

Commonwealth of Pennsylvania
Pennsylvania Milk Marketing Board



Fiscal Report

2008-09/2009-10

PENNSYLVANIA MILK MARKETING BOARD

MISSION STATEMENT

To ensure that Pennsylvania's dairy industry remains vital, the Milk Marketing Board provides a regulatory environment that facilitates a safe, adequate supply of wholesome milk by providing security for its dairy farmers and milk dealers, while providing an adequate supply of dairy products for our consumers.

Richard Kriebel, *Chairman*
Luke F. Brubaker, *Member*
Barbara A. Grumbine, *Consumer Member*
Keith Bierly, *Secretary*



Edward G. Rendell, Governor of Pennsylvania

On the cover:

Photos of cows from local farms, Harrisburg, PA.

On the back cover:

Photos from local stores and farms, Harrisburg, PA.

Table of Contents

	<i>Page</i>
<i>Letter from the Chairman</i>	<i>4</i>
<i>Introduction</i>	<i>5</i>
<i>Biographies of Members of the Board</i>	<i>7</i>
<i>Biography of Secretary</i>	<i>10</i>
<i>Senior Staff</i>	<i>11</i>
<i>Fiscal Years in Review</i>	<i>13</i>
<i>Field Staff Activities</i>	<i>15</i>
<i>Pennsylvania Dairy Farmers</i>	<i>17</i>
<i>Staff Attorney – Citations</i>	<i>21</i>
<i>Chief Counsel – Price-Related Hearings</i>	<i>23</i>
<i>Over-Order Premium Effect</i>	<i>24</i>
<i>Employee of the Year</i>	<i>25</i>
<i>Follow the Milk – Careers in Agriculture</i>	<i>26</i>
<i>Map of Milk Marketing Areas</i>	<i>27</i>

Charts/Illustrations

<i>Licenses Issued</i>	<i>13</i>
<i>Board Receipts</i>	<i>14</i>
<i>Board Disbursements</i>	<i>14</i>
<i>Field Assignments Completed</i>	<i>16</i>
<i>Percent Retail Price Received by Producers</i>	<i>18</i>
<i>Minimum Retail Price/Producer Price</i>	<i>19</i>
<i>Milk Consumption</i>	<i>20</i>



Commonwealth of Pennsylvania
Milk Marketing Board

CHAIRMAN

2301 North Cameron Street
Harrisburg, Pennsylvania 17110-9408
717-787-4194

July 2010

Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Room 225, Main Capitol
Harrisburg, PA 17120

Dear Governor Rendell:

I am pleased to present you with the Pennsylvania Milk Marketing Board's Fiscal Year Reports for 2008-2009 and 2009-2010.

Agribusiness remains the number one industry in Pennsylvania, and dairy is the largest segment of that industry. In 2008 and 2009, Pennsylvania's milk cows produced approximately 10.7 billion pounds of milk, representing 5.8% of the nation's milk supply and ranking Pennsylvania the fifth largest milk producing state in the nation. Gross income to Pennsylvania dairy farmers from the marketing of milk was approximately \$2.2 billion in 2008. Our dairy producers, processors, and distributors have a huge impact on the Commonwealth's economy. The Pennsylvania dairy industry provides over 40,000 direct and indirect jobs. As such, the Milk Marketing Board has a tremendous responsibility regulating all aspects of the Pennsylvania milk industry—from the farm to the consumer.

My fellow Board members and I do not take this responsibility lightly. We are confident that Pennsylvania will remain among the nation's leading dairy states, due to our hard-working dairy farmers and the unparalleled number and diversity of our processors and manufacturers. Through the mandates set forth in the Milk Marketing Law, the Milk Marketing Board will continue its vital and stabilizing role, ensuring all segments of the industry receive an equitable price for milk, thus guaranteeing a continual supply of pure and wholesome milk to the citizens of Pennsylvania.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard Kriebel".

Richard Kriebel

Introduction

The first Milk Control Law was enacted January 2, 1934, amended April 30, 1935, and replaced April 28, 1937, when the Pennsylvania Milk Control Commission was established as a permanent state government agency. The creation of the Milk Control Commission was an outgrowth of the chaotic marketing conditions existing in the 1930s. During this time prices paid to milk producers fell to one dollar per hundredweight or lower. Home delivered milk was \$.10 per quart. Pricing wars and destructive competitive



practices were prevalent in many markets.

