

Commonwealth of Pennsylvania

Senate and House Agriculture and Rural Affairs
Committees

Joint Public Informational Hearing
On
Milk Pricing and Dairy Policy

Testimony of Phoebe Bitler on behalf of
Pennsylvania Dairy Producers

May 22, 2007

My name is Phoebe Bitler. My husband, son and I, own and operate Vista Grande Farm near Fleetwood, in Berks County. I am a Home Economist by degree, however I have spent all of my years directly involved in the dairy industry; at home on our farm and in various volunteer capacities in our community, across Pennsylvania, the greater Northeast and National programs. Currently, I serve as the Vice President of the Pennsylvania Dairy Stakeholders, and I Chair the Education Committee for the Pennsylvania Dairy Task Force.

Overview

I am testifying today on behalf of the dairy producers of Pennsylvania. I am going to present a snapshot view of my family's dairy situation. I will share with you how many things beyond our control impact our operation, and what we have done to compensate for the shortfalls. I will also suggest some ways that you might be able to assist the Pennsylvania dairy industry and its 8,500 dairy farm families.

I must preface my comments with the fact that I am only one voice; if you were to travel across the state, you would hear many voices, and they would all have different stories to tell about their dairy operations and their communities. However, I believe, you would hear one common thread running through each story---"2006 was one of the most challenging years this farm has ever weathered."

A Look to the Past

When my husband and I began our own dairy operation thirty years ago, many folks told us that the first five years would be the toughest. I can tell you that they didn't know about 2006 when they made that comment! What made 2006 so difficult? Milk prices continued to plummet throughout the year to record lows, and numerous factors caused an upset in the delicate balance needed to keep a positive cash flow on the dairy farm. Fuel, fertilizer, chemicals, replacement cattle---almost everything we purchase to keep our operations going, escalated to new highs. Well-planned budgets simply didn't work. The summer of 2006 also proved to have a long siege of hot, humid days. Not only did that put daily milk production into a tailspin; less volume at a lower price, but it also played havoc with the reproductive cycles of the cows. Many producers are feeling the impact of that currently since few cows conceived calves during the hot weather, and are not giving birth and producing the expected volumes of milk that they would have normally at this time. The hot weather also short-changed the energy content of the harvested forages, requiring many producers to purchase additional feedstuffs when they too were commanding higher prices. Energy costs probably had the largest negative effect on our operation. We paid higher prices for the fuel we used directly on our farms and also paid "fuel surcharges" for all kinds of things that were shipped to or from our operations. Energy costs continue to impact everything we do. This is now having a deeper impact with the production of ethanol and the reduction of acres available for feedstuff production.

I would like to call your attention to Exhibit A to attain a clearer picture of what has transpired over the years for some of the common dairy farm purchases. I have used April as my target month, and have listed the actual prices our farm paid for the products. Some of the items have changed somewhat because of technological

advances and new methods of production; however, I believe you will be able to make the comparisons.

Exhibit A: Common Input Costs
Actual Prices Paid by Vista Grande Farm

Item	Cost					
	April '07	April '06	April '05	1997	1987	1977
Fuel (diesel)	\$2.08/gal	\$2.01/gal	\$1.67/gal	\$.84/gal	\$.67/gal	
Fuel (regular)				\$1.21/gal	\$.87/gal	\$.52/gal
Milk Replacer (50 lb)	\$61.10	\$48.00	\$43.60	\$38.00	\$30.50	\$15.50
Fertilizer	\$386/ton	\$311/ton	\$301/ton	\$238/ton		\$117/ton
Lime	\$30/ton	\$28/ton	\$26.17/ton	\$20.80/ton	\$14.75/ton	
Wood Shavings	\$1175	\$1075	\$975	\$675 (all per 22 cubic yards)		
Bag of seed corn	\$136-176	\$131-171	\$142	\$82	\$60	\$39.50
Bag of alfalfa seed	\$259	\$251	\$174	\$146		
47.5% Soybean Meal	\$252/ton	\$223/ton	\$228/ton			
38% Protein Concen				\$335/ton	\$236/ton	\$290/ton
Real Estate Taxes		\$11,688	\$11,669	\$9162	\$3754	
Insurance		\$13,802	\$12,591	\$4,911	\$1753	

Exhibit B: Milk Prices Received
by Vista Grande Farm

	April '07	April '06	April '05	April '97	April '87	April '77
Gross Price	\$16.22	\$13.23	\$15.87	\$13.80	\$12.71	\$10.57
Mailbox Price	\$15.30	\$12.37	\$15.16	\$13.20	\$11.86	\$10.31

**Note: The "Mailbox Price" is the Net amount we received per hundredweight after deducting hauling, promotion, administration, and marketing fees.*

With these costs in mind, I would like you to look at Exhibit B to compare the income we have received for the milk that we have sold wholesale from our dairy. Again, these are the prices received for the month of April in the same respective years. There has been a gradual increase in price since January of this year, with last month's check being the highest we have received since July of 2005.

