

**BEFORE THE PENNSYLVANIA MILK MARKETING BOARD**

**OVER-ORDER PREMIUM**

**All Milk Marketing Areas**

**December 7, 2022**

**Rebuttal Testimony of Secretary Russell C. Redding**

**Presented on behalf of the Commonwealth of Pennsylvania**

**Department of Agriculture**

**Submitted November 22, 2022**

Dear Chairman Barley and Members of the Board:

My name is Russell C. Redding and I serve as Secretary of the Pennsylvania Department of Agriculture.

I am testifying today on behalf of the Pennsylvania Department of Agriculture (“Department”) regarding the level and duration of the Class I over-order premium. More specifically, I want to address the testimony submitted by dairy producers Matthew Espenshade and Douglas Sattazahn on behalf of the Pennsylvania State Grange.

As an initial matter, the Department does not oppose an order establishing an over-order premium at its current level of \$1.00 per hundredweight; however, we do not support the duration of the premium beyond a three-month period. As we have made clear in the previous two hearings, we maintain our position that the over-order premium cannot continue in its current form indefinitely.

In their testimony, both Mr. Espenshade and Mr. Sattazahn have very clearly and convincingly laid out the financial challenges they are facing as dairy producers in today’s economy. We recognize that record inflation rates combined with supply chain issues have led to sharp increases in the cost of fuel, fertilizer, feed, supplies, and pretty much everything else dairy farmers need to keep their farms running. However, we want to emphasize again that these same costs are experienced by **all** Pennsylvania dairy farmers, not just the subset of farmers who happen to supply the Class I market. As we and others have previously testified, the current system majors in the minors. A small minority of producers now receives a substantial benefit, while the majority of producers receives little or no benefit from the dollars paid by all Pennsylvania consumers.

This inequity is further amplified by the testimony of Mr. Espenshade and Mr. Sattazahn and cannot continue indefinitely. It is the first of the three criteria we have previously set forth that we believe are necessary for any premium structure going forward:

1. Premium dollars must be uniformly distributed among all Pennsylvania dairy producers.
2. The amount charged to Pennsylvania consumers must not be substantially more than what is distributed back to Pennsylvania dairy farmers.
3. The distribution system must not provide incentives for “shell games” by which payment of the premium to Pennsylvania dairy farmers can be avoided by purchasing or selling milk across state lines.

In summary, we continue to believe it is time for a change, and the Department stands ready to assist the Board in any way we can to develop a new system that is fairer and more equitable to Pennsylvania dairy farmers, processors, retailers and consumers. Toward that end, we want to re-state our commitment to work with the Board, producer groups, industry stakeholders and the Pennsylvania Senate and House of Representatives during the new legislative session in drafting and passing any legislation necessary to accomplish these goals.

Thank you for consideration of our position in this matter.