

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 20 and 17. My father and I have no hired help in the day-to-day activities on the farm. We milk approximately 75 cows, with a 19,600-pound rolling herd average. We farm 260 acres, raising our own forages and replacement heifers as well. In addition, I serve as the President 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 increase the over-order premium to \$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 \$17.34 per hundredweight. This includes a market premium of seven 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 Pennsylvania Milk Board is included among the bonuses and premiums. On our most recent statement, from March, the amount was thirteen 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.

Actions Beyond Our Farm

Though my family's dairy farm is 123 miles away from the White House, it continues to be impacted by decisions made in Washington, DC and actions half a world away. Unceasing turmoil in Ukraine and recent military intervention in the Middle East have led to the destabilization in two key input costs, energy and fertilizer. For dairy producers, this could not have come at a worse time, as we begin preparing for spring planting, and making management decisions that will impact the growing potential of crops raised for feed. Today, farmers are facing a level of uncertainty not seen since the days of the COVID-19 global pandemic.

As part of our preparations, we contacted our local fertilizer supplier about our needs for the coming planting season. We were told that at that time he could not get a single load delivered to his storage facility. The supply chain was totally tied up, and even if things ease up, the delay and backlog of orders will take time to work itself out. It is becoming a common story now, as national news reports indicate prices for fertilizer, in general, soaring upwards of 40% over last year.

Most farms use either granular fertilizer at planting or, as we do, side-dress later with nitrogen in a liquid form, anhydrous ammonia. This application style delivers a boost of nitrogen at a critical stage of growth, which is usually cost-effective as we try to maximize yields. We were informed that while last year we paid \$350/ton for 30% nitrogen, this year we should expect to see it priced at or nearly \$550/ton.

Also critical at planting season is diesel fuel to power and enable the equipment. In a little over one week after the beginning of the conflict in Iran, the price of diesel rose almost \$1.00 per gallon. Now several weeks into the war, there is finally talk of deescalation. Though we have heard talk many times of our nation's energy independence, the price on the farm is now more than \$1.50 per gallon higher than just two months ago.

Drought Watch Continues

For the past two years, as our farm has been impacted by shortfalls of rain, I find myself following the U.S. drought monitor more closely than ever before. As of March 31st, 48.5% of Pennsylvania is under drought conditions, designated "abnormally dry" (D1) or worse. Currently, southeastern Pennsylvania is facing "severe drought" (D2) conditions in four counties, including 36% of Berks County and 48% of Franklin County. We are only four months into the year, and some parts of my area are already facing a rain deficit of nearly two inches. As corn silage inventory continues to dwindle, the current rainfall deficit will certainly impact yields of what will likely be our only homegrown forages, along with alfalfa haylage, to get us through the entire summer.

Expecting our forage inventory would be low by this time, last fall we planted rye to be taken off this spring and also followed in early April 2026 planting oats for a quick turnaround supplemental forage. But these current shortfalls in moisture are a concern on our farm and to others across the state facing similar circumstances. With animal agriculture being a primary reason Pennsylvania is a net-importer of corn and soybeans, dairy farms are competing with other

industries for feedstuffs. The current Extreme (D3) and Exceptional (D4) drought conditions in more than 25% of the High Plains, South and Southeast regions will likely decimate entire growing areas and increase demand for outside-sourced feeds for farms in those given areas.

Milk Margins

We have seen fluctuations in milk prices since our last hearing. In December 2025, we received \$18.36 for milk from our farm. The new year started off lower in January with a blend price of \$16.35, with an income over feed cost of \$6.32. February milk was lower, at \$15.89 per hundredweight, but with a slight drop in our feed expense and a reformulation, left an income over feed cost of \$6.43 per hundredweight. The milk price did rebound in March to \$17.34, with a margin of \$8.01.

Challenges for PA, Challenges for Cooperatives

I am disappointed to say we have reached the point where there are less than 5,000 dairy farms in Pennsylvania. On the bright side, the number of dairy farms in our state is second in the nation, behind only Wisconsin. Mount Joy Farmers Co-Op has seen a continual decrease in member farms over the past decade. After years of turning away prospects, mainly due to the overabundance of milk in our region, the cooperative is now seeking new member farms to join, and this past year had a net increase in membership for the first time in recent memory.

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 246 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, as the enrollment period ended on February 26, 2026. Looking back at 2025, only December 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 armed conflicts, reciprocal tariffs, and abrupt government policy changes and shutdowns on the federal level. The past few years 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, energy costs, and price increases that have impeded daily life for Americans have hit Pennsylvania's dairy sector very hard and continue still today.

As planting season nears, we are also mindful of weed control in our cropping acres. As many farms move away from conventional tillage as a way to help mitigate erosion, we become more dependent on sprays and chemical-based methods. The use of glyphosate, commonly found in brands like Round-Up, has been a proven tool. In a recent trip to the farm store to purchase a generic alternative, I noted to the salesclerk that the price had not gone up. I was then informed that I was buying last year's inventory, and that once that supply was depleted, I should expect to see the cost increase, from \$69.99 per five-gallon case, to \$79.99 for the same volume, a 13% increase.

I have shared with this Board the impact of the increases in our farm utility bills, namely electricity. This expense continues to rise, and will share that year-over-year cost rose 1% in January, was up 9% in February, and when comparing March 2026 to March 2025, was up 11%. On our farm, and I am certain on others as well, we have been mindful of our energy usage.

These are just a few of the financial hardships our fellow dairy farmers face every day. These input costs, supply delays and expenditures 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.