What have we done to compensate for the annual input increases while receiving a fairly static or decreasing income for our milk? When Dave and I began in 1977, we milked 50 cows; today we are milking 100 cows. In 1977, our herd consisted of some Registered Guernseys, Holsteins and Red & Whites that averaged almost 13,000 pounds of milk annually. In 2007, we have all Registered Holsteins with 110 cows on DHIA testing averaging 24, 812 pounds annually. We have doubled the number of producing cows and almost doubled each cow's production. In 1977, we rented our farm, milked our cows, cared for our replacement stock, and farmed about 40 acres to grow crops to feed the young stock. Today, we own our farm, milk the cows, raise all of the calves born on the farm for replacements or for sale to other dairy folks, farm about 425 acres to grow feed for the herd, and have added numerous diversified businesses to keep the farm viable and profitable. Various farm statistics display this same trend all across our state as well as the nation. Pennsylvania's location in the more heavily populated Northeast Corridor, our seasonal weather changes, and our higher cost of production has kept our dairies from expanding in the same manner as those in the mid and far west. We, as dairy producers work hard at our chosen vocation; we are independent, and we have been very successful at adopting technology and improving our efficiencies to remain viable, but this past year has caused frustration and stress for even the best managed dairies across our state.

Current Status

We are currently receiving an increased price for our milk, but it still isn't enough to cover the average dairy producer's costs. Pennsylvania Farm Bureau's MSC Business Services, using the data from approximately 600 PA farms, has calculated the average cost of production for 100 pounds of milk in our state to be \$19.53 while the price received for that same milk was \$12-\$13. Numerous sources are projecting that we will be paid average blend prices of over \$20 per hundredweight for the latter half of 2007. The additional dollars are welcome in our milk checks, but most producers will need many months to catch up what was lost in 2006. For some, those losses were as high as \$5 per hundredweight. In other words, a farm our size, shipping 8,000 pounds of milk a day (80 hundredweights) could have lost about \$400/day, \$12,000/month, and possibly \$144,000/year! And remember, the hot weather, energy costs, reproduction losses, low energy feedstuffs will continue to impact production levels through 2007, so our volumes are not what many had hoped for.

A Look to the Future

Pennsylvania dairy producers are not in this situation alone. The dairy situation across the country and around the world impacts the price we receive for our product. Milk pricing and marketing has become extremely complicated because of the perishable nature of the product along varying supply and demand. The problem we are talking about today is national, and I do not believe that there will be an easy solution.

Some of our neighboring states are paying dollars directly to producers to shore up the past year's shaky financial footing. I know there are dairy farm families in Pennsylvania that are hoping for a similar scenario. Some dairies will probably not be here without that kind of help, but I consider a bail out as a short term "band-aid".

Publicity surrounding this type of solution could also cause consumers to question why this is necessary when the price of milk is also escalating in the grocery store.

I would rather see whatever dollars that are available be used for proactive longer term programs that will ensure dairy's viability today and even for the next generation.

I want to commend Governor Rendell for allowing Secretary Wolff to create Pennsylvania's Center for Dairy Excellence several years ago. The presented state budget does not include funding for this program, so I encourage you to return those dollars to continue the program. I truly believe the dairy crisis of the past year would have been harsher if we had not already pulled our industry together and begun working toward improved profitability. The DART Program (Dairy Advocacy & Resource Team) and Profit Teams are two excellent CDE developments that have encouraged individual producers to make better management decisions and to use new technology to improve efficiencies. The PA Dairy Stakeholders also receives funding through CDE to help individual producers develop business plans.

Since 1988, the Pennsylvania Milk Marketing Board (PMMB) has regulated over-order premiums that are paid to state dairy farmers when conditions such as drought, excessive rain, high feed and fuel costs, or low milk prices cause a hardship. The dollars for these premiums are not tax dollars, but rather paid by the consumer when they purchase fluid milk (for drinking purposes) that was produced, processed and sold in Pennsylvania. While only about 15-20% of the milk produced on PA farms receives the premium, the mandate does help to raise voluntary premiums for all milk produced in the state. Some of our state's dairy producers receive a significant direct benefit from the premium, while others, such as myself, receive an indirect benefit in price when our milk is processed and sold in another state. Governor Rendell has proposed and Secretary Wolff has petitioned PMMB to expand this program by working with neighboring states that also have an over-order premium program, thus returning more premium dollars to PA dairy farm accounts.

