

Rod Hissong
Mercer Vu Farms Inc.
Dairy Policy Issues
Committee on Agriculture Hearing
April 20, 2010 Harrisburg, PA

Good morning Chairman Peterson and the rest of the Committee on Agriculture. My name is Rod Hissong. I appreciate the opportunity to visit with you this morning about dairy policy. My family and I own and operate Mercer Vu Farms Inc. in Mercersburg, Pennsylvania. On our dairy in Franklin County we milk 1600 cows, raise 1400 heifers, farm 1800 acres and haul over 42 million pounds of milk a year from the dairy with our own trucks to Land O Lakes. We have 26 full time employees that are dedicated to producing high quality milk, efficiently, safely, and profitably as to benefit management, employees, cows, the environment and the community in which we live. Our dairy supports over 170 agricultural jobs and provides over 22 million dollars of economic stimulus to our region.

While I am here to speak on behalf of my own dairy operation and my own views I am also here to speak to you as past president of the Professional Dairy Managers of Pennsylvania. PDMP is a professional dairy producer organization that has a positive, can-do attitude about the dairy industry in Pennsylvania. We like to look at long term solutions instead of short term band-aids and while these are tough times in the dairy industry, we focus on things we can change instead of complaining about the things we can't.

After the last 12-14 months issues related to and concerning milk pricing seem to be at the forefront of dairy policy issues. Attached to my testimony is a 2009 position paper published by PDMP that concisely relays our organization's thoughts on what needs to be done to ensure the long-term viability of the dairy industry as it relates to milk pricing.

It states that PDMP believes, in general, that the dairy industry would be best served if the government stopped purchasing excess dairy products, many of which are not made to world specifications. These products need to be replaced by products that can be sold on the world marketplace. As long as the government continues to purchase our products, like butter, cheese, and powder that are not made to world specifications, the dairy industry will remain complacent and not change what it makes. Manufacturers will keep making what they always make because they know eventually their products will be bought by the government at a profit. It would be better for the long-term prosperity of our industry to make products that strengthen our ability to compete in international markets that have a growing need for dairy products.

PDMP believes there needs to be an overhaul of the Federal Order System. Currently our milk is priced using the Chicago Mercantile Exchange (CME), a mechanism through which only 1% of the nation's milk production is sold. This market is thinly traded and has very few buyers and sellers. Yet, this mechanism is allowed to price all of our milk and it is being viewed by many as the future of how we price milk and how we either lock in our profits or loses. The industry will be better in the long-term if we stop reliance on the CME and develop a more transparent pricing system that pays producers for

what they produce and takes into consideration the cost of producing it. We need a Federal Order system that is easier to understand, has greater transparency and is more reliable at pricing milk.

PDMP believes that the industry should be focused on economic growth rather than supply management. It's essential for our industry to be operating under a growth model. Growth is a key business concept for our dairy producers and industry infrastructure because a business that is not growing tends to be moving backwards. We need to encourage our system to be developing new products and models that allow growth in the industry. We believe in letting the marketplace decide who has cows and who doesn't. Given the honest opportunity to compete on the world marketplace, the dairymen in the industry that can adapt and manage effectively will succeed.

PDMP believes that direct government payments are short-term solutions to long term problems. Continuation of programs that provide direct payments to farmers does not provide for any long term relief. Direct payments are viewed as welfare for the dairymen and do not reflect well on the dairy industry. These funds would be better used to help provide long term solutions and plans that help our industry compete on the world marketplace.

Personally I believe that lowering of the somatic cell (SCC) limit to 400,000 is a win-win for everyone including farmers, processors and the consumer. It aligns us with international standards of milk quality, eliminates the lower quality milk from the market and is a positive move for our industry. International markets demand it and it is time we deliver.

I believe the calls for increased accuracy in price and inventory reporting is just. The call to enforce policy like electronic NASS reporting and auditing and import assessments to dairy promotion which are already a part of the last farm bill seems to make sense.

While milk pricing and milk relates issues are at the forefront of dairy issues at the moment there is one other important issue related to dairy policy that has the potential to be just as harmful to dairy farm families such as mine.

Dairymen are desperately in need of a workable guest worker program for agriculture. Many Americans are unwilling to work the jobs that dairy farms have to offer. This has caused many dairies, large and small, to look to foreign workers to fill that void. In our case the Hispanic community has been a source of hard working, reliable and trustworthy labor. They are good with animals and help ease the demand of a 24 hour a day, 365 days a year business. On our dairy many of our foreign workers are paid quite well and many have moved beyond entry level positions to become integral management caliber employees. Without them the work of feeding our nation would come to a screeching halt. We need a guest worker program that secures our borders, allows foreign workers to pay their fair share of the tax burden, allows workers to stay for a reasonable length of time, cuts through all the red tape, is fast and efficient to obtain, is economical to obtain and simplifies the documentation process. Like it or not foreign born workers have become an integral part of our workforce and play a vital role in our food supply chain. While a comprehensive guest worker program may seem like a steep hill to climb I would urge you to consider a guest worker program for agriculture and dairy that would ease the burden on our food supply chain.

Many family farm dairies, my own included have suffered financial hardships like never before. We are in a business that is demanding and requires a complete and total commitment. Why else would we have crawled out of bed this winter to milk the cows or deliver a calf? All that we have are in our dairy operations. Many of us feel we are left to the mercy of a broken system. I look at dairy policy like an old tattered barn. Do you remodel or do you tear down and start from scratch? With dairy policy we have been remodeling for decades and I believe we have reached a crossroads where in many cases we just need to tear down and start from scratch. I am not here for a handout. I am here to ask for you to do the difficult work that needs to be done to fix a broken system. You have started by taking the time to do what you are doing today. I commend you for listening to all of us and thank you for allowing me to participate. Thank you.



