

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,

Thank you for hearing my testimony and your consideration today. My name is Doug Sattazahn, I am a dairy farmer from Womelsdorf, Berks County, where we milk 250 cows and farm around 350 acres. Our operation, Zahncroft Dairy, LLC is a partnership between myself and my brother. The farm has been in our family since 1934. Our milk is sold to Clover Farms Dairy Company in Reading, the largest independently owned milk processor in Pennsylvania, which sources milk from over 150 farms in the state. I am representing the Pennsylvania State Grange in support of maintaining the Over-Order Premium at \$1.00 per hundredweight for the next six months. My home Grange is Marion #1853 and I serve as the Agriculture Committee chairperson at the county level. I am also a Pennsylvania Farm Bureau member.

The 2017 U.S. Census of Agriculture reported the average age of agricultural producers at over 59 years. So, at 37 years old I can still consider myself a relatively young producer. The dairy industry presents many challenges to young farmers, including prohibitive land prices, access to capital, and the inherent risks that all producers face. My farm rents approximately two-thirds of the acreage we farm. Land rental rates in southeastern Pennsylvania rival some of the highest in the nation. The Over-Order Premium takes some of the burden off this cost that is not nearly as severe in other areas. My brother and I took over the dairy herd from my father in 2011. Then in 2017 we constructed a new barn and milking parlor. This major undertaking was no doubt aided by the fact that we could count on the Over-Order Premium on our milk check. It factored into a feasibility study that was completed before any building plans were laid out. It was also emphasized when we sought financing for the project. We were able to

secure a lower interest rate for a portion of the loan through the Pennsylvania Industrial Development Authority thanks to our positive cash-flow projections. The Over-Order Premium is recognized by associated industries as a true benefit to Pennsylvania dairy farmers.

Shipping milk to an independent processor means I do not have a say in many decisions that impact my business. We have no written contract with my milk handler, Clover Farms, which chose to eliminate all quantity bonuses in the last year. This represents a \$0.25 per hundredweight loss to our farm. Then in March of this year, all quality bonuses were suspended. This was another \$0.25 per hundredweight in lost revenue. Hauling costs have subsequently increased 33 percent due to the rising cost of diesel fuel. These three items total a \$0.75 per hundredweight reduction in pay price within a year's time. The Over-Order Premium amount on my June milk statement was \$0.35 per hundredweight, which added over \$2,000 to my milk check. This is the only bonus I receive above base prices.

Covid-19 brought to light the precarious position of independent dairies. In April of 2020 we dumped over 40,000 pounds of milk when Clover's storage capacity was reached as store demand virtually came to a halt. Fortunately, the plant did not have to shut down for an extended period. But this experience pointed out how demand disruptions can affect the independent producer who cannot rely on the protections afforded by a cooperative.

In conclusion, it is clear to me that eliminating the Over-Order Premium would negatively impact hundreds of Pennsylvania dairy farms. Would there then be a

subsequent and corresponding benefit to other Pennsylvania farms? Until such evidence is clearly presented, the answer is no. In testifying today, I hope I have illustrated the Over-Order Premium's benefit to the operation of a young producer that chose to make an investment in Pennsylvania, and I hope you will choose to continue that investment in me. Thank you for the opportunity to come before the Board, for your consideration in this significant matter, and for your assistance to dairy farmers in Pennsylvania.