

Commonwealth of Pennsylvania

Milk Marketing Board

Testimony

OVER-ORDER PREMIUM HEARING

Presented by

Pennsylvania State Grange

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To the Members of the Board,

Thank you for considering my testimony on behalf of the Pennsylvania State Grange. The Pennsylvania State Grange has been an advocate for farmers and rural families since 1873. In light of the challenges facing our dairy industry within the Commonwealth, the Grange is asking the Board to maintain the over-order premium at \$1.00 per hundredweight on qualifying milk.

For the record, my name is Matt Espenshade. I am a seventh generation dairy farmer from Lancaster County. The farm has been owned and operated by my family since 1867. I am married, and have two sons, ages thirteen and ten. My father and I have no hired help in the day-to-day activities on the farm. We milk 70 cows, with a 18,800-pound rolling herd average. We farm 260 acres, and raise our own forages and replacement heifers as well. In addition, I serve as the Master (President) of Elizabethtown Area Grange #2076, one of more than 230 county and community granges located across Pennsylvania.

As a member of Mount Joy Farmers Co-Op, which is affiliated with Dairy Farmers of America (DFA), my fellow producers and I receive a blended price for shipped milk. The blend price we received for milk on our most recent check was a net of \$16.63 per hundredweight. This includes a volume premium of five cents, and an additional ten cents for being under contract with our co-op.

Because we are part of a co-op, the over-order premium is spread across all members, regardless of the milk's class, processor location, and final destination. Approximately 15 to 20 percent of the milk produced by our co-op members goes to Class I facilities and is sold within the Commonwealth. Almost all milk within the co-op attains that level of quality.

On our farm's monthly co-op statements, the over-order premium approved by the PMMB is included among the bonuses and premiums. On our most recent statement, the amount was four and a

half cents, which is labeled as “special premium.” Last month on our farm, where we produced about 85,000 pounds of milk, this line contributed approximately \$40 to our statement. An additional portion of the premium is used to subsidize quality bonuses.

### **Still Living in 2018**

The extreme weather patterns of last year are a distant memory for many Pennsylvanians. However, as one of our state’s dairy farmers, I can tell you I am reminded of 2018 every day, as our farm struggles to deal with the aftermath of poor quality feeds and shortages of home-grown forages. I have spoken with dairy nutritionists and dairymen from my area and beyond, and though many farmers do not want to speak openly about it, I hear similar challenges continue to this day.

Last year’s record-setting rainfall affected nearly all of agriculture in Pennsylvania. Honestly, it could not have come at a worse time for struggling dairy farmers here in the Commonwealth. We ended 2018 with an average monthly milk price of \$14.91, the lowest average of the past three years. This comes on the heels of a challenging 2017, where the year’s average price was \$16.67, and monthly IOFC (Income Over Feed Cost) averaged \$7.45 per hundredweight.

We began 2019 in January receiving \$16.20 per hundredweight for our milk, with an income over feed cost margin of \$8.66. The price we received dipped slightly to \$16.04 in February. We would see March’s milk price rebound to \$16.15, with an IOFC margin of \$8.18 per hundredweight. But as our farm moved into late March, it became obvious that our inventories of home-grown forages were not going to hold, and that several desperate moves would have to be made.

### **Desperate Times / Desperate Measures**

For the first time in as long as I can remember, we were about to run out of haylage for our milk cows. This is a vital source of protein and fiber in the milking cow’s diet. We tried to make up for it by

increasing the volume of corn silage in our ration. Though not yet ready to be harvested, when the weather would cooperate, my father would mow swaths of alfalfa, then roll them with the skid loader bucket into large clumps, and bring them individually from the field to the feed bunk in the free-stall barn. To say this measure was labor intensive and time-consuming is an understatement.

On April 17, the cows were released out onto our pastures in hopes of utilizing the lush spring grass. While this measure managed to keep the cows somewhat content, it also resulted in some challenging environmental mastitis flare-ups, and ended what had been a streak of some of the lowest somatic cell counts ever seen on our farm.

April milk saw a price increase to \$16.94 per hundredweight, while feeding more pasture lowered our costs slightly, leaving an IOFC of \$9.65.

Springtime moved into early summer, and with it, a new series of challenges. As our first cuttings of haylage were being made, we again had to reformulate our rations. We were now facing a potential shortage of corn silage. Replacing corn silage, at \$30 per ton, with haylage at \$60 per ton, put additional strain on our margins. Milk in May rose to \$18.15 per hundredweight, but our new feeding regimen forced our feed cost per hundredweight to rise, from \$7.29 (April) to \$9.51. This left an IOFC of \$8.64, a decrease of almost a dollar.

Dairy cows like consistency. They like a standard routine, day in and day out. Needless to say, these drastic swings in their feed rations were not well received. We watched as our efforts were met with decreased milk production and lower component averages from the herd. However, our cows were about to get another major readjustment.

As I have mentioned in previous testimonies, our farm attempts to maximize our forage production capabilities, which makes it necessary to purchase our supplemental energy and protein

feeds. Every month, we would order a total of ten tons of flaked corn and ten tons of protein concentrates. However, as our purchased feed bills continued to mount, we looked for another way to help manage this expense. The steam-flaked corn had been rather steady, priced at around \$205/Ton. Our soybean-based protein concentrate also followed a similar pattern, costing \$482/Ton in April, and falling to \$477/Ton in May.