Since the original legislation, several amendments and improvements have been made. These changes allow Pennsylvania to manage more effectively the marketing of milk and promote the interests of Pennsylvania consumers. One change occurred in 1966 when the Milk Control Law was amended to establish the Bureau of Consumer Affairs. This Bureau distributes information to the public and responds to consumer inquiries. In 1968

the Law was again amended and re-named the Milk Marketing Law.

In 1985 the General Assembly re-established the Milk Marketing Board (MMB) after conducting an extensive review of its functions pursuant to the Sunset Act. In conjunction with re-establishing the agency, the General Assembly once again made amendments to the Milk Marketing Law.

Today, the MMB is an independent administrative agency designated to create stability in the marketing of milk by giving dairy farmers a fair and equal opportunity to market their milk. Payment for Pennsylvania-produced milk



is guaranteed through the bonding of milk dealers and the Milk Producers' Security Fund. The Fund was established by the Milk Producers' Security Act of July 6, 1984. This Act ensures prompt payment to Pennsylvania producers by requiring the establishment of a Security Fund and by requiring milk dealers who purchase Pennsylvania-produced milk to post security, in the form of bonds, with the MMB. Currently, there is more than \$4.5 million in the Security Fund and more than \$150 million in collateral or corporate surety bonds.

The Milk Marketing Law allows farmers and milk dealers a reasonable profit while ensuring Pennsylvania consumers adequate supplies of milk at reasonable prices. The MMB accomplishes this by establishing minimum prices to be paid Pennsylvania farmers for milk, and by establishing minimum wholesale prices and minimum retail prices. Prices are based upon evidence presented by interested parties during public hearings. All factors affecting the

production, processing, packaging, delivery, and in-store handling costs of milk are considered.

Pennsylvania is divided into six different milk marketing areas. Each area is regulated by a different official general order. Official general orders (OGOs) are issued by the Board after hearings are conducted at which evidence is presented concerning that particular area. OGOs establish the minimum prices to be paid to farmers



for their milk, and establish the minimum wholesale price and minimum retail price in each area. Milk Marketing Areas 1 and 4 are also regulated under Federal Milk Marketing Order 1; Area 5 is regulated by Federal Milk Marketing Order 33; Milk Marketing Areas 2, 3, and 6 are not regulated by any Federal Milk Marketing Orders. However, some plants in Areas 2, 3, and 6 fall under federal regulations. Federal Milk Marketing Orders cover specific geographic areas and can cross state lines; these orders establish minimum prices for all classes of producer milk.

Both the federal government and the MMB monitor and enforce minimum payments to producers. Additionally, Pennsylvania enforces minimum wholesale and minimum retail out-of-store prices. Pennsylvania enforces a state-mandated premium over the announced state and federal minimum price paid to producers. The

state-mandated premium is paid to Pennsylvania farmers for milk that is produced, processed, and used as Class I milk (fluid drinking milk) in Pennsylvania. The federal producer price does not consider production and marketing conditions peculiar to Pennsylvania milk marketing areas (severe weather, fuel shortages, etc.). Since its inception in September 1988, the state-mandated premium has resulted in over 561 million additional dollars being paid to Pennsylvania farmers. Pennsylvania Milk Marketing Board auditors enforce Pennsylvania minimum payments to farmers through monthly audits of the dealers' books. Minimum retail prices are enforced by the Milk Marketing Board auditors and examiners who conduct monthly store surveys.

Milk dealers, subdealers, milk haulers, milk testers, and weigher/samplers operating in Pennsylvania are required to be licensed by the MMB. The Milk Marketing Fee Act of 1978 permits the MMB to establish fees for certain licenses and certificates relating to milk marketing. The revenue generated from these fees and from fines is the only funding source for the MMB.

The Pennsylvania Milk Marketing Board is as necessary now as it was in the 1930s. Agribusiness is the number one industry in the Commonwealth, and dairy is the largest segment of this industry.



Biographies Members of the Board



Richard Kriebel, Chairman
Columbia County



On April 7, 2008, Governor Edward G. Rendell named Richard Kriebel Chairman of the Pennsylvania Milk Marketing Board.

Mr. Kriebel's interest in the dairy industry began in Montgomery County while working on his grandfather's dairy farm and being surrounded by dairy operations. His dream of owning a dairy farm came to fruition in 1964 when he and his wife, Janet, purchased a farm in Columbia County and began milking nine Guernsey cows. Over the next 30 years, the herd increased to 75 head and the acreage producing corn, alfalfa hay and green beans grew to 550 acres. The farm was named a Dairy of Distinction in 1992.

