

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

December 6, 2023

**Presented by John Painter II
Dairy Farmer, Painterland Farms**

Introduction

Chairman Barley and members of the Board:

Good afternoon, my name is John Painter, 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. Since 2016, I’ve operated, in partnership with my brothers, Painterland Farms, an organic dairy and crop farm in Tioga County where we milk around 400 cows and farm 5,000 acres. The farm has been in my family for 60 years, originally founded by my father in 1962. Our operation is currently part of Organic Valley Cooperative, and our milk is used for fluid milk, yogurt, and ice cream.

In full disclosure, my farm operation does not receive any over-order premium. Unfortunately, this is a common situation for many organic producers. To that end, while we thank the Board for their recent efforts in participating in legislative hearings before the Senate Agriculture Committee regarding over-order premium reform, it’s now been over seven months since the hearing and, as of this

testimony's submission, no concrete legislative proposals have been introduced or subsequent hearings scheduled. We therefore urge the Board and all stakeholders to continue to engage in discussions for productive progress toward meaningful premium reform.

As we've previously testified to, we believe that potential reform of the over-order premium must be aimed at three primary goals: (1) uniform distribution among all Pennsylvania dairy farmers; (2) the amount charged to Pennsylvania consumers is not substantially more than what is distributed back to Pennsylvania dairy farmers; and (3) the distribution system must not provide incentives by which payment of the premium can be avoided by moving milk across state lines.

Briefly focusing on point two, we think it's important to reiterate that an essential premise of the premium is that every Pennsylvania-based fluid milk consumer pays an additional fee intended, or at least perceived, to benefit the Pennsylvania dairy farmer. And where that fee, for whatever reason, is not ultimately returned to the Pennsylvania dairy farmer, both the consumer and dairy farmer lose. The consumer pays an unnecessary fee, and the dairy farmer loses out on additional revenue intended in spirit to benefit them.

So, again, while we will continue to support good-faith measures for meaningful premium reform, we feel compelled to reiterate that in the event meaningful reform cannot be achieved, our support of the premium is not

indefinite, and as such, urge all interested parties and public officials to keep working toward such 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. As you may know, organic producers receive a slightly higher milk price than non-organic producers. Consequently, my blended price for October was \$27.50 per hundredweight. This has continued a downward trend for the year since January's price of roughly \$30 per hundredweight. This trend is in line with my cooperative's milk price, which started at \$31.63 per hundredweight in January and is currently at \$27.50 for October. These trends are also in line with USDA mailbox milk prices for Eastern and Western Pennsylvania, which respectively show slightly downwards trends since January of \$4.85 and \$5.19 per cwt from January to July 2023.¹ And although, as noted by Petitioner, recent months have shown milk prices stabilizing from the summer months,² the overall trend in milk prices for 2023 has been downward.

Regarding expenses, I echo Petitioner's sentiment, particularly about electricity, which have increased about 30% from a year ago. As to feed, while my farm grows our own corn for our dairy operation, soybean meal is our highest feed

¹ USDA Mailbox Milk Price Report, October 26, 2023, [FM Mailbox Milk \(usda.gov\)](https://www.usda.gov/press-release/20231026-usda-mailbox-milk-price-report)

² USDA Announcement of Advanced Prices and Pricing Factors, October 18, 2023, [DY_AD101 \(usda.gov\)](https://www.usda.gov/press-release/20231018-usda-announcement-advanced-prices-pricing-factors) (indicating Class I Base Price rising from yearly low of \$16.62 cwt in August)

expense. Our soybean meal prices have been up about 10% from last year, increasing from \$900 to \$1050 a ton. Apart from feed and electricity, diesel fuel prices and labor have also increased. My diesel prices are also up slightly from a year ago, averaging about \$3.50 gallon, up from \$3.30 gallon. Similarly, my labor expenses for six full-time employees are also up around 20% up from a year ago.

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, milk prices, while stabilizing recently, have trended downward and expenses have trended upward. Given these trends, 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.