

Commonwealth of Pennsylvania
Pennsylvania Milk Marketing Board

Testimony
Pennsylvania State Grange

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Over-Order Premium Hearing

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To the members of the Board:

Good morning and thank you for considering my testimony today. My name is Doug Sattazahn, and I am a dairy farmer from Womelsdorf, Berks County where I farm in partnership with my brother, David. Today I am representing the Pennsylvania State Grange in requesting the over order premium be maintained at \$1.00 per hundredweight for the next 6-month period beginning January 1, 2023. My home Grange is Marion #1853 and I serve on our county Grange's agriculture and legislative committee. I am a Pennsylvania Farm Bureau member as well. My wife, Raechel, and I have two children who represent the fourth generation on the farm. I would like to highlight a few of the challenges I face as a producer and how the over order premium helps me to meet them.

My family's operation, Zahncroft Dairy LLC, milks 250 cows and carries a rolling herd average of 25,800 pounds of milk. Besides my brother and I, the operation employs one full-time and approximately 8 part-time employees. Our milk is processed by Clover Farms Dairy Company in Reading, the largest independently owned milk handler in Pennsylvania. On my September milk settlement, the over order premium was \$.38 per hundredweight based on 545,657 pounds shipped. This equates to over \$2,000 on my milk check. Although all of Clover's milk is sourced in Pennsylvania and is utilized as Class I, much of it leaves the state for Connecticut, New York, and New Jersey, thus we receive a premium rate much lower than the \$1.00 level.

The over order premium continues to be the only premium on my milk check. Quality bonuses were eliminated in March of this year. Despite a somatic cell count averaging 150,000 and bacteria counts under 2,500 per mL, our farm reaps no premium for this effort. Our milk

handler also eliminated volume premiums within the last two years. This represents a total of \$.50 per hundredweight in lost premiums that almost certainly will not be reinstated.

Lost premiums to our dairy are compounded by rising costs of production. Off-road diesel fuel recently topped \$5.00 a gallon, an increase of nearly \$2.00 over 2021 averages. This has a ripple effect on all transportation and material costs. The rate we pay for milk hauling has increased 47% over last year's average. 'Fuel surcharge' is now a standard line item on invoices we receive from custom operators, whom we depend on heavily for harvesting and manure application. A new sweep auger unloader for a silo that was quoted at \$10,000 installed last year now rose to \$12,500. Energy-Booster 100, a fat supplement in our cow's ration, rose from \$1,200 a ton in 2021 to over \$2,000 a ton recently. Yes, 2022 has been a very positive year for milk prices, but this income is necessary to cover the increase in costs across the board.

The over order premium represents an approximate \$13 million a year benefit to the dairy industry in Pennsylvania. These funds are reinvested in feed companies, equipment dealers, veterinarians, etc. This infrastructure is vital to keeping the diversity we enjoy as producers in this state. I believe the dynamic of having small and large farms alike being able to thrive is something to honor and protect. The PA Milk Marketing Board is tasked with helping achieve this and the premium enhances this effort. The Pennsylvania State Grange is not oblivious to the fact that changes to the premium have been called for but believes a six-month extension is necessary to thoroughly examine viable options. Thank you for conducting this hearing and receiving this testimony today.