During this time, Mr. Kriebel graduated from the Penn State University/Kellogg Foundation Rural Leadership Program which included travel to Europe and Northern Africa. Richard has been involved in many community and agricultural organizations. He served as a member and Chairman of the Columbia County Planning Commission, a member of the PA Junior Dairy Show Committee, for 20 years served as Columbia County 4-H Administrative Leader and for many years served on the Board of Directors of AgChoice Farm Credit and AgFirst Farm Credit Bank of Columbia, S.C. Currently, he serves as a member on the Finance and Personnel Committees of the Northern Columbia County Cultural & Community Center.

Mr. Kriebel continues to reside on part of the farm in Benton with his wife, Janet. They have four children—Faith, Scott, Wendy and Kristen, and five grandchildren. He and his wife worship at the Benton Christian Church (Disciples of Christ) where they serve as elders.

~

Biographies Members of the Board

(cont'd)



*Luke Brubaker, Member
Lancaster County*



Mr. Brubaker was first appointed to the Board by Governor Thomas J. Ridge in 1997; he was re-appointed by Governor Edward G. Rendell and unanimously confirmed by the State Senate in September 2003 and re-appointed for a third term in 2009.

Mr. Brubaker is a dairy farmer with 30 years of experience in the Pennsylvania dairy industry. With his two sons, he manages a 1,000 acre dairy agri-business partnership. He served as Chairman of Lancaster Farm Service Agency from 1996-2004 and is a participating farmer in the Chesapeake Bay Program. Mr. Brubaker is also past president of the Lancaster County Farm and Home Foundation.

Mr. Brubaker was a member of the East Donegal Planning Commission from 1986 to 1992 and was Chairman of the East Donegal Board of Supervisors from 1993 to 1997. He is Chairman of Environmental Coordinators for Lancaster, Lebanon, York, Dauphin, and Berks Counties in conjunction with the Department of Environmental Protection and the Pennsylvania Farm Bureau, past member of Board of Trustees of the Lancaster County Farmland Trust and winner of the 2001 Pennsylvania Dairy Stakeholders Pacesetters Award. He has also been the recipient of the Dairy of Distinction Award. In 1999 Brubaker Farms was awarded the National Environmental Stewardship Award in recognition of production and practices and concern for community and in 2002 completed the Pennsylvania Environmental Agricultural Conservation Certification of Excellence (PEACCE) Program. Mr. Brubaker also received the Country Folks 2005 Keystone Farmer of the Year for the Mid-Atlantic States for Ag Production, leadership and community involvement. In 2008, Brubaker Farms received the Mid-Atlantic Master Farmer Award and the Governor's Environmental Excellence Award in 2010.

Internationally, as a member of an economic development team, Mr. Brubaker assisted in developing small businesses in Bolivia. In 1997, 1998, and 2001, he served as an ambassador to the Russian Republic and Ukraine for dairy management, nutrition, marketing, and overall expertise for the Citizens Network for Foreign Affairs. In 2007, Mr. Brubaker was invited to Morocco by invitation of Royal Government on the Dairy Heifers interest and conference on ag issues.

Mr. Brubaker and his wife Barbara reside in Mount Joy, Lancaster County. They have three children – Cindy, Mike and Tony, and ten grandchildren. Mr. and Mrs. Brubaker are active members of the Mount Joy Mennonite Church.

~

*Biographies
Members of the Board*

(cont'd)



*Barbara Grumbine, Consumer Member
Lebanon County*



Mrs. Grumbine was appointed to the Board by Governor Thomas J. Ridge and was unanimously confirmed by the Pennsylvania Senate on May 22, 2001. Barb was reappointed to the Milk Marketing Board by Governor Edward G. Rendell in 2005.

A graduate of Lebanon Catholic High School, she attended West Chester State College and is a licensed realtor. She served in the Bush Administration as Northeast Area Director for the Agriculture Stabilization and Conservation Service, an agency of the USDA. Mrs. Grumbine was the first female area director ever appointed.

She is also an active member of the American and Pennsylvania Farm Bureau, President of the Myerstown Women's Club, past President of the Lebanon County Society of Farm Women, past Treasurer of Penn's Agri-women/American Agri-women, and past Finance Chairman of the Lebanon County 4-H Development Board. Mrs. Grumbine has also served as Jackson Township Assessor, a member of the Township Election Board, Voting Machine Inspector, and as Judge of Elections. As a member of Frieden's Lutheran Church, she is Chairman of the Social Ministry Team.

