Commonwealth of Pennsylvania

Milk Board

Testimony

Pennsylvania State Grange

May 1, 2024

Over-Order Premium Hearing

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To the Members of the Board:

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 seventeen and fifteen. My father and I have no hired help in the day-to-day activities on the farm. We milk approximately 74 cows, with a 20,200-pound rolling herd average. We farm 260 acres, raising 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 200 county and community Granges located across Pennsylvania. Since October of 2022, I have served as the Master of the Pennsylvania State Grange. It has been a tremendous honor to represent my fellow Grange members as together we work for the betterment of the agricultural community.

I am here today on behalf of the Pennsylvania State Grange, which has been an advocate for farmers and rural families since 1873. Today the Grange will offer evidence in support of its recommendation that the Board maintain the over-order premium at $1.00 per hundredweight for the next six months on qualifying milk. The Grange also requests the continuation of the fuel adjuster premium as it is calculated under the Board’s current Official General Order A-999.

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 the milk that is shipped. The blend price we received for milk on our most recent check was a net of $18.48 per hundredweight. This includes a market 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 30 to 35 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 fourteen cents, which is labeled as “PMMB over order premium.”

As participants in a farmer owned cooperative, we function as one unit, meaning we share the risks, and we share the rewards. The funds generated by the over-order premium are returned to its members in a variety of ways. Some funds are distributed directly to each member. Funds may also be used to subsidize or bolster quality premiums, or other benefits. Some cooperatives may use these funds to defray the costs of transportation, or perhaps office expenses. It is a business decision to be made by the cooperative leadership, which is elected by the cooperative members. In any event, the funds are used to cover costs which would otherwise come out of the pockets of their own dairy farmer members.

***Getting Back to ‘Normal’***

2023 was what many Pennsylvania dairymen would consider a “rebound” year after the excessive droughts that affected many of our state’s farms in 2022. Our farm was challenged in a way I had not seen in the 30 years I’d been involved in the farm post-college. Through double-cropping and the blessing of adequate rain, our farm was finally able to rebuild the feed inventories of our home-raised forages. Other parts of the country saw tremendous yields of corn and soybeans, enabling our purchased feed costs to remain in check. We continue to push to maximize yields from our acreage, as we have already planted oats this spring to be taken as forage. When harvested at a young stage, “oatlage” can be an excellent protein source that will help to extend our alfalfa haylage inventory.

Due to the drought in 2022, last year was the first time in decades that we purchased hay to feed our cows. Unfortunately, we have used up our dry hay inventory and have recently purchased grass hay for our dry cows and heifers.

***Milk Market Stabilizes Through Spring 2024***

We began November 2023 receiving $18.17 per hundredweight for our milk, with an income over feed cost (IOFC) of $9.07. December milk, at $20.51 per hundredweight, outpaced a slight increase in feed costs, leaving an income over heed cost of $11.15 per hundredweight. Our milk margins peaked in January, at $12.45 per hundredweight, then saw declines through both February and March. February milk price was lower, to $19.45 per hundredweight, with an income over feed cost of $11.75. By March, our milk price was $18.48, and feed expenditures at $7.51, leaving an income over feed cost of $10.97 per hundredweight. Since December, the cost of our dairy complete feed and our heifer grower feed have decreased approximately 10%, welcome news as the price we are paid for milk also decreased.

***Challenges for PA, Challenges for Cooperatives***

The Center for Dairy Excellence reports that there are slightly more than 5000 dairy farms in Pennsylvania. The Commonwealth continues to see farms exit the dairy industry at an alarming pace. This is also evident within Mount Joy Farmers Co-Op, which has seen a net decrease in member farms for eight consecutive years.

Though our cooperative is made up of farms of varying sizes and dynamics, more than half of our membership consists of farms with 65 cows or less. Our cooperative is still challenged in finding markets for our milk, and our dairy farmers continue to shoulder a significant part of the burden. To help cover balancing costs, our members are assessed a “Market Adjustment” fee, which is included on our monthly statements. Since 2014 it has been a fluctuating deduction. Our most recent statement showed the deduction currently at 59 cents per hundredweight. At that rate, on a moderate-sized farm like ours that produced approximately 135,000 pounds of milk last month, the market adjustment equates to more than $800 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 having these options does come with a cost.

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 upwards of $135 to our monthly statement.

