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

May 1, 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 where we have 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 again thank the Board for their recent efforts regarding over-order premium reform but reiterate that it’s now been a full year since the Senate’s hearing on over-order premium reform and note that, as of this testimony’s submission, no specific legislative text has yet to be introduced. We therefore urge the Board and all stakeholders to continue to engage in discussions for productive progress toward meaningful 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. In terms of broad overall trends for our farm operation, milk income and prices have declined the last few months, while expenses have generally been lower. Comparing essentially the first quarter of this year to last year, our milk sales value, gross profit, and net income are each down approximately 13%, while expenses are down 8.5%. So, while we’ve been fortunate that expenses have trended downward, income metrics have also trended down at a greater rate. This is perhaps the largest reason it’s important to maintain the over-order premium at its current level for the next six months. For the milking facility I help manage, our over-order premium payment was $0.21 cwt for February 2024, which has been fairly consistent for the past few months, and equates to around $1,700 per month at that facility.

Regarding expenses, while they’ve trended downward in the aggregate, I think it’s important to highlight a few specific expenses that are trending higher, as well as recent events that may shift expenses even higher. As likely every farmer knows, especially dairy farms which cannot utilize the H-2A foreign labor system, labor continues to be an increasingly high expense, particularly in more densely populated areas. Our farm employs around 30 employees, with labor costs up around 15% in just the past six months. And given the fact that you need to provide regular pay increases to retain a steady, skilled, and experienced workforce, continued rising labor expenses seem all but apparent. It's not news to anyone in this room, but the simple fact is that working on a farm is incredibly challenging and hard work. And when individuals can choose to work less physically rigorous entry-level jobs that pay well over double the minimum wage, a farm operation needs to pay a premium to keep quality employees.

Other expenses that I think worth highlighting are those which farms have little to no control in managing such as property taxes which are up 7% for our farm, fuel prices which are up nearly 30 cents per gallon since the holidays, and cow bedding material, which is up 13% just in the past month. Overall, these trends appear to be in line with general inflation that many businesses and consumers are experiencing, but when combined with a general drop in milk income levels it's challenging, and while far from a cure-all, the over-order premium partially helps mitigate such pressure.

Finally, one last topic that I think is noteworthy to mention is the impact that the Baltimore (Francis Scott Key) Bridge collapse may have on farmers generally.

One of our fertilizer suppliers utilized the Baltimore Bridge and is now bringing in their product through Philadelphia which carries an added expense. As such, we've been informed by this supplier that our nitrogen costs will be higher this spring. Anecdotally, I'm also aware that many local farm equipment dealers bring parts and equipment through Baltimore and will likely have to make similar logistical contingency plans, which I think we can safely expect will be similarly passed on to farmers.

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 aggregate expenses have thankfully trended downward, milk income metrics have also trended downward in recent months, and thus we think it's appropriate to maintain the over-order premium at its current level. 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.