



**Testimony of the Pennsylvania Farm Bureau
Before the House Agriculture and Rural Affairs
Committee
Regarding Dairy**

**Presented by Richard Ebert
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Good afternoon. This testimony is offered on behalf of the Pennsylvania Farm Bureau, an organization representing nearly 47,000 farm and rural family members in 63 counties.

My name is Richard Ebert. My brother and I operate Wil-Mar-Re Farms in Westmoreland County. We formed our partnership in 1982 after I graduated from Penn State with a BS in Dairy Production and a minor in Ag Ed. My brother has an Associate's Degree in Ag Business Management. Today, we milk approximately 80 Holsteins, and farm corn, alfalfa hay, and soybeans. Seventy-five percent of our income comes from our dairy operation. In addition to my on-farm activities, I am the Vice President for Pennsylvania Farm Bureau and also serve as the Chairman for PFB's Dairy Committee.

Farm Bureau would like to thank Chairman Hanna, Minority Chairman John Maher and the members of the House Agriculture and Rural Affairs Committee for the opportunity to testify today. As you will hear, dairy farmers are currently suffering through one of the worst periods of dairy prices in memory. Reduced demand for exports, excess milk and dairy product supply, and high feed and energy costs have created a perfect storm within the dairy industry, driving prices so low that the very survival of dairy farmers is threatened.

I think it is important to give you a bit of perspective on how the last few years have affected dairy farmers. In 2006, milk prices were extremely low, straining dairy farmers' budgets to the limit and forcing us to make difficult decisions around the farm. For example, we might consider how much we could reduce our fertilizer usage without a significant reduction in our crop output. As milk prices climbed in 2007 and much of 2008, we 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 we are again facing hard decisions.

On my farm, I have seen an average increase of 20 percent in price of alfalfa hay, feed concentrate and roasted soybeans per ton when comparing prices between 2007 and 2009. During the same period, seed prices increased by average of 30 percent, fertilizers by as much as 125 percent and chemicals by an average of 126 percent.

Those increases are even more troubling when considering that the gross value of my milk check decreased by 41 percent, plummeting from \$21.63 per hundredweight in July 2008 to \$12.77 per hundredweight in July 2009.

The margin between price received and input costs is critical. Milk prices must be higher than input costs for farmers to see positive returns. Now, as margins are seriously in the red, we are seeing farmers selling off cows and their farms and going out of business. This not only has consequences on the farmer and their family, but on the local economy and the agricultural infrastructure as well.

Making this situation even worse is the fact that we're in a global economic recession. Credit is tighter – a grim prospect for farmers on the bubble, who may not be credit worthy enough for loans from the banks.

Today, my son Josh, is starting his junior year at Penn State as an animal science major. Though he has always helped out on the farm, this summer he wanted to gain hands-on experience in the complete workings of our dairy operation. He started every morning at 5:30 with the morning milking and worked until we finished – anywhere between 7:30 to 9:30 p.m. During his summer, he truly enjoyed the work as he learned about cow management and the farm's cropping program.

Josh also gained some real serious lessons about on-farm finances, and experienced the frustration of having such low milk prices coupled with high input costs. He saw that even though his uncle and I have a low debt load because worked hard over the last 27 years to pay down debt, our farm's cash flow has tightened dramatically.

I truly believe that the worst may be yet to come for the dairy industry, unless we see some relief in either higher milk prices or government payments. I've read estimates that say dairy farmers are losing between \$100 and \$300 per cow per month. Based on Pennsylvania's average sized herd of 68 cows, at \$100, that's \$6,800 a month for a yearly loss per cow over \$80,000. And at \$300, it's over \$228,000 a year. Farmers are borrowing money against any equity that they have or using revolving credit lines for dairy operating expenses. And that's only if they have access to additional credit. The situation is very serious for dairy farmers.

We appreciate the House Ag Committee drawing further attention to this issue, and we also recognize that dairy policy is largely a federal issue. At the state level, we've worked closely with the Pennsylvania Milk Marketing Board and the Center for Dairy Excellence in supporting measures which help Pennsylvania's dairy industry. 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 their needs to be both short- and long-term solutions to the dairy crisis. For the short-term, it means putting more money in the hands of dairy farmers as soon as possible through increases in programs like the Milk Income Loss Contract (MILC) program and raising payment levels in the Dairy Price Support Program. In the long-term, Farm Bureau seeks 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 dairy farmer, I am very worried about the future of the dairy industry in the United States, in Pennsylvania and on my own farm. I question how farmers – many of whom have not economically recovered from the effects of 2006's low milk prices – will make it through this severe economic downturn? I wonder how my brother and I will manage as depressed prices and increase costs continue? And perhaps worst of all, I question if my farm will survive long enough to be passed onto my son, Josh, who despite the challenges we are facing on both on the farm and the industry, wants to become part of our family's dairy tradition. Josh and I both know that that future is uncertain.

Thank you again for the opportunity to testify today. I would welcome any questions.