

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 eighteen and sixteen. My father and I have no hired help in the day-to-day activities on the farm. We milk approximately 73 cows, with a 20,800-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 170 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 \$22.15 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, the amount was twelve 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.

### **2024 Weather Challenges Affect Farmers Today**

In my previous testimony on November 6, 2024, I shared my concerns going into the winter months regarding a shortage of homegrown forages. Last year, rainfall was in short supply in my area, especially during the critical pollination time for our corn taken for silage, leading to lower available energy levels and yield volume. While in a good year we can expect our corn silage to yield 25-32 tons per acre, we calculated our early corn yields were approximately 12 tons to the acre. Corn planted later last spring did fare better, but not well enough to make up for the early shortfall.

### **Drought Watch Continues**

In the aftermath of last year's crippling drought on our farm, I find myself following the U.S. drought monitor more closely than ever before. As of April 1<sup>st</sup>, 55% of Pennsylvania is under drought conditions, designated "abnormally dry" or worse. Currently, southeastern Pennsylvania is facing

“severe drought” conditions in 17 counties, including 100% of the acreage in Berks, Chester, Lehigh, and my home county of Lancaster, as well as 97% of Lebanon County. We are only four months into the year, and some parts of my area are already facing a rain deficit of nearly four inches. Expecting our forages would be low by this time, last fall we planted rye to be taken off this spring and also followed in late March 2025 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. 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.

### **Milk Margins**

We have seen slight fluctuations in milk prices since our last hearing. In November 2024, we received \$22.93 for milk from our farm. We ended 2024 in December receiving \$22.88 per hundredweight for our milk, with an income over feed cost (IOFC) of \$13.42. The new year started off rather strongly in January with a blend price of \$22.58, with an income over feed cost of \$13.88. February milk was lower, at \$21.73 per hundredweight, and coupled with a purchased concentrate feed expense increase of \$15 per ton since December, left an income over feed cost of \$12.51 per hundredweight. The milk price did rebound in March to \$22.15, with a margin of \$13.02.

### **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. While on the bright side, the number of dairy farms in Pennsylvania is second in the nation, behind only Wisconsin, the Commonwealth continues to see farms exit the dairy industry at an alarming pace. This unfortunate trend is also evident within Mount Joy Farmers Co-Op, which 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.

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. The enrollment period ended on March 31, and I am pleased to say our farm is part of the program once again. Looking back at last year, only January and February saw payments made through the program, however, March 2024 was the first time in 17 consecutive months that an indemnity payment was not triggered.

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. Looking back to 2023, Dairy Margin Coverage payments triggered in every month, including two, June and July, where the margin fell below the “catastrophic level” of \$4.00 per hundredweight, a first for DMC coverage or its predecessor, the Margin Protection Program. Whether it be a global pandemic or consequences of international trade negotiations, 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, interest 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 2025 are being delivered, and payment is coming due. Farmers are trying to find ways to stay current on monthly bills, and if possible, take advantage of early payment discounts. Yesterday at our farm, 28 bags of seed corn were delivered, at a cost of nearly \$9,000. We are blessed to live in an era where many varieties of crop seeds have been genetically developed with differing traits, resistances and yield expectations. Unfavorable growing conditions have been an impediment to farmers for generations. While farmers have been given a tool to meet some of these challenges, the fact remains all these traits come with an additional cost, and in the end, much of a farmer’s growing season is left to chance. As we saw on our own farm last year, the odds do not always turn out in your favor.

I have shared with this Board the impact of the increases in our farm utility bills, namely electricity. Between 2022 and 2024 we shouldered significant increases in electric costs, and I've shared this increased expenditure with this Board previously. Our farm, and I am certain others, have been mindful of our energy usage, and have taken steps to address even the most mundane tasks, like being sure the light switch is turned off exiting part of the milking parlor. Our December 2024 electric bill was \$870, comprised of \$651.77 for "supply" and \$218.32 for "delivery". By comparison, looking at our December 2023 statement, daily electricity usage is down 23%, but our daily cost was down only 11%, from \$33.74 to \$30.00 each day. In February 2025, our monthly electric bill was \$1,1184, comprised of \$880 for "supply" and \$304.02 designated towards "delivery".

Our farm has also experienced significant disruption in the supply chain when it comes to ordering replacement parts and supplies. It doesn't seem like all that many years ago we could call the local equipment dealership or farm store for the supplies we need, and it would be in stock. Today, it has become a challenge. The clutch went out on our only four-wheel drive tractor last winter and was away for almost three months waiting for parts to arrive at the repair shop. Once it finally arrived home, we were finally able to hook up to the manure spreader to deal with heifer pens and other tasks. On the second day of hauling, the spindles and bearings on the back of the spreader went out, bringing our attempts to catch up to a halt. It has been almost six weeks, and we are still waiting on replacement parts to arrive. I'm glad we were able to get as much done as we could, but let's just say that again in the pens, "it's getting deep", and waiting on parts, whether it be for field preparation or planting, at this critical juncture puts farmers in a difficult situation in a business where timing is everything.

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.