Mrs. Grumbine and her husband Dennis reside in Myerstown, Lebanon County. They have two sons – Daryl L. and Darren L., and four grandchildren. With their sons, Mrs. Grumbine and her husband own and operate a cash crop farm.



Biography Secretary of PMMB



*Keith Bierly, Secretary
Centre County*



Keith Bierly was appointed Secretary of the Pennsylvania Milk Marketing Board on April 12, 2004. The Secretary of the Agency is appointed by the Board Members to administer the Milk Marketing Law. He is responsible for the efficient and effective operation of the agency's day-to-day activities. It is the Secretary's responsibility to keep the Board Members informed regarding any activity that could have an effect on the marketing of milk; he is the liaison between the Board Members and the dairy industry.

Mr. Bierly began his government service in 1975 when then Governor Milton Shapp appointed him as a Centre County District Justice. Mr. Bierly was later elected as a Centre County District Justice and served two six-year terms. In 1987, he was elected to the first of four terms as a Centre County Commissioner. Additionally, Mr. Bierly has been a member of many Boards in Centre County which encompassed both the public and private sector. In 2000, Mr. Bierly was elected as a Gore delegate to the Democratic National Convention.

Mr. Bierly received his B. A. Degree in Political Science in 1972 from Lock Haven State University where he was a member of the Phi Kappa Phi Honor Society; he was named a Distinguished Alumnus by his alma mater in 1992. In 1977 Mr. Bierly received his M. A. in Political Science/Constitutional Law from the Pennsylvania State University. He is also a graduate of the Pennsylvania Law Enforcement Academy, and he completed the Senior Executive Management Program at the John F. Kennedy School of Government at Harvard University in 2001. Mr. Bierly has received recognition at the local, state, and national levels for his speeches and opinions dealing with the United States Constitution, its adoption process, and its meaning in the 21st century.

Mr. Bierly is married to the former Kimberly Yarnell. They reside in Centre Hall, Pennsylvania, with their two Golden Retrievers – Teddy Bear and Timber. When not working, Mr. Bierly enjoys watching college football, college basketball, and he follows the LPGA.



Senior Staff



Douglas Eberly



Tim Moyer



David DeSantis



John Howard

Douglas Eberly - Chief Counsel

The Milk Marketing Board implements and enforces the Milk Marketing Law and the Milk Producers' Security Act. Additionally, the Board enforces the regulations it promulgates pursuant to statutory authority and the official general orders it issues. In his position as Chief Counsel, Mr. Eberly is responsible for advising the Board Members and staff on issues requiring the application of legal principles, the interpretation of statutes and other mandates, and the observance of proper procedures.

Tim Moyer - Chief Support Services/Staff Advisor to the Board

Tim Moyer is responsible for Licensing and Bonding, Management Information Services (MIS), and Administrative Services. Support Services is also responsible for the administration of the Milk Producers' Security Fund. Additionally, Support Services is responsible for all personnel actions, information technology processing and enhancements, and all financial operations of the Board. As staff advisor to the Board, Mr. Moyer advises the Board on non-legal issues and represents the Board at industry meetings, legislative hearings, etc., and makes recommendations for Board action based upon information received at these meetings.

David DeSantis - Enforcement Director

In his position as Director, Mr. DeSantis is responsible for directing the Milk Marketing Auditors and the Milk Marketing Examiners in enforcing all official general orders, policies of the Board, and compliance with the Milk Marketing Law and Board regulations. The Unit is also responsible for gathering, compiling, and interpreting financial and accounting information used by the Board in hearings and other administrative proceedings; for issuing price announcements, and responding to violations of the minimum retail, wholesale, and farm-level prices issued by the Board.

John Howard - Staff Attorney

John advises Board Staff as to interpretations and implementations of the agency's laws and regulations; provides guidance to, and reviews prosecution referrals from the agency's Enforcement Unit; issues citations when appropriate, and prosecutes cases before the Board. He also represents Board Staff at price hearings held before the Board by preparing staff testimony, reviewing and distributing exhibits to interested parties, conducting direct and cross examination, and by preparing post-hearing briefs. John also reviews license applications for compatibility with legal requirements, including bonding requirements, and assists the Chief Counsel in providing advisory and administrative legal services necessary to the agency's operation, including drafting new or amended regulations.



