Commonwealth of Pennsylvania

Milk Board

Testimony

Pennsylvania State Grange

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Over-Order Premium Hearing

Matthew D. Espenshade

213 Black Swamp Road

Bainbridge, Lancaster County

(717)-361-2844

president@pagrange.org

To the Members of the Board:

My name is Matt Espenshade. I am a seventh-generation dairy farmer from Lancaster County. The farm has been owned and operated by my family since 1867. I am married, and have two sons, ages seventeen and the other turned 20 today. My father and I have no hired help in the day-to-day activities on the farm. We milk approximately 70 cows, with a 19,700-pound rolling herd average. We farm 260 acres, raising our own forages and replacement heifers as well. In addition, I serve as the President (Master) of Elizabethtown Area Grange #2076, one of approximately 150 county and community Granges located across Pennsylvania. Since October of 2022, I have served as the President of the Pennsylvania State Grange. It has been a tremendous honor to represent my fellow Grange members as together we work for the betterment of the agricultural community.

I am here today on behalf of the Pennsylvania State Grange, which has been an advocate for farmers and rural families since 1873. Today the Grange will offer evidence in support of its recommendation that the Board maintain the over-order premium at $1.00 per hundredweight for the next six months on qualifying milk. The Grange also requests the continuation of the fuel adjuster premium as it is calculated under the Board's current Official General Order A-999.

As a member of Mount Joy Farmers Co-Op, which is affiliated with *Dairy Farmers of America* (DFA), my fellow producers and I receive a blended price for the milk that is shipped. The blend price we received for milk on our most recent check was a net of $17.06 per hundredweight. This includes a market premium of four cents and an additional ten cents for being under contract with our co-op.

Because we are part of a co-op, the over-order premium is spread across all members, regardless of the milk's class, processor location, and final destination. Approximately 30 to 35 percent of the milk produced by our co-op members goes to Class I facilities and is sold within the Commonwealth. Almost all milk within the co-op attains that level of quality.

On our farm's monthly co-op statements, the over-order premium approved by the PMB is included among the bonuses and premiums. On our most recent statement, the amount was fourteen cents, which is labeled as "PMB over order premium."

As participants in a farmer owned cooperative, we function as one unit, meaning we share the risks, and we share the rewards. The funds generated by the over-order premium are returned to its members in a variety of ways. Some funds are distributed directly to each member. Funds may also be used to subsidize or bolster quality premiums, or other benefits. Some cooperatives may use these funds to defray the costs of transportation, or perhaps office expenses. It is a business decision to be made by the cooperative leadership, which is elected by the cooperative members. In any event, the funds are used to cover costs which would otherwise come out of the pockets of their own dairy farmer members.

Weather Challenges Farmers, Affects Yields

At the time of our last hearing in April, 55% of Pennsylvania was under drought conditions, designated "abnormally dry" or worse. Southeastern Pennsylvania was facing "severe drought" conditions in 17 counties, including 100% of the acreage in Berks, Chester, Lehigh, my home county of Lancaster, as well as 97% of Lebanon County. I shared my deep concerns about our potential cropping year. But as has been said, the only thing predictable about the weather is unpredictability. There was a major shift to the weather pattern, and Lancaster County, which on average receives 3.6 inches of rain during the month of May, was drenched with between 7.5 and 8 inches during the month while we tried to get corn planted.

Most farms rely on home-raised forages for the bulk of their dairy cattle feed. On our farm and on others with whom I have spoken, inventories have been stretched over the past two years, and the excessive rains delayed planting and ultimately harvest. In addition, corn that comes to tassel during dry or excessive heat waves often will not yield fully-developed ears, the main source of the ration's nutritional energy.

Shortfalls in home raised forages must be offset by other means. The past two years have required us to purchase local hay. As they are in the same weather pattern as our operation, it was of moderate quality, but still cost $200 per ton, purchasing eight tons at a time. It can be difficult to pencil it out, but the need for bulk to fill them up made it a necessity.

Purchased feeds have been rather stable when compared to the milk prices. From January 2025 to today, we have watched an overall decline in what we are paid for our milk, which has now reached a loss of 25 percent. In January we received a blend price of $22.58 per hundredweight, with an income over feed cost of $13.88. The compete feed supplement which provides both protein and energy, is down from $400 per ton to $388, a decrease of three percent. For growing calves, the starter feed given to them was $375 per ton in January, for 16% crude protein. We have lowered the quality of the feed to now just 14%, but still costs $365 per ton. The same bag of fortified dry milk replacer that cost $82 in January now costs $92. Other varieties at the local farm store are over $100.

We continue to push to maximize yields from our acreage, as we have finished new seedings of alfalfa and planted rye this fall to be taken as forage next spring.

