

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

June 7, 2023

**Presented by John Painter II
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Introduction

Chairman Barley and members of the Board:

Good morning, 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 serve on PFB’s Board of Directors, representing District 5, which is comprised of McKean, Potter, Tioga, Bradford, and Sullivan Counties. 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, I thank the Board for their recent efforts in participating in hearings before the Senate Agriculture and Rural Affairs Committee regarding over-order

premium reform. For the first time in years, there is a genuine sentiment that meaningful change to the premium can be achieved, and this Board has been a key member in those discussions. We urge the Board to continue its role in such discussions, and PFB remains committed to securing material 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. I've experienced comparable issues on my farm, as well as having observed similar sentiments from farmers in my region of the state.

As you know, organic producers receive a slightly higher milk price than non-organic producers. My blended price for April was \$27.64 per hundredweight. Since January's price of roughly \$30 per hundredweight, there's been a slight trend downward. This trend is in line with my cooperative's milk price, which started at \$31.63 per hundredweight in January and is currently at \$29.14 for April. Recent USDA forecasts also show similar downward trends generally, as the Base Class I Advanced Price is \$18.01 per hundredweight for June 2023, which is down \$1.56 from May, and \$4.40 per hundredweight from January.¹

Thus, we agree with Petitioner that the past couple months have seen a steeper drop in milk prices with the overall direction trending down since the start

¹ USDA Announcement of Advanced Prices and Pricing Factors, *Dairy Program*, May 17, 2023, at 2, [DY_AD101 \(usda.gov\)](#).

of the year. And while the downward prices have triggered protection through USDA's Dairy Margin Coverage (DMC), we note that only about a third of Pennsylvania dairies have enrolled in the program, a figure that is substantially lower than comparable dairy states.²

Regarding expenses, I echo Petitioner's sentiment that drought-like conditions have decreased the quality of on-farm crops used for feed and therefore forced some farmers to supplement their feed by buying more feed inputs externally, which puts pressure on margins. While my farm is generally large enough to absorb such decreases in crop quality without the need for external supplementation, last year's weather conditions did result in my farm having less feed to sell to neighboring farmers, which, in turn, meant they had to buy from less commonly used external sources. Additionally, while my farm grows our own corn for our dairy operation, soybean meal is our highest feed expense. Our soybean meal prices have been up about 30% from last year.

Beyond feed, our major expenses are diesel fuel, electricity, and labor. While the diesel prices have come down meaningfully from their historic high points last year,³ electricity and labor expenses have all increased over the past year. My electric costs are up about 20% from last year, and my labor expense is

² [Dairy Margin Coverage Sign-Up Rate Remains Unchanged in 2023 | Dairy News | lancasterfarming.com](#)

³ USDA Grain Transportation Report, May 18, 2023, Figure 12, Weekly Diesel Fuel Prices, [GTR05182023.pdf \(usda.gov\)](#) (indicating a nationwide average decrease of \$1.716 cents per gallon of diesel fuel from last year).

up around 15%. My farm employs six full-time employees. To compete and respond to inflation generally, we've raised wages for our employees. As mentioned, the one bright spot for expenses has come in the form of diesel prices which have been down about 20% from last year for my farm.

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 have trended downward, especially recently, and expenses have trended upward. While diesel fuel costs have shown marked improvement, electric, labor, and feed costs have increased. Given these general 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.