Senior Staff

(cont'd)



Dave Weldon

Dave Weldon – Information Technology Generalist Administrator

Dave directs the Management Information Systems section of Support Services. He is responsible for all of the computer hardware and software installation and maintenance, and oversight of computer training. This section is also responsible for entering, maintaining, and securing all data regarding financial audits, monthly reports, and/or surveys for licensed dealers and haulers, as well as all licensing and bonding information contained in the “Milk Accounting and Regulatory System”—an Oracle based program. Dave is also responsible for establishing the security and software standards for the agency.



Fred Puchany

Fred Puchany – Audit Supervisor

Fred is responsible for the daily supervision and direction of Milk Marketing Auditors and Milk Marketing Examiners in Milk Marketing Areas 5 (Western Pennsylvania) and 6 (West Central Pennsylvania).



Gary Gojsovich

Gary Gojsovich – Audit Supervisor

Gary is responsible for the daily supervision and direction of Milk Marketing Auditors and Examiners in Milk Marketing Areas 1 (Southeastern Pennsylvania), 2 (East Central Pennsylvania), 3 (Northeastern Pennsylvania), and 4 (South Central Pennsylvania).

~

Fiscal Years 2008-2009 and 2009-2010 In Review

The Milk Marketing Law is administered by a 3-member Board. Each member is appointed by the Governor with the advice and consent of a majority of the State Senate.

The Governor appoints one member as chairman, and another member to represent consumer interests. On April 7, 2008, Governor Rendell named Richard Kriebel Chairman of the Board. The Board members appoint a secretary who is responsible for the administration and daily operation of the Agency. On April 12, 2004, the Board members appointed Keith Bierly as Secretary of the Milk Marketing Board.

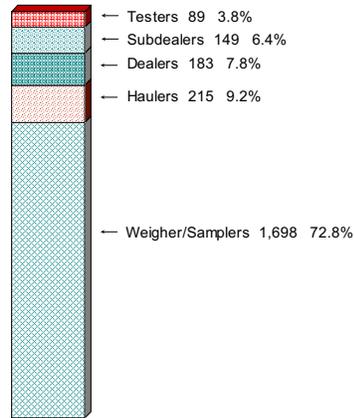
Funding for the Milk Marketing Board is derived from license fees and fines. No tax monies from the Commonwealth's General Fund are appropriated to the Milk Marketing Board.

During the 2008-2009 and 2009-2010 Fiscal Years, the Board issued 4,639 licenses. Weigher/samplers comprised the largest group of licenses with 3,371 (73%) certificates being issued. The remaining (27%) were distributed among milk dealers, subdealers, testers, and haulers. (See illustrations right).

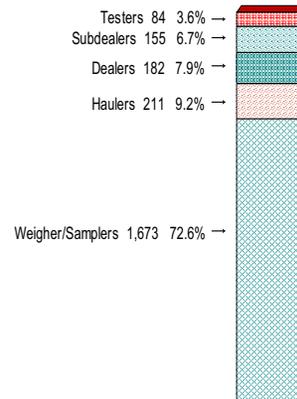
(cont'd)

Licenses Issued

2008-2009



2009-2010



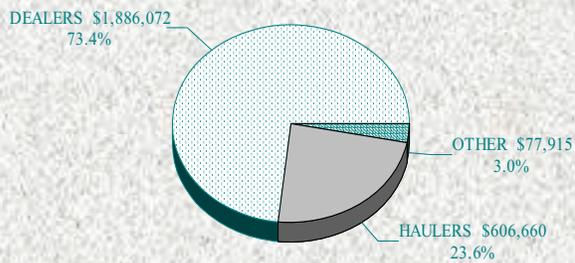
Fiscal Years

2008-2009 and 2009-2010

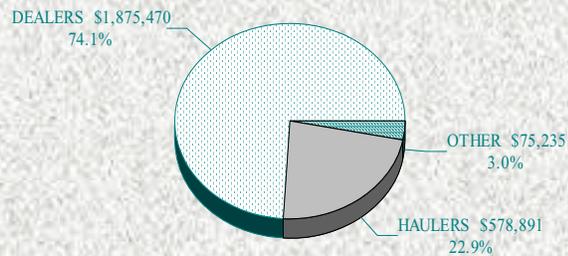
In Review (cont'd)

Dealer and hauler license fees accounted for 97% of the 2008-2009 and 2009-2010 receipts received by the Board. The remaining receipts were generated from tester and weigher/sampler certificates, fines, refunds, and interest payments. (See illustrations below)

