

# DPAC testifies at PA House Ag Committee hearing on dairy

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Special for Farmshine

HARRISBURG, Pa.—The Pennsylvania House Agriculture and Rural Affairs Committee turned its attention to the state of the Commonwealth's dairy industry last Thursday (Feb. 10) with a special "Dairy 101-From Cow to Consumer" hearing here at the Capitol.

Chairman John Maher (R-40th), called the hearing to allow all sectors of the industry to give the committee an overview of the dairy industry from the perspective of producers cooperatives, processors, agribusinesses, and academia.

Perry County dairy producer Duane Hertzler, a charter board member of the Dairy Policy Action Coalition (DPAC) was among three dairy producers who testified on a dairy producer panel. All told, there were more than half a dozen producers, as some testified as cooperative directors on the processing and marketing panel or as members of other federal policy entities, such as the USDA Dairy Industry Advisory Committee.

"During the past two years, we have experienced the same financial stress that all dairy farmers have," said Hertzler who is part of Moo Echo Farms LLC with his wife June and his son and daughter-in-law Neil and Kilah. They milk 300 cows and specialize in managed intensive (seasonal) grazing to keep costs low. In addition to serving on the DPAC board, Hertzler chairs the Dairy Committee of the Animal Health Commission and serves on the state Grazing Lands Conservation Initiative board as well as the Perry County Preservation board.

"Fortunately, because of our 40 years in business and the depth of our assets, we were able to survive this economic downturn," Hertzler told state lawmakers. "But many dairy farms were not as lucky and will be working up to 5 years, or more, to recover from the money borrowed to stay in business. Our farm looks like it will take 3 years, at least, to recover."

Nationwide estimates are that \$20 billion in equity was lost by America's 54,000 dairy farmers during 2009 and 2010 to cover insufficient milk prices and rising feed costs.

While milk prices look promising right now for 2011, Hertz-



Duane Hertzler

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ler pointed out that, "Rising corn and soybean prices are keeping the margins tight. In some ways, the global demand for grain is a factor, but also 38 to 40% of U.S. corn stocks are being used for ethanol, which is subsidized."

He explained that a rule-of-thumb breakeven milk price used to be \$15 to \$17 per hundred-weight. "Wherever an individual farm's breakeven was three years ago, that number is \$3 higher today," he said. "So, we still have varying degrees of economic and emotional stress on Pennsylvania dairy farms, and we have a pricing system that

fails both producers and consumers."

He told the Committee about attending the joint workshop of USDA and the U.S. Department of Justice in Madison, Wisconsin last June, where experts testified that more value is staying in the middle of the consolidated dairy supply chain, and that the dairy farmer's share of the consumer's dollar was 42% as recently as 2002. Now it is down to 27%.

"I believe it is a privilege, not a right, to dairy in Pennsylvania. But the state and national policies work against us as dairymen," said Hertzler. "I believe government basically has 2 roles: First, to protect its citizens. Second to provide its citizen's with opportunities. This is where the right policy needs to be in place to provide a reasonably priced and safe food supply. This includes having policies that give farmers the opportunities they need to provide it."

Hertzler also noted that the rural infrastructure for agriculture relies on a strong dairy production sector. "In Pennsylvania, agriculture is our number one industry with dairy being the largest segment contributing 40% of total ag receipts and providing countless jobs both on the agribusiness side, supplying the farms, and on the food processing side," he said.

Pennsylvania has experienced a significant decrease in the number of dairy farms in the past 30 years, going from 19,000 farms in 1978 to 7400 farms in 2009.

"We are fortunate to have our son involved in the dairy operation," said Hertzler, "but often the next generation chooses other

professions because of the long hours and low profit margins."

Hertzler laid out some of DPAC's concerns and objectives, one of which is to simplify milk pricing and adopt policies and price discovery that improve market transparency.

"The dairy industry has many layers of complex government policies to regulate and set prices for dairy products," Hertzler testified. "At the state level, the PA Milk Marketing Board (PMMB) sets a minimum price that includes a premium for fluid milk at the wholesale and retail levels intended to help dairy farmers offset their production costs. Unfortunately, a significant portion of these premium dollars are lost or stranded and never returned to the farmers' milk checks."

He called it "puzzling" that the mailbox milk price for neighboring Ohio – where there is no state-mandated premium paid by consumers – began to surpass Pennsylvania's mailbox price in 2008 at a time when the PA premium was raised to above \$2 per hundredweight. He provided a graph and asked the Committee to review the Milk Marketing Act, and consider changes that would insure the transfer of these consumer premium dollars to the dairy farm families.

In addition to state issues, Hertzler stressed that DPAC's diverse board of dairy producers now covers more geographic areas as the Coalition works on federal policy with many other dairy producer groups in different regions of the country.

"We are studying proposals with a focus on fixing our broken pricing system with better policy that brings the necessary changes to improve transparency, price discovery, and encourage new product innovation," said Hertzler.

Just in the past five weeks, members of the DPAC board and professional team have met with members of Congress in Washington, D.C. and have addressed groups of farmers from 60 to 300 at various meetings in Pennsylvania. This week and next week, a DVD presentation and DPAC's Cornerstones for Change "working draft" will be included in programs for dairy producers in North Carolina and Tennessee. DPAC is also planning to participate in meetings this spring in the Midwest.

For more information and to read and comment on DPAC's Cornerstones for Change "working draft," visit [www.dpac.net](http://www.dpac.net).

For for a mailed copy call 1.800.422.8335 and ask for Bernie or Paige or email [agrite@ptd.net](mailto:agrite@ptd.net).