

Statement of Todd Rutter  
President  
Rutter's Dairy  
Before the House Committee on Agriculture  
United States House of Representatives  
April 20, 2010

Mr. Chairman, Congressman Holden and members of the House Committee on Agriculture, thank you for the opportunity to appear before you today.

My name is Todd Rutter and I am the President of Rutter's Dairy, a family owned small to mid-size regional dairy processor located in York, PA. We sell products into four states and next year my family will celebrate 90 years of being in the dairy industry.

I am here today as a representative of my company and of our industry as an individual member of it. I am not here today on behalf of any organization or group. So therefore my answers and opinions are purely those of my own beliefs.

Rutter's gets the majority of its raw milk from family operated farms in PA and MD and the balancing supply comes from a Co-Op that also buys from family farms in the region. To my knowledge the largest farm we get milk from milks about 250 cows and the average farm milks about 110 cows. Most of our farms are in the second and even third generation of family members working with us as suppliers. We have not had any farms go out of business in the last year, but I know several of them were very close to the brink had the prices not started to turn around.

I like to think that the constant coaching we gave them through the end of 2007 and 2008 when prices were at record highs helped them. We preached loud and often during those record high prices that they needed to pay off debt, avoid new debt, and put money in the bank because historical patterns made it very clear that the prices were headed for a nose dive. This planning ahead for price cycles is what people in the business world refer to as "risk management" and I think in dairy we need programs that will help small farmers manage this risk.

I can not sit here today and tell you that I have a full understanding of the current Federal dairy policy or even how all the current regulations and programs work, but I would like to share the experience I have gained working with local farmers and consumers of milk and dairy; hopefully these insights can be of some help in your decisions..

I believe that American family owned agricultural businesses are very important to our country. I would like future dairy policy to help ensure the survival of Family owned business in the dairy industry to the greatest extent practical including; farmers, haulers, processors, distributors, and all other businesses that revolve around those core groups. Most times processors are made out to always be at odds with milk producers. But from my perspective the family farmer and the family processor face and deal with lots of similar issues. Mostly, I think it is just that when the farmer is not happy with his milk check, the only person he has to yell at is the person that wrote him the check. So inherently, there is always possible friction in that relationship. At least in our case there is just a lack of understanding on the farm of how little control the processor has over the amount of the milk check and how often we are audited to ensure we are paying properly. We pay what we are mandated to pay by state and federal programs and we pay premiums that are necessary to attract a milk supply. We must balance that against our

need to keep our raw milk cost competitive relative to other processors with whom we compete.

I do not have a magical solution to the issues but the fundamentals need to be based on the ability to somehow help stabilize the farmers' income so that they do not have these peaks and valleys with their income stream. At the same time, it is critical that Congress recognize that the burden of helping the dairy farmer cannot be born by the Class I processor alone. We have to make sure that any policy change is studied to determine what the impact would be on consumers. Everyone in dairy has the same end consumer; that being the person in the store picking the items off of the shelf. Consumers are very fickle in today's world and we know that they are price sensitive based on our experience with the last period of record high prices. We also know that consumers have choices, and that they can and will choose alternatives to dairy when the prices cross their mental threshold of value.

I am not here to support any specific legislation, nor any specific policy proposals because I have been busy running my family business and thus have not been putting my energy into studying the different ideas that are on the table, but I very much appreciate that you have taken the time to come to Pennsylvania to hear the issues facing members of the dairy industry from Pennsylvania. Since I operate at the interface between farmers and consumers, and I value both my suppliers and my customers, I hope you'll consider both when you evaluate future policies.

One last point, and another area of concern I have within the dairy industry is the aging infra-structure and access to credit. From the farm all the way through to the delivery channels our industry is not investing back into itself, especially at the family owned business level. Even before the current banking mess it was extremely difficult to talk to bankers about the dairy industry. When your sales income fluctuates up and down per year by as much as 20% with the price of milk, it is very hard for bankers to understand how you still have a stable business. So loans, at competitive rates and without unreasonable collateral requests, are very challenging to get for our industry. I respectfully suggest that additional loan money should be made available to create loans for family businesses across all sectors of the dairy industry to re-invest, up-grade, or expand their businesses. This will increase our demand for raw milk, and help us serve more customers. If the industry as a whole waits too much longer the cost of up grading will be so steep that it will be un-realistic and family business will be forced to close or sell out.

This is my first time ever participating in something like this. I hope that I am able to be a meaningful contributor and I thank you for the invitation to participate. I am happy to try to answer any questions you may have for me. Thank you.

Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Todd M Rutter  
Address: 2100 North George St York, PA  
Telephone: 717 848-9527  
Organization you represent (if any): N/A

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you:

Signature: Todd M Rutter

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Todd M Rutter
2. Business Address: 2100 North George St  
York, PA 17404
3. Business Phone Number: 717 848-9827
4. Organization you represent: Rutter's Dairy Inc
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:  
24 years Dairy Experience with Family owned Company  
Served in every Capacity possible within business.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:  
B.S. Food Science - Penn State  
35 years on the Job training
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:  
N/A

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.