

Good morning Mr. Chairman and members of the Committee. I'd like to thank you for the opportunity to speak to you today on the "stranded premium" in milk pricing.

My brother and I own and operate Kish-View Farm, located in Mifflin County, Pennsylvania. We have approximately 350 milking cows.

I don't claim to completely understand how this system works since I am more focused on producing milk and running our farm 24-7. But I do know that it doesn't work the way it was intended. What I do understand is that the premiums consumers are paying on their milk purchases are not getting to the dairy producers for whom they are intended. Dairy producers, such as myself, still have serious concerns about how the over-order premiums are distributed. Early estimates indicate that approximately \$12-16 million in stranded premiums are not paid to Pennsylvania dairy producers, but instead go to the processors or dealers who are packaging and selling our milk.

With federal minimum milk prices being too insufficient to cover production costs, the Pennsylvania Milk Marketing Board, following state law, sets an over-order premium which is intended to go to the Pennsylvania dairy producers. These premiums were created to help the Pennsylvania dairy farmers operate within the many adverse conditions we constantly work, from drought to the volatility of milk pricing and production costs .

So this cost of production premium that the consumer pays at the point of purchase is supposed to be paid to Pennsylvania dairy farmers. However, in many cases, it is not. As I understand it, the premium gets stranded with processors who blend PA milk with out of state milk, who process milk out of state and then sell it in Pennsylvania, and who don't track blended milk. Common sense and legislative intent seem clear, that as much of this premium that is intended for Pennsylvania's dairy farmers should be paid to them. If changes are necessary to calculate the premium differently so that more of it gets to where it is intended, then we hope the Pennsylvania Milk Marketing Board and the Legislature will consider those changes.

With the cost of production at an all time high, and prices paid to producers by these processors far lower than the production costs, it is critical that these premiums are paid to dairy producers so that we can continue to successfully operate our dairy farms. Unfortunately, in cases of Class 1 fluid milk, it is difficult to tell how much of it comes from a farm in Pennsylvania and a farm in Maryland. So, as is often the case, if in-state produced milk is delivered to an out-of state processing plant, then later re-enters the state for retail, the problem then becomes how much of the premium should be paid to the Pennsylvania dairy producer. The milk product is blended and there is no way to determine how much

of the blended product is Pennsylvania produced milk.

A simpler approach might be to just pay the premium to all PA producers who are shipping milk to a processor who is selling milk in Pennsylvania, regardless of where it is processed. The goal here is to eliminate the loopholes in processing, collection or sale of milk that strand the premium, and instead get it to Pennsylvania dairy farmers, for whom it is intended.

Dairy producers certainly appreciate and applaud the efforts by the Department of Agriculture and the Pennsylvania Milk Marketing Board to capture as much as possible, what has been lost in over-order premiums. Although there doesn't seem to be a handle on how much of the "stranded premium" has not been paid to dairy producers over the years, the recent actions by the Milk Marketing Board is a step in the right direction.

Finally, though the purpose of this hearing is to focus on the "stranded" premium, I would be remiss in not adding that I think the General Assembly and the Milk Marketing Board would be well advised to, in the very near future, focus equal attention on ensuring a more equitable distribution of the total premium among all PA dairy producers.

Again, thank you for the opportunity to speak before the Committee today. I will be happy to answer any questions that you may have.