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## **TESTIMONY TO THE HOUSE MAJORITY POLICY COMMITTEE**

### **BARRIERS TO STARTING AND GROWING A BUSINESS IN TODAY'S ECONOMY**

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VICE-PRESIDENT AND CFO STERMAN MASSER, INC.

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Good morning, Chairman Causer and distinguished members of the House Majority Policy Committee. Thank you for the opportunity to give testimony today and thank you to the Northeast Pennsylvania Manufacturing and Employers Association for recommending me. My name is Julie Masser Ballay and I am CFO and Vice President of Sterman Masser, Inc.

I am here on behalf of our family of companies, Sterman Masser, Inc., Masser Logistic Services, Keystone Potato Products and Lykens Valley Grain. Our corporate headquarters is located in Sacramento, PA, in Schuylkill County, with land and facilities also located in Dauphin and Northumberland counties.

#### **BACKGROUND**

For more than 50 years, Sterman Masser Inc. has been a grower, packer, and shipper of potatoes. We currently farm 1000 acres of potatoes along with 2300 acres of corn, 1500 acres of soybeans and 850 acres of wheat. The remaining acreage is dedicated to a variety of cover and rotation crops, totaling to over 6000 acres in production. As the state's largest producer of potatoes, we distribute 350 million pounds annually. Our farming, packing and distribution operation is supported by a team of over 400 employees.

Our company was founded in 1970 by my grandfather – Sterman Masser. In the 1980's, the business transitioned to my father and mother, Keith and Helen Masser. Upon my graduation from Penn State with bachelor and master degrees in Agricultural and Biological Engineering, I worked for Weyerhaeuser, a timber and wood products company. In 2009, my husband and I made the decision to move back to the farm. At that time, I rejoined the business while I raised my two children and earned my MBA from Penn State. Upon graduation in 2012, I transitioned to my role as CFO and Vice President within our company, where my brother Dave and I represent the eighth generation of farmers.

I sit on the Board of Directors for the Northeast Pennsylvania Manufacturing and Employers Association, serving on the Executive and Legislative Committees. I am active in the Pennsylvania Farm Bureau, serving as a director and the environmental coordinator for the Schuylkill-Carbon County Board. I am finishing a term on the Fruit and Vegetable Industry Advisory Committee for the USDA, where I served as Committee Secretary and chair of the Labor and Production Subcommittee. Lastly, I sit on the Board of Directors for the Hegins-Hubley Water Authority.

The year 2020 marked our 50<sup>th</sup> year in business, as well as the start of the pandemic. Our business is focused on feeding people and that did not stop during the pandemic. Our doors stayed open and our workforce showed up when others stayed home. On behalf of the Masser Family, I would like to give my heartfelt thanks to our employees that helped keep food on the tables of families in America.

Since the pandemic, we have experienced supply chain disruptions, inflationary price increases, pressure from the promotion of green energy solutions, a decrease in the available workforce and wage pressure.

#### SUPPLY CHAIN DISRUPTION

Supply chain disruption has impacted us from multiple angles. Material availability has led to dramatically longer lead times. Ordering equipment can be anywhere from 18 months to “we will let you know”. We have also seen volatility in the trucking market with periods of limited availability of trucks for hire. The volume of trucks on the road in our region has also increased, which translates to significant traffic congestion and more accidents, which in turn drives up the cost of insurance.

#### INFLATION

In addition, to the disruption in receiving materials and equipment, inflation has also impacted the pricing of our supplies. We have received multiple series of price increases from suppliers (anywhere from 3% to 8%), as they too are trying to maintain their business solvency through inflation, workforce challenges and their own supply disruptions. We are being told to expect up to 12% price increase from various equipment suppliers. Building costs have also escalated significantly since the onset of the pandemic, making it a challenging time to expand facility footprints. We built a storage facility in 2018 and were discussing expanding that facility; however, we decided to table that plan when we received quotes that were more than two times the original cost of the building. Finally, on inflation, I would add that all this volatility makes planning for future projects difficult as costs continue to rise; quotes from contractors and suppliers are only valid for days, rather than weeks or months, because prices can rise dramatically in a short amount of time.

## GREEN ENERGY CHALLENGES

An added challenge has arisen in the form of the green energy incentives. We are all familiar with the pain at the pump; as green energy projects continue to be prioritized, the increase in fuel price has had a significant impact on growing and supplying food. However, in addition to that impact, we are also feeling the competition for land. I receive weekly calls, emails and letters from solar investment companies looking to rent or buy our land with the goal of installing solar farms. These investors, in some cases, are backed with state and federal grant funds and can offer 10 times the going rates for farmland rentals. They look to the farmland because it is flat and has already been cleared, making it a cheaper place to build, as opposed to brown-field sites or roof tops.

There are also windmill projects looking to come into our region. These windmills are planned to be much taller than those we currently see in operation in order to tap into a more constant wind source. Windmills of this magnitude will extirpate the surrounding area, deteriorating the property values and extinguishing anyone's interest in staying in the communities with the noise and visual impact of these structures. Anyone who can afford to leave will do so.