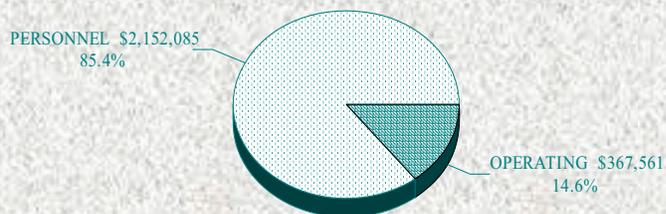
2008-09 Receipts



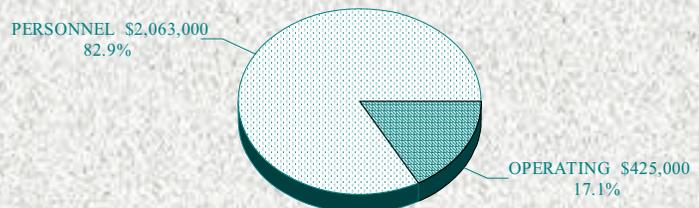
2009-10 Receipts



2008-09 Disbursements



2009-10 Disbursements



Field Staff Activities

The field staff of the Milk Marketing Board administer a comprehensive economic regulatory framework that provides stability and protection for everyone in the dairy industry. Ultimately, this ensures that the consumers of Pennsylvania enjoy plentiful supplies of dairy products in a variety of types and sizes at the best price possible.

To ensure that Pennsylvania dairy farmers are being paid promptly and properly, the Board's field staff is kept quite busy. One of the most important aspects of the Board's enforcement activities centers on dairy farmers or producers. Dairies and milk manufacturing facilities that purchase milk from producers pay for the milk based on components (fat, protein, and non-fat milk solids) in the milk. Milk truck drivers or weigher/samplers as we know them in Pennsylvania take samples from bulk tanks at the farm at the time of milk pickup. Board Milk Examiners monitor weigher/sampler pickup procedures at the farm and test samples in the Board's offices in Harrisburg. Examiners make sure the weigher/samplers follow proper procedures to ensure that the milk is not contaminated and to assure that dairies pay dairy farmers correctly.



Jon Dadigan, Special Investigator conducting milk test

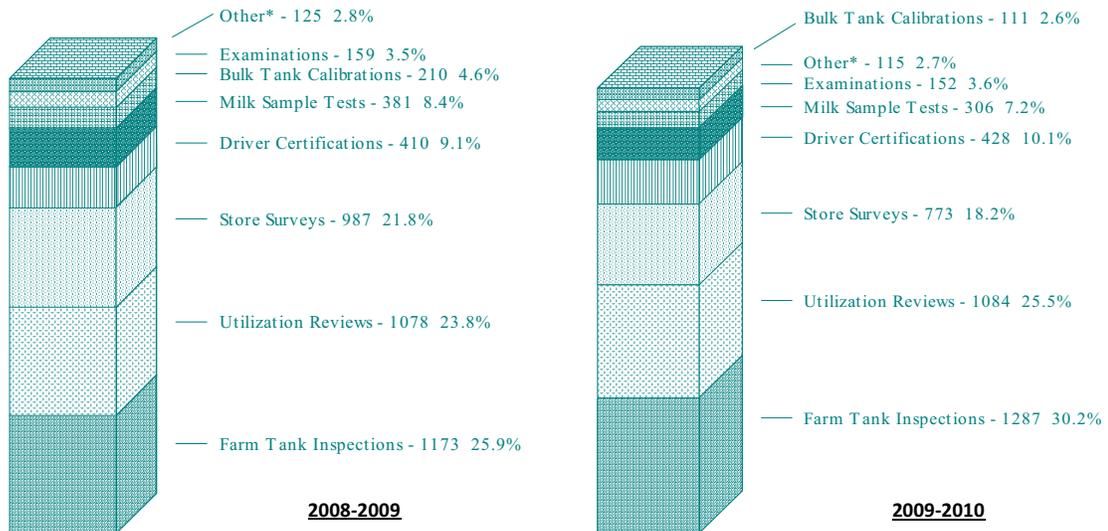
The Board uses electronic testing equipment to determine the component levels of milk. If a Pennsylvania dairy farmer is concerned about his fat, protein, or solids test results, the Board uses *Milk-O-Scan* testing equipment to verify the sample tests. The Board calibrates the equipment using official samples received from the United States Department of Agriculture (USDA) laboratories. Periodically, the Board requires independent laboratories throughout the state to test these USDA samples to ensure that the industry testing results match the official results.