The Board of Directors of Mount Joy Farmers Co-op is elected by our membership, and is composed of member dairy farmers. They have a tremendous responsibility in managing the milk markets of the 233 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 PMB. From time to time, we as producers may be challenged by their decision, but these are the steps necessary to remain competitive in the northeast where there is an abundant milk supply.

***Protecting Margins***

Since the program’s early days, our farm has been enrolled in the USDA’s Dairy Margin Coverage (DMC) program, and we have already renewed our participation for the current year. The sharp decline in milk price this spring has triggered payments during each of the past three months. Utilizing financial safety nets has become standard practice on our farm, and many others across the Commonwealth. The current enrollment period in the Dairy Margin Coverage program ends April 29, and the Pennsylvania State Grange encourages all producers to strongly consider participating in this federal program. During 2023, Dairy Margin Coverage payments triggered in 11 months, including two, June and July, where the margin fell below the “catastrophic level” of $4.00 per hundredweight, a first for DMC coverage or its predecessor Margin Protection Program. The past few years have shown us all just how quickly markets can be impacted by unforeseen events.

***Beyond Profit Margins***

During these hearings in the past, much of the testimony presented before this Board revolved around income over feed costs. Obviously, this is a critical metric as feed is one of, if not the greatest daily expense in dairy production. However, I believe we need to note that the supply chain issues, record inflation rates, and price increases that have impeded daily life for Americans have hit Pennsylvania’s dairy sector very hard, and continue still today.

The marketplace demands the highest quality milk. Weather conditions and other factors can challenge the health of the dairy cow. Treating mastitis, an infection within the udder, is a standard practice, and a product called ‘*Today’*, is a highly effective intramammary treatment. At our local farm supply store, a box would cost $40.99 in November 2020, a significant expense considering the treated milk must also be discarded. However, after a federal ruling in the past year, this product is no longer available over the counter, and must be obtained through a licensed veterinarian. Due to regulation and supply chain issues, to buy that same product we have been using for at least 35 years will cost $76.00 per box through the veterinary practice.

On most Pennsylvania farms, raising crops to feed the cattle is just as important as milking. Across our state, seed is being delivered and planters readied for a narrow window of opportunity go get corn and beans in the ground when weather is favorable, and the ground is fit. At a time when farmers are faced with rising costs of the day-to-day operations, farmers are again dealing with significant upfront costs of seed, fertilizer, and fuel. For our farm, just the cost of seed corn in the bag will pencil out to about $185 per acre this year.

With no-till farming practices comes the need to manage weeds to give young plants the chance to establish and flourish. Many here are familiar with the herbicide 'Roundup', and perhaps its generic equivalent *Eraser*. *Eraser* is sold in 2.5-gallon containers in a concentrated form, and in November 2020 cost $69.95. During the pandemic, as supply chains from its point of origin tightened, prices rose. In October 2021, that same volume cost $99.99. During the spring of 2022, each cost our farm $149.99. In preparing for the 2023 planting season, each container cost a staggering $159.99. We certainly hope that in 2024 prices will ease, or we can somewhere find a more cost-effective replacement.

I have shared with this Board the impact of the recent increases in our farm utility bills, namely electricity. For more than a year we have dealt this challenge and increased expenditure. It was my hope that monthly electricity expenses would return to pre-pandemic levels, but as of now, that has not happened. While comparing 2023 to 2024 will not show significant changes, looking back to 2022 highlights the dramatic increases.

Comparing January 2022 to January 2024, our daily electric usage rose 4% from 2022-23, and another 4% increase from 2023-24. However, during that two-year period, our farm’s average daily utility cost rose 24%, from $29.45 per day to $36.55, for a monthly electric bill of $1,243. Comparing February 2022 to February 2024, the farm’s daily electricity cost rose from $34.08 per day to $45.21. The trend continues still today. Where are the funds to cover these expenses expected to come from?

These are just a few of the financial hardships our fellow dairy farmers face every day. These higher input costs will make it much more difficult to keep current on bills, take advantage of early-payment discounts and avoid significant late fees. As these expenses continue to rise, while the price for milk trends downward, every dollar coming back to the farm matters, including the over-order premium.

***Conclusion***

The money the Pennsylvania Milk Board chooses to invest in the over-order premium is not just supporting 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 the debt that has accumulated, and put money back into their local community. The decision you make today will have a direct impact on my family, and other farm families across the state. I am grateful for the opportunity to share with you just a portion of the economic challenges facing our Pennsylvania dairy farmers. Being a part of these hearings has given me a greater appreciation of the challenges all segments of the dairy industry are facing.

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 consider 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.