

Testimony of Daniel Brandt

On behalf of Dairy Policy Action Coalition

Before the Senate Agriculture & Rural Affairs Committee

December 9, 2009

Good afternoon. I want to thank Chairman Brubaker and the Senate Agriculture and Rural Affairs Committee for the opportunity to address our concerns regarding the transparency of dairy pricing.

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 and insure the health of our dairy industry in Pennsylvania. This process needs to be transparent. Simple math on the premiums paid by the consumers of Pennsylvania and premiums realized by the dairy producers in Pennsylvania do not add up. Considering that the population of Pennsylvania is approximately 12.5 million people and using the national per capita consumption of fluid milk that is 21 gallons per year, the premiums paid by the consumers of Pennsylvania from January 1, 2009 to June 30, 2009 would total \$26 million. Of the \$26 million paid by the consumers of Pennsylvania for this premium, our dairy producers, according to PMMB, only received about \$19 million of the premiums collected. This disparity leads to several questions. Where did the other \$7 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 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.

The federal milk marketing pricing system also needs to be revised. The current federal policy is complex, lacks transparency, accountability and limits new product development. The federal milk marketing system should consider several changes. The Class 1 mover should reflect current supply/demand conditions. Establishing this Class 1 price with unaudited, outdated market condition information is not acceptable with current technology. The U.S. Dairy industry needs a transparent method of price discovery. The CME market for cheese and butter is thinly traded. Many weeks less than 1 percent of the cheese and butter marketed in the U.S. takes place at the CME yet it sets the price for a large percentage of the U.S. milk produced. Also, the NASS surveys, as written in the '07 Farm Bill, should include mandatory daily reporting and include more products as well as be subject to audits. This poor price discovery allows unfair manipulation of prices that directly affects our farmers' profitability. USDA Market News successfully uses mandatory daily reporting of beef and hog meat value-- why not milk?

Revising the current four-class system to a two-class system would encourage milk going to its highest and best use, benefitting the dairy producers. This four-class system adds to the complexity of a milk price system that lacks transparency, affording the opportunity of manipulation by the few people that understand it.

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 Senate Agriculture & Rural Affairs Committee for calling this hearing and for allowing us to present testimony today.