



Commonwealth of Pennsylvania

Milk Marketing Board
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CALCULATION OF MINIMUM PRODUCER OBLIGATION FOR DE-POOLED MILK

Over recent months the Federal Milk Marketing Order (FMMO) Class III prices have skyrocketed, resulting in Class III prices being higher than the statistical uniform price in Federal Order 1 and Federal Order 33. When this occurs the Producer Price Differential (PPD) becomes negative since the PPD is equal to the statistical uniform price minus the Class III price. Due to the negative PPD, plants have been choosing to de-pool Class III milk. If a Pennsylvania plant de-pools Pennsylvania milk, the milk is no longer Federally regulated; however, it is still Pennsylvania regulated, and the value of that milk falls under the highlighted guidelines of OGO A-903A, Section D, Provision 1(a):

PROVISION I - CLASS AND COMPONENT PRICES FOR MILK SOLD WITHIN PENNSYLVANIA

- (a) For each month the minimum class and component prices for each hundredweight of milk priced by a federal milk marketing order which is delivered or made available on consignment or otherwise to milk dealers to be sold, resold, or utilized will be the prices issued under the governing federal order. The Board-mandated price for Class I milk in a Pennsylvania milk marketing area will reflect the highest federal location differential for a county in the area where a Class I plant is located. The price for all Class I milk will be increased by the applicable over-order premium. **For Class II, III, and IV milk not priced by a federal milk marketing order, the Board will use the federally announced skim and butterfat prices for federally regulated milk in those classes.**

We have been seeing a substantial increase in underpayments due producers as a result of de-pooling milk and paying Federal prices as opposed to PA regulated prices for the de-pooled milk.

All cooperative and independent pounds are required to be reported on Pennsylvania Milk Dealer's Monthly Report (PMMB 62e) regardless of how the milk is utilized. The difference between the de-pooled milk valuation and the amount actually paid for said milk is to be allocated to all producers based on pounds received.

PENNSYLVANIA MILK MARKETING BOARD

Carol A. Hardbarger

Carol A. Hardbarger, PhD, Secretary

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