The Auditors of the Milk Marketing Board are responsible for financial audits, wholesale audits, monthly utilization reviews, and several other activities. (*See illustrations next page*). The Enforcement Division compiles the results of the financial audits for presentation to the Board at public hearings to adjust wholesale and retail prices. The Board holds hearings to adjust the minimum resale prices on an annual basis for each of the six milk marketing areas in the state.

The Board's field staff is also responsible for conducting milk price surveys within the Commonwealth and in the bordering states of New York, New Jersey and Maryland. Board staff conducted 1,702 price surveys over the past two fiscal years. These surveys show that Pennsylvania's regulated retail out-of-store milk prices are comparable to those in other states with no retail price regulations. This is even more remarkable since surrounding states have no state-mandated producer premiums except for New Jersey whose premium is far lower than Pennsylvania's.

(cont'd)

Field Staff Activities (cont'd)



* Other includes dealer & producer interviews, wholesale audits, financial audits, investigations, weighing & sampling reports, calibration chart inspections; bulk tank, bulk tank driver, and bill of lading checks.

The Board operates a Bulk Milk Tank Calibration program in cooperation with the Pennsylvania Department of Agriculture. The program provides a service to Pennsylvania dairy farmers who want to know if the measuring device for their bulk tank is providing an accurate measurement of their milk. Incorrect calibrations result in incorrect payments to dairy farmers. A member of the Board's staff operates the bulk milk test-unit and responds to requests from dairy farmers for calibration throughout the state. The Board gives priority to newly-installed tanks and responds quickly to all other requests. Four hundred seventy-nine calibrations were completed from July 1, 2008 through June 30, 2010.



Audit Supervisor Gary Gojsovich, Accountant Ann Asbury, and Auditor Paul Fedak conducting audit activities

Pennsylvania Dairy Farmers

Pennsylvania continues to rank fifth in the nation in milk production. In 2008 Pennsylvania dairy farmers produced approximately 10.575 billion pounds of milk. In 2009 Pennsylvania dairy farmers produced approximately 10.551 billion pounds of milk. The slight decrease in production, approximately 2/10 of one percent, was less than the also slight drop in milk production nationwide between 2008 and 2009, which was approximately 3/10 of one percent. Production remained relatively steady despite record low milk prices throughout 2009.



After experiencing the highest average Class I price in history during the 2007-08 fiscal year, dairy farmers in Pennsylvania and across the nation were hit with record low milk prices in 2009. The greatest factor that contributed to the drastic drop in milk prices was the large decrease in dairy product exports to foreign countries due to the global recession. Drought in Australia and New Zealand during 2007 and 2008 had also contributed to increased demand for dairy product exports from the United States. The return of more normal weather to Australia and New Zealand, combined with the global recession, greatly diminished the demand for American dairy exports. The recession at home also lowered the demand for dairy products. The supply/demand imbalance led to the large drop in milk prices.



The Board responded to the dairy price crisis by increasing the level of the Board-mandated over-order premium. In June 2010, the over-order premium was at a record high of \$3.18 per hundredweight. During fiscal years 2008-09 and 2009-10, the Board-mandated over-order premium generated over \$100 million for Pennsylvania dairy farmers.

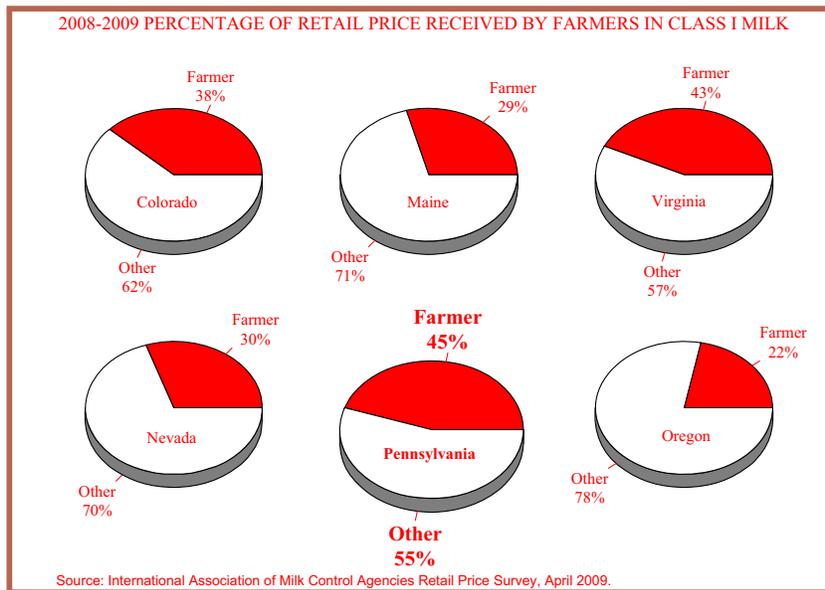
(cont'd)