Regulations on the local and state level can create nightmares for dairy farm families. I would urge you to maintain the support systems that are critical to helping us to understand and navigate the rules. The folks involved with Penn State Cooperative Extension Service, NRCS, PA Department of Agriculture, the Ag Law Center are vital to our continued growth. Increased funding for these organizations will have a multiplier effect as information and technology is shared with producers.

Please be cautious when new laws are presented for action. Some can have unintended and negative consequences on all of agriculture. I would urge you to become friends with several farmers in your respective legislative districts with whom you can discuss the implications. On the national level, the Conservation Resource Enhancement Program, commonly known as CREP, has been a note of contention where good farmland has been taken out of production and caused feed sources to be harder to come by in some areas. Currently, ethanol is causing concern for PA livestock producers, which includes dairy, because we already use more corn than we grow just

to feed our stock, let alone having enough to supply ethanol production plants. Thus our input costs increase, and meat and milk production becomes more expensive.

Technology has helped us achieve improved efficiencies in the past. Currently, alternative energy sources are in the forefront. I believe agriculture can play a large role in future energy production. Corn and ethanol are only the beginning. A number of PA dairies are currently installing bio-digesters on their farms to convert dairy waste into electricity. We will need to develop more practical, economical systems for farms of all sizes if it is to become more widespread. Funding research in this area can ultimately benefit many producers.

Pennsylvania's location and cultural diversity allows dairy farms of all sizes to be a part of the landscape. Some of the smaller farms have developed niche markets creating farmstead cheeses and other specialty dairy products. Our state is also home to a number of larger family farms that provide a living not only for the owner/families but also for their numerous employees. Each size of farm can be viable and an economic asset to the community. Please use caution when dealing with any kind of legislation that could encourage or benefit one size over another. We are all competing in the same marketplace.

Dairy producers could benefit directly from the Resource Enhancement and Protection Tax Credit Program, known as REAP, HB 100, SB690. This legislation would establish a tax credit program for the stewardship of agricultural lands and create opportunities for private investment in best management practices.

Some of you have helped to create other programs such as ACRE, the Right to Farm, and Farmland Preservation. Thank you for making them possible. Each of these helps the dairy industry as we consider expanding or remaining a part of our local communities. Along those same lines, many of us, as producers, are concerned about the feasibility for the next generation to make their livelihood from the cattle and the land. We are successfully saving the farmland, but we really need to be concerned about saving the farmer, or making it possible for young people to acquire and operate some of Pennsylvania's existing dairy farms. Would it be possible to give some real tax benefits to a retiring dairyman who is willing to sell his business to a new or beginning farmer? Farmers are not wealthy; often their retirement account consists of the agricultural assets they have acquired over a lifetime of hard work. These folks need to be able to sell their operations, however a tax break would, perhaps, be an incentive to sell their herd or land at a lower price to help the next generation get established in the industry.

Our local property taxes have been increasing at a steady pace. Clean and Green legislation helps considerably, however, the increases are moving ahead more rapidly than our agricultural incomes. The high assessments on the tidy farmsteads with well-kept buildings in some of our more suburban counties are causing hardships for many producers. I urge you to develop a workable plan that would fund our public schools more equitably.

When I went to grade school, a large portion of the kids in my class were from the farm. Our son, went to the same rural school, but by that time, there was only one other child from a farm in his class. Our friends and neighbors, urban and rural, really have very little understanding of where their food comes from and what it takes to produce it. We would welcome your help in educating your non-farm and non-rural legislative counterparts, and all of the Commonwealth's citizens about the science of agriculture. In light of the recent pet food concerns, I firmly believe that agriculture is a key component of national security. Agriculture is key to the sustenance of life itself. I would encourage you to defend it and support it as such.

Summary

This morning, as I walked out through the pasture, under the moonlit sky, to bring the cows in for the morning milking, I reflected on the blessing that I had the opportunity to grow up in America; that I was able to choose my vocation; that I have been able to produce a product that is healthy and nutritious for the human body; and that I have been able to be a part of one of the largest industries in our state, an industry that has contributed positively to our communities. I trust that you folks, who have been elected by persons just like me from all across Pennsylvania, will help us retain that same opportunity for the next generation. I trust that young dairy farm families will be able to produce healthy food locally, so we do not need to import it from California or somewhere on the other side of the world; that the state's dairy farm operations will remain viable and can continue to have a positive economic impact on our communities. I am counting on you to be the dairy industry's partner for the future.

Thank you.