



Commonwealth of Pennsylvania
Milk Marketing Board
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BULLETIN

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**OFFICIAL GENERAL ORDER A-1004
CALCULATION AND ENFORCEMENT OF MINIMUM DEALER OBLIGATION**

Official General Order A-1004, effective January 1, 2020, provides that the price of Class I milk produced, processed, and sold by a cooperative to a dealer shall include \$0.20 per hundredweight as an interim additional charge applicable to that Pennsylvania produced, processed, and sold cooperative milk.

For cooperative produced milk received effective January 1, 2020, dealers should calculate the interim additional charge due using the same method they currently use to calculate the over-order premium due (see attachment), except replace total Pennsylvania-produced pounds in the formula with Pennsylvania-produced cooperative pounds and multiply by \$.20 per hundredweight. Other than that change, the methods for calculating the over-order premium and the interim additional charge are identical.

The interim additional charge mandated by OGO A-1004 is in addition to the over-order premium due and is part of a milk dealer's minimum obligation due to cooperatives. Non-mandated premiums paid to producers cannot offset the minimum producer obligation, as detailed in Bulletin 1376 (<https://www.mmb.pa.gov/Legal/Bulletins/Documents/Bul1376.pdf>). The example in Bulletin 1376 shows a "Minimum Producer Obligation as calculated by Board (Includes Over-Order Premium)." Board Staff will enforce OGO A-1004 as if Bulletin 1376 reads "Minimum Producer Obligation as calculated by Board (Includes Over-Order Premium plus interim additional charge)."

When enforcing the minimum producer obligation, Board Staff will not consider each of the mandated dealer obligations (the over-order premium and the interim additional charge) separately. Rather, Board Staff intends to combine the mandated over-order premium and interim additional charge when determining whether the minimum producer obligation has been met, as shown in the example below.

Over-order premium due cooperative	\$500
Interim additional charge due cooperative	<u>\$100</u>
Total mandated additional obligation	\$600

Over-order premium paid cooperative	\$550
Interim additional charge paid cooperative	<u>\$ 50</u>
Total mandated additional paid	\$600

In this example, the total mandated additional paid equals the total mandated additional obligation. Board Staff will not consider this an underpayment of the interim additional charge due the cooperative because the total mandated additional amount paid is equal to or greater than the total mandated additional obligation.

PENNSYLVANIA MILK MARKETING BOARD



Steven Zalman
Director, Accounting and Enforcement

IF YOU REQUIRE THIS INFORMATION IN AN ALTERNATE FORMAT, CALL
(717) 787-4194 OR 800-654-5984 (PA RELAY SERVICE FOR TDD USERS).

Coop Interim Charge vs. Over Order Premium Obligation

Given:

10,000,000 Pounds Total
 7,900,000 Pa Pounds
 3,000,000 Coop Pa Pounds
 5,000,000 Class 1 Pa Sales
 \$0.20 Coop Premium rate
 \$0.75 OOP rate

Coop Interim Charge Example

Class 1 PA sales	X	PA Produced Coop Pounds	X	Rate	=	Obligation
5,000,000	X	<u>3,000,000</u>	X	30.00%	=	\$3,000
5,000,000	X	<u>10,000,000</u>	X	\$0.20	=	\$3,000

Over Order Premium Obligation Example

Class 1 PA sales	X	Total PA Produced Pounds	X	Rate	=	Obligation
5,000,000	X	<u>7,900,000</u>	X	79.00%	=	\$29,625
5,000,000	X	<u>10,000,000</u>	X	\$0.75	=	\$29,625

