to purchase more silage at additional expense. And, at our farm, drought-like conditions have reduced our recent soybean feed harvest by 5–10 bushels per acre.

In terms of broad overall trends for our farm operation, milk income and prices have remained steady around $22 cwt for several months and appear to remain that way in the near future. Similarly, for the milking facility I help manage, our over-order premium payment was $0.25 cwt for August 2024, which is up slightly from the last PMB hearing and has been fairly consistent for the past few months. Regarding expenses, while they've thankfully trended downward for feed costs this year, I think it's important to highlight a few specific expenses that have trended higher currently and steadily in recent years.

As many farmers know, especially dairy farms which cannot utilize the H-2A foreign labor system, labor continues to be an increasingly high expense. Our farm employs around 30 employees, with labor costs up around 12.4% from last year. Since high turnover results in added training costs for new employees and causes general morale issues, our farm chooses to prioritize retaining our current workforce through regular pay increases. Consequently, while we're fortunate to be able to cover this increased expense, continued rising labor expenses seem all but apparent for our farm. Similarly, our members, particularly in the northern tier, have noted that New York's minimum wage of $18 forces farms to either deal with higher turnover and the associated expenses or pay higher labor rates that are difficult for dairy farms to digest.

Other expenses that I think worth highlighting are those which farms have little control in managing such as farm machinery parts and operational materials and costs. Since 2022, our tractor tire costs have risen by 11.4%. Our farmer members have similarly noted that parts such as bearings and gear boxes for field equipment have doubled, and in some cases even tripled, as compared with recent years. Other notable recent expense increases include manure hauling and custom operating, which are up 15% since last year; iodine teat post-dip that's up 23% since 2022; cow bedding which is up 13% since 2023; and teat pre-dip which is up 8% since 2022. All this is to say that our farm has experienced steady and general inflation increases across multiple expenses for a sustained period.

Finally, the general state of higher prices has also influenced our farm's long-term capital plans. Our farm is interested in expanding, but in exploring such plans we've observed that construction cost estimates are up approximately 20% post-Covid and lines of credit interest rates have increased roughly 5% in just two years, up from approximately 3.5% to 8.0%.

Conclusion

Pennsylvania Farm Bureau supports Petitioner's recommendation to maintain the existing over-order premium of $1.00 for the next six months, along with the fuel adjuster. Overall, while milk income metrics have remained steady and positive in recent months, many non-feed expenses continue to rise with little expectation that such trends will reverse course. Again, we thank the Board for providing the opportunity to testify on these issues, and I'm happy to answer any questions you may have.