Milk Margins Impacted

As we try to cover expenses on the farm, we note that since our last hearing that the decline in the price we are paid for milk is outpacing expenses. We began May 2025 receiving $20.04 per hundredweight for our milk, with an income over feed cost (IOFC) of $10.82. In mid-May we depleted much of our corn silage supply, leading to a reformulation of our feed ration. June milk, at $18.61 per hundredweight, was outpaced by these increases in feed costs, leaving an income over feed cost of $8.73 per hundredweight. The milk price continued its downward trend in August to $17.06, but higher purchased feeds continued to pull down our margin, to $4.34. During August we were finally able to harvest corn silage. Though lower in quality than we would like to see, it did relieve some of the expense of purchasing concentrate, and income over feed cost rose to $5.87 on milk that earned just $16.78 per hundredweight. October milk recovered to $17.06 per hundredweight, with an IOFC of $6.69.

Challenges for PA, Challenges for Cooperatives

The Center for Dairy Excellence reports that there are slightly more than 5000 dairy farms in Pennsylvania, and the average herd size is now approximately 99 cows. Though our cooperative is made up of farms of varying sizes and dynamics, more than half of our membership consists of farms with 65 cows or less. Our cooperative is still challenged in finding markets for our milk, and our dairy farmers continue to shoulder a significant part of the burden. I have no doubt that it is a challenge to find a home for all the milk produced by the members of our cooperative, but having these options does come with a cost.

Our co-op prides itself on producing high quality milk. It is a point that is made over and over by our leadership in newsletters and at annual meetings. Quality bonuses and premiums are a significant motivation and this financial reward for diligence cannot be understated. During an average month on our farm, picking up an additional 10 cent bonus somewhere will add upwards of $100 to our monthly statement.

The Board of Directors of Mount Joy Farmers Co-op is elected by our membership, and is composed of member dairy farmers. They have a tremendous responsibility in managing the milk markets of the 233 member farms. I trust them to continue to work in the best interest of our members, and our co-op manager has always been willing to answer my questions in preparation for my testimonies before the PMB. From time to time, we as producers may be challenged by their decision, but these are the steps necessary to remain competitive in the northeast where there is an abundant milk supply.

Protecting Margins

Since the program's early days, our farm has been enrolled in the USDA's Dairy Margin Coverage (DMC) program. It has been a welcome safety net as our farm has tried to navigate these turbulent times in the industry. Our farm is part of the program once again. Looking back at the current year, only April saw payments made through the program.

But we are reminded that markets do change, sometimes unexpectedly, and risk mitigation is an important consideration for farms of all sizes. Utilizing financial safety nets has become standard practice on our farm, and many others across the Commonwealth. The Pennsylvania State Grange encourages all producers to strongly consider participating in this federal program. Over the past few months, we have all watched the consequences of international trade negotiations, reciprocal tariffs, and government shutdowns on the state and federal level. The years following the pandemic have shown us all just how quickly markets can be impacted by unforeseen events.

Beyond Profit Margins

During these hearings in the past, much of the testimony presented before this Board revolved around income over feed costs. Obviously, this is a critical metric as feed is one of, if not the greatest daily expense in dairy production. However, I believe we need to note that the supply chain issues, record inflation rates, and price increases that have impeded daily life for Americans have hit Pennsylvania's dairy sector very hard, and continue still today.

On most Pennsylvania farms, raising crops to feed the cattle is just as important as milking. Across our state, seed orders for 2026 are being placed now. Farmers are trying to find ways to stay current on monthly bills, and if possible, take advantage of early payment discounts.

I have shared with this Board the impact of the increases in our farm utility bills, namely electricity. For two years we have dealt with this increased expenditure. Summer heat always drives our electric usage to its highest levels during a year, as fans are utilized to keep the milk cows cool and comfortable. Our bill for August was $1,242.55. September temperatures became more favorable, and the bill for the month was $1,020.82. Finally, in October, the heat had finally been replaced by seasonable temperatures, and the monthly expense was $933.

These are just a few of the financial hardships our fellow dairy farmers face every day. These higher input costs will make it much more difficult to keep current on bills, take advantage of early-payment discounts and avoid significant late fees. Through these challenging times, every dollar coming back to the farm matters, including the over-order premium.

Conclusion

The money the Pennsylvania Milk Board chooses to invest in the over-order premium is not just supporting the local farmer, but the businesses they depend on as well. To be honest, the premium you approve today will not spend much time in the pockets of the average farmer. This premium will help dairy producers to maintain farm equity and pay down the debt that has accumulated, and put money back into their local community. The decision you make today will have a direct impact on my family, and other farm families across the state. I am grateful for the opportunity to share with you just a portion of the economic challenges facing our Pennsylvania dairy farmers. Being a part of these hearings has given me a greater appreciation of the challenges all segments of the dairy industry are facing.

It is good to remember that all of us in this room want the same thing; that Pennsylvania milk is the first choice to be served on Pennsylvania dinner tables. I hope you will consider the plight of our farmers as you set the over-order premium for fluid milk produced, processed, and sold within Pennsylvania. Thank you to this Board for its assistance to dairy farmers in the past and your consideration of the matter before you today.