Professional Dairy Managers of Pennsylvania

Seeking to Advance the Dairy Industry in Pennsylvania

Through Improved Productivity and Profitability.

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This position paper was approved by the PDMP Board of Directors on September 24, 2009. Comments and questions are welcomed at info@pdmp.org. A list of PDMP Board members, their email addresses is also available at www.pdmp.org.

Long-term Viability of the Dairy Industry

A Position Paper from the Professional Dairy Managers of Pennsylvania

The Professional Dairy Managers of Pennsylvania is driven by a very clear mission. It is on all PDMP documents and it is central to all that the organization does. **PDMP exists to advance the dairy industry in Pennsylvania through improved productivity and profitability.** Dairy producers who chose PDMP membership want to be in a position to be in the business for the long haul.

The industry is at a critical juncture. In the current economic climate and with the growing pressures on how dairy farms operate, the future of the industry is at stake. PDMP leadership believes it is this organization's responsibility to examine what it will take to ensure that our members can realize their dreams. The industry must act to guarantee that it will continue to be a leading force in the U.S. and World economies, and that consumers will continue to have access to a supply of dairy products

produced within its own borders.

Many forces have come into play to create a situation where dairy producers are not able to make enough money on their production to support the basic costs of doing business.

In keeping with the positive, progressive-minded attitude of this association's membership, the Board of Directors is making recommendations on dairy policy.

Given these desperate times, many solutions are being proposed by various sectors of the industry. **Some of these solutions would provide immediate short-term relief from our current problems; however, they are not long-term solutions for the industry. The PDMP Board has been guided by the overall philosophy that it is in the best interests of the industry to make constructive changes based on a desire to create permanent, long-term solutions that will ultimately make the dairy industry stronger.**

In a meeting on September 24 the PDMP Board of Directors established the following four position statements that summarize our core beliefs:

- 1. PDMP believes that, in general, the dairy industry would be best served if the government stopped purchasing excess dairy products, many of which are not made to world specifications. These products need to be replaced by products that can be sold on the world marketplace.**

Government purchase of excess products in the past provided a safety net and allowed our industry to grow. Today this safety net continues to allow our industry to grow but it has caused manufacturers to become complacent in the products that they produce. Manufacturers are not producing products that meet the world demand, which has resulted in world markets looking to the United States as a last stop for what they need. As long as the government continues to purchase our products (i.e. butter, cheese, & powder) that are not made to world specifications, the dairy industry will not change what it makes. Manufacturers will keep making what they always make because they know eventually their products will be bought by the government at a profit. It would be better for the long-term prosperity of our industry to make products that strengthen our ability to compete in international markets. While it is agreed that certain issues are best maintained as part of the government regulatory process, the dairy industry should be allowed to operate in a free market system just as other businesses do. If the government ceases to buy the products that no one wants, then manufacturers will stop making them. They will instead produce products that everyone wants and that can be sold in the growing world marketplace that is in need of dairy products.

- 2. PDMP believes that the Federal Pricing System needs to be overhauled.**

The \$350 million Dairy Assistance proposal is a short-term bandage with no long-term solutions. We believe funds should be earmarked for the overhaul of the Federal Order System. Currently our milk is priced using the Chicago Mercantile Exchange (CME), a mechanism through which only 1% of the nation's milk production is sold. This market is thinly traded and has very few buyers and sellers. Yet, this mechanism is allowed to price all of our milk and it is being viewed

by many as the future of how we price milk and how we either lock in our profits or loses. The industry will be better in the long-term if we stop reliance on the CME and develop a more transparent pricing system that pays producers for what they produce and takes into consideration the cost of producing it.

3. PDMP believes that the industry should be focused on economic growth rather than supply management.

It's essential for our industry to be operating under a growth model. Growth is a key business concept for our dairy producers and industry infrastructure because a business that is not growing tends to be moving backwards. We need to encourage our system to be developing new products and models that allow growth in the industry. We may need to operate under a more controlled growth, and rely more on the world market versus the domestic market. Thus, PDMP's points 1 & 2 are essential to having growth occur. Supply management gives unfair advantages to certain geographical locations and certain size farms. We believe in letting the marketplace decide who has cows and who doesn't. Given the honest opportunity to compete on the world marketplace, the dairymen in the industry that can adapt and manage effectively will succeed.

4. PDMP believes that direct government payments are short-term solutions to long-term problems.

Continuation of programs that provide direct payments to farmers does not provide for any long term relief. Direct payments are viewed as welfare for the dairymen and do not reflect well on the dairy industry. These funds would be better used to help provide long term solutions and plans that help our industry compete on the world marketplace.

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Rod is co-owner of Mercer Vu Farms Inc. in Mercersburg, PA (www.mercervufarms.com). Mercer Vu Farms Inc. milks 1600 cows, raises 1400 replacement heifers, crops 1800 acres, hauls over 40 million pounds of milk annually and has 26 full time employees. Mercer Vu Farms Inc. is the 2003 Pennsylvania Dairy Stakeholder Pacesetter award winner and the 2004 Keystone Farmer of the year.

In 1998 Rod graduated from Penn State University with a degree in Dairy and Animal Science. He has served on the board of directors of the Professional Dairy Managers of Pennsylvania (PDMP) for the last seven years where he served as vice-president, president, and currently serves as immediate past president.