At the suggestion of our nutritionist, we made the change from these two ingredients to one, which is considered a “complete feed”. Basically, it is a fortified blend of corn and soybean meals, and priced at \$332/Ton. Though it does have some nutritional down sides in comparison to our previous feeds, it should help save approximately \$400 per month in purchased feed costs. Our first delivery of this new feed was delivered May 30<sup>th</sup>.

But as we moved into June, we again had to reduce the volume of corn silage fed, replacing it with the higher value haylage. The cows lost interest in going out to the pasture due to the summertime heat and humidity, choosing instead to stay near the barn fans and feed we mixed. Our milk price in June dropped to \$16.99 per hundredweight, but the more expensive ration slashed our IOFC to \$5.47. In July the trend continued, with our milk price dropping to \$16.63, and IOFC even lower at \$4.07 per hundredweight. On July 25<sup>th</sup> we used the last of our corn silage, three weeks ago at the time of this submission.

### **Market Adjustment Fee**

Our cooperative is still challenged in finding markets for our milk, and Pennsylvania’s dairy farmers continue to shoulder a significant part of the burden. To help cover balancing costs, in September 2014, our members began to be assessed a “Market Adjustment” fee, which is included on our monthly statements. In April of 2015, it was a deduction of 40 cents per hundredweight. Every month since that time it has been a fluctuating deduction, and reached a high of 80 cents per

hundredweight in July of 2017. At this Board's over-order premium hearing on March 8<sup>th</sup>, I shared that the deduction was 58 cents per hundredweight at that time. It has now risen to 66 cents per hundredweight.

At that level of 66 cents, on a moderate-sized farm like ours, the market adjustment equates to about \$560 in lost revenue for the month. I have no doubt that it is a challenge to find a home for all the milk produced by the members of our cooperative, but I have to wonder if this assessment will ever end.

### **Help for Dairy Farmers Over the Long Term**

Reducing the financial stress dairy farmers are having involves actions way beyond the authority of the Pennsylvania Milk Marketing Board or any individual farmer to resolve. Part of promoting a solid economic base for rural Pennsylvania is making the climate for business investment more desirable. Building up processing facilities right here in the Commonwealth means reduced transportation costs. We are fortunate to have a sizable number of dairy farms throughout our state. Having numbers of smaller regionalized processors seems to me to be a goal that we can achieve to promote Pennsylvania's rural development, with an added benefit of reducing costs for dairy farmers. As a dairy farmer, I know that distance means something and processing closer to production would be of benefit to all of us involved in the dairy industry.

### **A Notable Blessing**

As I mentioned before, weather during the past year has been a factor that has impacted dairies of all sizes. For us, it seemed like very little went right in our cropping system in 2018. However, through all the struggles we have faced, we had a notable blessing. Early last fall, in an attempt to make up for shortfalls in ryelage and hay, we attempted to plant a stand of forage oats, in hopes of harvesting the

young oats in October. It had appeared to be a gamble that came up short. Growing conditions were not favorable, and in the end, the “oatlage” was unable to be made at all. Considering oats are not very tolerant of cold weather, the acres planted were not expected to survive the winter.

As spring of 2019 arrived, and the snow and freezing temperatures receded, we noticed some green in the oat plants. Manure applications seemed to encourage slow but notable growth. With feed inventories reaching critical lows, we decided to fertilize the acres with nitrogen. Though it took until early June, the oats made an amazing recovery. When harvested, it became the primary feed for our young heifers and an extender feed for our milk cows. Neither our dairy nutritionist nor our seed salesman has ever heard of this variety of oats surviving a harsh winter. Call it what you want. For me, I will consider it a bit of “Divine Providence”.

### **Conclusion**

Our co-op prides itself on producing high quality milk. It is a point that is made over and over by our leadership in newsletters and at annual meetings. Quality bonuses and premiums are a significant motivation and this financial reward for diligence cannot be understated. During an average month on our farm, picking up an additional 10 cent bonus somewhere will add approximately \$125 to our monthly statement.

Mount Joy Farmers Co-op has a Board of Directors which is elected by our membership, and is comprised of member dairy farmers. They have a tremendous responsibility in managing the milk markets of our member farms. I trust them to continue to work in the best interest of our members, and our co-op manager has always been willing to answer my questions in preparation for my testimonies before the PMMB. There is also trust in the decisions made by PMMB to do the right thing in helping ease the plight of the dairy farmer. The decision you make regarding the over-order premium is a prudent way to help dairy farmers in Pennsylvania. On behalf of the Pennsylvania State Grange and

the dairy farming community, I ask the Pennsylvania Milk Marketing Board to at least maintain the over-order premium at \$1.00 per hundredweight. This decision would certainly support the dairy farmer in an immediate and tangible way.

The money you choose to invest in the over-order premium does not just support the local farmer, but the businesses they depend on as well. To be honest, the premium you approve today will not spend much time in the pockets of the average farmer. This premium will help dairy producers to maintain farm equity and pay down accumulated debt. The decision you make today will have a direct impact on my family, and other farm families across the state.

It is good to remember that all of us in this room want the same thing; that Pennsylvania milk is the first choice to be served on Pennsylvania dinner tables. I hope you will continue to recognize the plight of our farmers as you set the over-order premium for fluid milk produced, processed, and sold within Pennsylvania. Thank you to this Board for its assistance to dairy farmers in the past and your consideration of the matter before you today. I appreciate the parties present allowing me an opportunity to testify on behalf of the Pennsylvania State Grange and on behalf of dairy farmers like myself. I am happy to answer any questions you may have at this time.