



**Testimony of the Pennsylvania Farm Bureau**  
**Before the House Agriculture and Rural Affairs**  
**Committee**  
**Regarding the State of the Dairy Industry**

**Presented by David Graybill**  
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**February 10, 2011**

Good morning. This testimony is offered on behalf of the Pennsylvania Farm Bureau (PFB), an organization representing more than 50,000 farm and rural family members in 63 counties.

My name is David Graybill. I, along with my wife, Marie, operate Red Sunset Farms in Juniata County. I have a BS in Agricultural Education from Penn State. After graduation, I worked for Pennfield Feeds and also as an ag teacher and Young Farmer advisor for four years.

Fulfilling a life-long dream, I began my farm ten and a half years ago, buying cows and equipment and renting the farm buildings and land. Today, we milk approximately 60 Registered Holsteins and raise approximately the same number of replacement heifers, as well as farm 100 acres of corn, 100 acres of hay, 70 acres of soybeans and 60 acres of small grains. Ninety percent of the farm's income comes from our dairy

operation. I am the President of Juniata County Farm Bureau, and currently serve on PFB's State Dairy Committee.

Farm Bureau would like to thank Chairman Maher and the members of the House Agriculture and Rural Affairs Committee for the opportunity to testify today.

As a relatively new dairy farmer, I've faced – and continue to face – challenges that are unique when compared to many other farmers. In 2000, I received a Farm Service Agency loan to help purchase my cows and equipment. Shortly thereafter, in the wake of 9-11, the industry faced a significant drop in milk prices. During those 18 months, my farm – like others in the dairy industry – faced very tight margins. I quickly learned the importance of making tough business decisions to deal with difficult economic times.

Out of that first crisis, we decided not to make additional capital investments in our operation unless there was a good chance that it would result in additional income for my farm. Thanks to these sound business decisions, my farm has been profitable every year since 2003-04.

Now, that's not to say that we haven't faced our share of challenges. As you may know, farm expenses and milk payments tend to be volatile. Consider, for example, the dairy climate of the last several years. In 2006, milk prices were extremely low, straining dairy farmers' budgets to the limit and forcing many farmers to serious changes in their operations. As milk prices climbed in 2007 and much of 2008, farmers tried to get caught up on bills, and where possible, make improvements around the farm. However, higher input costs quickly eliminated much of the gains from strong milk prices.

In 2009, producers' milk prices hit historical lows. For more than a year, many farmers suffered substantial financial losses from milk production. Faced with negative margins, farmers had to make difficult

business decisions: culling cows, changing feed rations and even selling off assets.

While prices have been higher in 2010 and 2011, we are still not out of the woods. Since prices were so severely depressed, it will take a long time for dairy farmers to recover. Dairy farmers across Pennsylvania are still worried about holding onto their farms and retaining their dairy operations for future generations. Many farmers are just one low price cycle away from exiting the dairy business – something that has far reaching consequences, not only for the farmer and family, but on the local economy and larger and agricultural infrastructure.

As I mentioned above, my wife and I have been fortunate enough to keep our farm profitable by making the tough management decisions needed to maintain our margins. Since we grow more crops than my cows can consume, we have been able to sell excess crops, and thanks to favorable commodity prices, this has been strong revenue generator.

We've also been able to take several steps to increase to increase production through increasing cow comfort. By installing mattresses and building a new ventilation system, we've been able to raise our production, and milk revenue. Government assistance, like the federal Milk Income Loss Contract (MILC) payments, has also helped many farmers in times of high feed and low milk prices. My farm received more than \$16,000 in additional income through MILC in 2009.

Now that I've discussed the situation on my farm and the general environment for dairy farmers in Pennsylvania, I'd like to summarize what Farm Bureau would recommend the Commonwealth should do in response to today's challenges in dairy pricing. While I will not discuss every recommendation that Farm Bureau would offer on dairy matters, I believe the recommendations I will discuss are most relevant to the issues being covered at today's hearing.

Farm Bureau supports the continuance of the Milk Marketing Law as a means of orderly marketing of the state's dairy products, and the role of the Pennsylvania Milk Marketing Board (PMMB) in mandating over-order premiums on Class I milk. But we recommend a significant change be made to the current scope of milk pricing regulation. Specifically, our members support abolishing the state minimum retail price (which would permit retailers to use milk as a loss leader) while maintaining the Board's responsibility to regulate minimum wholesale price and producer prices, enabling the continuation of the payment of over-order premiums to producers.

Our members are also concerned about a widening price margin between minimum producer and retail prices on milk sold in Pennsylvania, and believe the Commonwealth should investigate and report the causes of this widening margin and offer recommendations to narrow the margin gap to better ensure financial stability for Pennsylvania's dairy farmers.

Along those lines, we support a more equitable distribution of the over-order premium for all milk produced in Pennsylvania, such as through market-wide pooling. We also support efforts by the Commonwealth and neighboring states to identify and pursue measures that will provide regional price and income benefits to producers. We also believe the current pricing system should be changed to capture and return to producers the premium dollars that consumers are paying in their milk purchases and expect to be paid back to dairy farmers. Our members also believe milk processors should be responsible for the costs from hauling milk between farms and processing plants.

Farm Bureau members recognize that the most effective solutions to today's price and cost challenges for dairy farmers would need to largely occur at the national level, and that Pennsylvania's role in resolving these challenges is limited. It is important that Pennsylvania not pass laws and regulations that would interfere with the marketability of Pennsylvania milk, as that would ultimately impact dairy farmers' pockets. Whether pricing and other changes occur at the national level



or at the state level, future dairy policy should not ignore economic forces at work in regional, national and international markets. And future changes in price regulation and dairy programs should not result in producer prices that prevent the marketability of Pennsylvania produced milk in these markets.

What is clear is that we need viable and lasting change within the dairy industry. While dairy pricing is largely a national issue, Farm Bureau believes that Pennsylvania can do several things that can be helpful to Pennsylvania's dairy farmers. Ensuring that all Pennsylvania's dairy producers receive their fair share of the premium is a good place to start.

Again, thank you for the opportunity to testify today. We are committed to helping the dairy industry thrive long into the future. Farm Bureau looks forward to working with you on this issue. I'd be happy to answer any questions you may have.