

Testimony of Daniel Brandt

On behalf of Dairy Policy Action Coalition

Before the House Republican Policy Committee

January 12, 2010

Good morning. I want to thank Chairman Saylor, Representative Carl Metzgar and the House Republican Policy Committee for the opportunity to address our concerns regarding dairy issues.

My name is Daniel Brandt and I am here on behalf of the Dairy Policy Action Coalition (DPAC). I am a partner in Brandt-View Farms with my brother Karl and father David. My son Mark and my nephew Nathan are the fourth-generation in our family to work on this farm. We currently have 370 head of registered Holsteins and market the offspring and embryos worldwide from the best pedigreed cows. Our current rolling herd average production is 31,203 pounds of milk, 1,132 pounds of fat, and 948 pounds of protein. We have consistently rated in the top 10 herd averages in Pennsylvania and we raise all of our own forages on 155 acres of cropland. I am also the state director of the Pennsylvania Holstein Association, a Board member of the Lebanon County Farm Bureau and the Vice Chairman and member of the Executive Board for the newly formed DPAC organization.

This past year, Pennsylvania dairy farmers have experienced record low prices for milk creating unprecedented hardships on our dairy farmers. The dairy industry represents 40% of the farm gate revenue of Pennsylvania's number one industry – agriculture.

The Pennsylvania Milk Marketing Board (PMMB) was established through legislation to assist our dairy industry and insure an adequate supply of milk for the consumers of Pennsylvania. The PMMB has many responsibilities including setting the over order premiums to assist with the profit margins of dairy farms as well as insuring a profit margin at the wholesale and the retail markets (currently 3% plus an industry average of their costs). PMMB has the duty to use its authority to establish and capture these premiums at the retail level and insure the health of our dairy industry in Pennsylvania. This process needs to be transparent. Recently the main focus of concern has been the amount of premiums being paid by the consumers of Pennsylvania to help compensate the dairy farmers and just how much of that premium finds its way to the dairy farmers' milk checks. In recent testimony by the Pennsylvania Department of Agriculture, it was estimated that in 2009, \$26 million, a significant percentage of this premium, disappeared in the system from the retail store sales to the farmers' milk checks. This is not fair to the consumers of Pennsylvania who are paying the premium nor to the dairy farmers of Pennsylvania for whom the premium is established. Where did the other \$26 million go? Is there a correlation to this disparity and some milk dealers reporting record profits? Is this why the milk dealers have so many attorneys on retainer at each PMMB hearing? Why are the dairy farmers of Pennsylvania being shortchanged during this period of record low prices?

The organization that I represent today – Dairy Policy Action Coalition or DPAC – makes these recommendations to the House Republican Policy Committee. Since the PMMB is under so much pressure from the Pennsylvania milk dealers with threats of lawsuits if they address these injustices by general rule changes, DPAC recommends that the legislature correct this problem by amending the Pennsylvania Milk Marketing Law. Several changes such as

defining that milk changes ownership at the farm was recently clarified in another amended law (the Milk Producer Security Act that was amended in 2004). This change would allow the PMMB to require premiums on milk produced in Pennsylvania, processed out of state and then sold for retail back in Pennsylvania to qualify for farmer premiums. Also, by giving the PMMB authority to license milk retailers in Pennsylvania, an authority they once had, premiums on milk produced and processed in Pennsylvania which goes out of state to a redistribution center and then comes back to Pennsylvania retail stores could be identified and would stop this shell game.

The PMMB over order premium is to provide additional income to ALL of Pennsylvania's dairy farmers in response to conditions common to ALL of those dairy farmers. Pooling of over order premiums is the only way to insure fairness. The pooling concept is not new and would address this fairness issue in distributing over order premiums just as it has been used by the federal milk marketing orders for classified uses. DPAC supports pooling Pennsylvania's over order premiums to ensure that all dairy farmers are treated fairly. DPAC recommends that pooling also be addressed when amending the Milk Marketing Law.

The federal milk pricing system also needs to be revised. The current federal policy is complex, lacks transparency, accountability and limits new product development. DPAC will continue to work with Congress in implementing changes written into the last farm bill and suggesting future changes in the next farm bill.

Having the right federal and state dairy policies in place will be critical to improving the dairy economy and quality of life on our Pennsylvania dairy farms. I would like to thank the House Republican Policy Committee for calling this hearing and for allowing us to present testimony today.