## DECREASE IN WORKFORCE

Exodus from our region would exacerbate the already critical workforce problem that businesses face. Since the pandemic, businesses have weathered an uptick in retirements. This leaves a deficit in the available potential employees, particularly as the Baby Boomer generation is exiting the workforce and the subsequent generations are not large enough to fill the gap. Another shift that occurred in the pandemic is a shift to the "gig economy"; many people have exited the traditional workforce and started at-home businesses. All these factors lead to a decrease in available employees in our region, which, according the most recent Pennsylvania Department of Labor & Industry data, remains lower than pre-pandemic levels.

## WAGE PRESSURE

The limited workforce pool has all businesses in the region competing for the same people, which creates wage pressure. As an agricultural business, we need to compete outside of our industry, impacting our ability to remain price competitive versus competitors from other regions that do not face the same wage pressure. We are caught between trying to remain relevant with our customer base by not pricing ourselves out of the market and trying to pay competitive wages to retain a consistent workforce.

All this is to say that our region and state needs to focus on attracting and retaining workforce. This region is full of great companies and great job opportunities but we have not put enough investment in our small communities. This translates to an investment in our local infrastructure.

### WATER AND SEWER INFRASTRUCTURE

One area of focus, from both an environmental and community development standpoint, is the planning, development and funding of water and sewer projects in rural communities. Installation of these systems would be beneficial in cleaning up the water, increasing property values, attracting industry and attracting people.

A big priority in our region has been the Chesapeake Bay cleanup efforts and rural communities need help developing our water and sewer infrastructure. The current funding structures are set up to fund “easy systems” – systems that are designed as a grid. In order to address the existing water quality issues in rural areas, we mostly have difficult systems left to implement – the lengthy stretches with scattered homes that need to reach long distances to gather enough users in order to make the system viable. The funding structure needs to match the requirements of these systems, as well as keep pace with inflationary costs.

In a lot of instances, industry can make up for a smaller number of residential users but it is a “chicken and egg” scenario; a business will justify the installation of a water or sewer system but a business will not consider the location without those systems in place. With businesses come better schools and with better schools come more people. This all takes development and investing in infrastructure in rural communities to make these projects more affordable and workable.

### INTERSTATE AND LOCAL ROADS

We need to continue our infrastructure investment in the interstate and local road systems in our region. The shift to online shopping along with restrictions around the hours of service for truck drivers has created a perfect storm of traffic through our region. Our nickname as the Keystone State has put us in the middle of commerce for the northeast and mid-Atlantic regions, hence why this is a great location for the warehouses appearing on Interstate-81 and Interstate-78. The increase in warehouses introduces more passenger cars for those commuting and trucks delivering and hauling goods. We need to prioritize expanding these roads so that the people who use them can make it home safely each day. Improving the road systems in this region would also have the added benefit of improving commutes for people, which gives business a better opportunity of attracting and retaining their workforce.

## BROADBAND

Part of the infrastructure needed in rural communities is an investment in broadband. This is a long-term issue for the viabilities of these rural communities. Farming operations are modernizing and becoming more professionally managed. In order to comply with various regulations and the complexities of crop insurance, we are becoming experts in data collection and management. This increases the need for broadband in order to be effective in this collection and management.

Broadband is also important to attract employees to rural communities. The deficiencies in this area became a much larger concern during the pandemic as most people needed more flexible work schedule to deal with illness and child care. In order to continue the transition to the next generation and attract talent, we need to be able to support flexible work schedules that allow people to work remotely from home.

Similarly, broadband is an important enhancement to our rural school districts. During the pandemic many schools attempted implementing a hybrid learning model, but many ran into difficulties because of lack of broadband access. The school district that my own children attend did an informal survey amongst the families and found as many 23% of families lacked reliable, high-speed internet. In order to stop the attrition of students to cyber schools or simply leaving the district, our rural schools need to develop enriching online learning options to supplement in-class learning. In order to make that a worthwhile endeavor, we need broadband in our rural areas.

## SCHOOLS

Another focal point to attract and retain workforce is to invest in our rural, public school districts. The funding model disproportionately penalize schools that lose students, leading to an even larger deficit in the ability to compete with the wealthier districts. The funding model needs to be addressed so that we are not shortchanging the kids who attend rural districts and so those districts are able to attract people into the communities.

## CLEAN ENERGY

Although continuing to improve our renewable energy resources is important, we should not be doing this at the expense of our agricultural land and our communities. Rather than solar farms taking away green space and farmland, investors should be incentivized to install these systems on brown-field sites. Companies building warehouses should be incentivized to install solar panels on roof tops or over parking lots, where then can have the added benefit providing shade for vehicles.

While developing clean energy sources is important, we should not be investing in inefficient options that damage communities, such as windmills. Nuclear energy is by



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far the most efficient, clean energy source available to us today and investing in producing it safely will help ease the stress on the power grid.

#### SUMMARY

In summary, the best way for our state to combat supply chain disruptions and inflation is to build up our workforce in central Pennsylvania. In order to do that we need to make this a great place to live, leveraging state programs and enacting policies that support businesses and invest in our local infrastructure, such as water, sewer, roads, broadband and school systems. We should be directing clean energy investments in efficient ways that do not degrade our communities and drive out our businesses' ability to be competitive.

Thank you for the opportunity to be part of today's discussions; I appreciate the interest of the committee. It is an important time in our Commonwealth; I encourage you to take action to support agriculture and manufacturing and focus efforts in growing our local communities.