



**Testimony for the Pennsylvania Department of Agriculture  
by Deputy Secretary Greg Hostetter  
Before the Pennsylvania Milk Marketing Board  
July 2, 2018**

My name is Greg Hostetter and I am currently serving as the Pennsylvania Department of Agriculture's Deputy Secretary for Animal Health and Food Safety. While I am no longer actively in the dairy business, I previously partnered with my father for 23 years to run a 150-acre dairy operation. I have a full understanding of the challenges associated with fluctuations in the milk market and have personally experienced the loss of a milk market on my own family farm.

The Pennsylvania Department of Agriculture thanks the Members and Staff of the Pennsylvania Milk Marketing Board (PMMB) for convening today's hearing. As you know, this hearing is in response to the department's April 4, 2018 petition to the PMMB in which two categories of action in response to the current dairy market crisis were requested: (1) PMMB actions/orders that can be taken immediately; and (2) the development of amendments to Pennsylvania's Milk Marketing Law.

In response to the petition, the PMMB has since undertaken several actions. Public hearings/listening sessions were held on May 2 and May 16. During those hearings, testimony was provided by more than fifteen stakeholders, including producers, processors and retailers who shared their input on the current application of the Pennsylvania Milk Marketing Law by the PMMB, their experiences in the current marketplace and their 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 to support the Pennsylvania dairy industry.

Specifically, the department requested the PMMB to consider a change to the language at 7 Pa. Code Chapter 143 (relating to transactions between dealers and producers). In addition to the department's testimony, the testimony from others in the industry will be, without question, valuable to the PMMB for use in their decision-making on this request. To be clear, the department's request to increase the required written notice for terminating a producer from the current period of 28-days to at least 90-days is directly related to a loss of market and should not apply in situations where there is a concern about inferior milk quality or other on-farm issues that have been identified.

Not one singular solution will resolve the current dairy crisis. Just as there are multiple components to this challenge, the solutions will require an equally diverse response. As such, 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 communities and economy. We are looking at this as a long-term issue, not just because of the short-term pricing issue with dairy. Ultimately, there is a real desire to fix the long-term structural problems of supply, processing and exporting/importing.

And as Secretary Redding has stated on multiple occasions, all options must be considered, except for the status quo.

The work of dairy farming is both honorable and relentless. It is a wonderful environment in which to raise a family. It is important to remember that a dairy farm is a business, but at the same time, for many, it is also home. Access to a milk market, without other sources of income, is the lifeblood of a dairy farm family. Based on the 2017 Dairy Study, the average dairy farm supports 1.25 households and derives 85 percent of their income from milk receipts.

Because of the uniqueness of the dairy industry, in that your work is often located at your home, and your home is often located at your work, the department asks that the PMMB consider this when determining whether to amend 7 Pa. Code § 143.31 (relating to written notice required) to extend the required notice period to terminate dealer-producer contracts, and the consideration of a repeal of 7 Pa. Code § 143.32 (relating to forfeit use of notice rights).

The law currently states that a processor is only obligated to give 28-days of notice to a dairy farm in situations where they no longer need the milk. While, historically, most of Pennsylvania benefitted from ample milk markets, today, milk markets are not readily available and finding a new home for milk takes a great deal of time. A recent example of a loss of market occurred in early spring of this year. The processor in this instance choose to provide 90-days to their producers, exceeding their statutory obligation, even after announcing earlier in the year that consolidation of their plants was highly likely. This processor recognized that asking a farm to untangle their business from their home was a process that takes more than 28-days to complete.

The department points out that while in this instance, the impacted farms did benefit from the willingness of other processors to take extraordinary actions, allowing for all impacted farms to have resolution in less than 90-days, this is not always going to be the reality. In addition, until we have identified other venues and options for processing of Class I fluid milk, the markets will remain in the current unbalanced state that we find them in today. The request to allow for a 90-day notice for a producer/dealer notice takes into account the need to allow for shorter notice, in certain circumstances, and would be applicable to both parties (producer and dealer). While some would argue that this is detrimental to the producer, I would state that having this flexibility allows the farmer to employ a business plan more efficiently and respond to market fluctuations more effectively.

In closing, we have a great challenge ahead of us as we think about the current state of Pennsylvania's dairy industry, pricing and market challenges. That being said, we have much to be proud of in our dairy industry. Pennsylvania's dairy farmers and the industry are resilient. We have many strengths -- our diversity, our ability to produce a high-quality product, our geographic proximity to large population centers and markets, and our ability to grow.

The department appreciates the swift actions by the Pennsylvania Milk Marketing Board and will continue to work with the board to explore all avenues to support the Pennsylvania dairy industry.

Thank you for the opportunity to provide testimony to you today.