

TESTIMONY
Glenn Stoltzfus
January 12, 2010

I am Glenn Stoltzfus. I currently operate Pennwood Farms along with my 3 brothers. We milk around 500 cows and farm about 1100 acres just south of Berlin. I have been a dairy farmer all my life my brothers and I took over the farm my father started in the 60's. I am also President of Somerset County Farm Bureau and serve on the state dairy committee.

Perspective on Impact of Low Prices

In 2006, milk prices were extremely low, straining dairy farmers' budgets to the limit and forcing farmers to make difficult decisions in their operations. (reducing amount of fertilizer, changing feed rations, etc)

As milk prices climbed in 2007 and much of 2008, farmers tried to get caught up on bills, and where possible, make improvements around the farm. However, higher input costs quickly offset the gains from strong milk prices and in 2009 farmers had to make tough business decisions.

The margin between price received and input costs is critical. When this margin is unfavorable, you see farmers selling off cows, their farms and going out of business. This has far reaching consequences, not only for the farmer and family, but on the local economy and larger agricultural infrastructure.

What's Been Done

At the state level, Farm Bureau has worked closely with the Pennsylvania Milk Marketing Board and the Center for Dairy Excellence in supporting measures which help Pennsylvania's dairy industry.

Nationally, there has been much discussion regarding what should be done to help dairy farmers weather this economic downturn, and most in the industry agree that there needed to be both short- and long-term solutions to the dairy crisis. For the short-term, we've seen measures to put more money in the hands of dairy farmers through increases in programs like the Milk Income Loss Contract (MILC) program, raising payment levels in the

Dairy Price Support Program, and \$290 in direct payments to dairy farmers, to name a few. In the long term, changes must be made in the Federal Order System to reduce price volatility, however how to accomplish that feat remains a widely discussed issue.

State Policy

Recently, at Farm Bureau's Annual Meeting voting delegates recommended changes to the way the Pennsylvania Milk Marketing Board (PMMB) functions. Specifically, our members support abolishing the state minimum retail price (which would permit retailers to use milk as a loss leader) while maintaining the minimum wholesale price, enabling the continuation of the payment of over-order premiums to producers.

Our members are also concerned about a widening price margin between minimum producer and retail prices on milk sold in Pennsylvania and would like the PMMB to investigate this issue and report its findings.

Along those lines, we support a more equitable distribution of the over-order premium for all milk produced in Pennsylvania, as well as identifying and pursuing ways to increase cooperation with other northeast states to establish higher premiums for the benefit of producers.

We also support a pricing system that better reflects cost of production and the prices consumers are paying for dairy products.

Federal Policy

As you know, dairy policy is largely a federal issue.

Looking at larger pricing picture from a national perspective, we currently support a market-oriented national dairy program which is consistent with a worldwide fair and open trade policy; modifications in the federal order to increase the price paid to dairy farmers; reduced volatility in the marketplace; and an expansion of opportunities in both domestic and international markets.

As a grassroots, policy-driven organization, our members have the opportunity to reevaluate policy each year. At our most recent Annual Meeting, the delegate body made recommendations that could change the above referenced policy. This, and more, will be discussed over the next few

weeks as the American Farm Bureau's policy development process moves forward.

Concluding Thoughts

There has been much discussion regarding what should be done to help dairy farmers weather the most recent economic downturn, and most in the industry agree that short-term solutions were needed to help farmers weather the crisis and long-term solutions designed to prevent such extreme volatility from happening again.

Fortunately, dairy farmers have begun to see increases in their milk check, and economists are predicting an all-milk price around \$18/cwt for 2010. However, predictions can change - and there are still signs of concern for economists, including lower demand for cheese products, high unemployment, high dollar value and low freight costs. Some economists say these factors may result in milk prices from April - June being lower than expected.

While higher payments will be welcome news for dairy farmers, we are still not out of the woods yet. As prices rise, farmers will need to recover from this recent period of low prices, and hope that there will not be another price crash like we experienced in 2009.

With the grim economic situation on many Pennsylvania farms, it is all the more critical that actions not be taken in Harrisburg and Washington that would place more stress agriculture. Right now, farmers neither have the mood nor pocketbook for decisions by agencies or lawmakers that will raise their production costs.