Pennsylvania Dairy Farmers

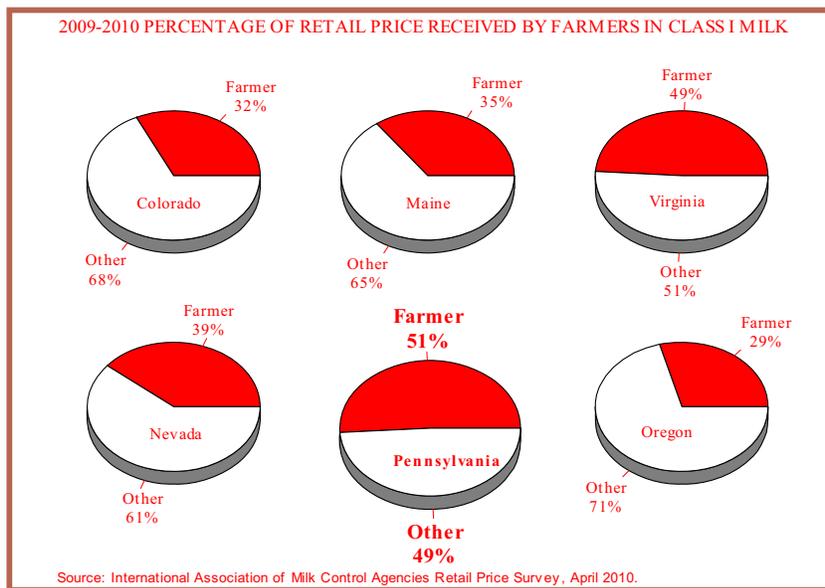
(cont'd)

The Board's regulation of minimum producer, wholesale, and retail prices results in Pennsylvania dairy farmers receiving a high percentage of the retail price. (See illustrations below).

2
0
0
8
-
2
0
0
9

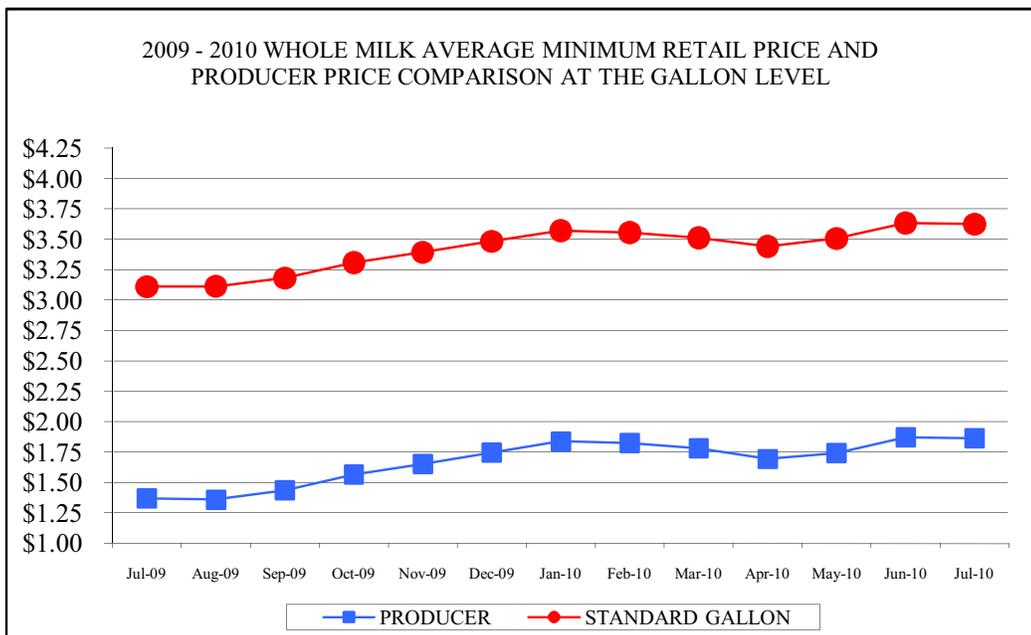
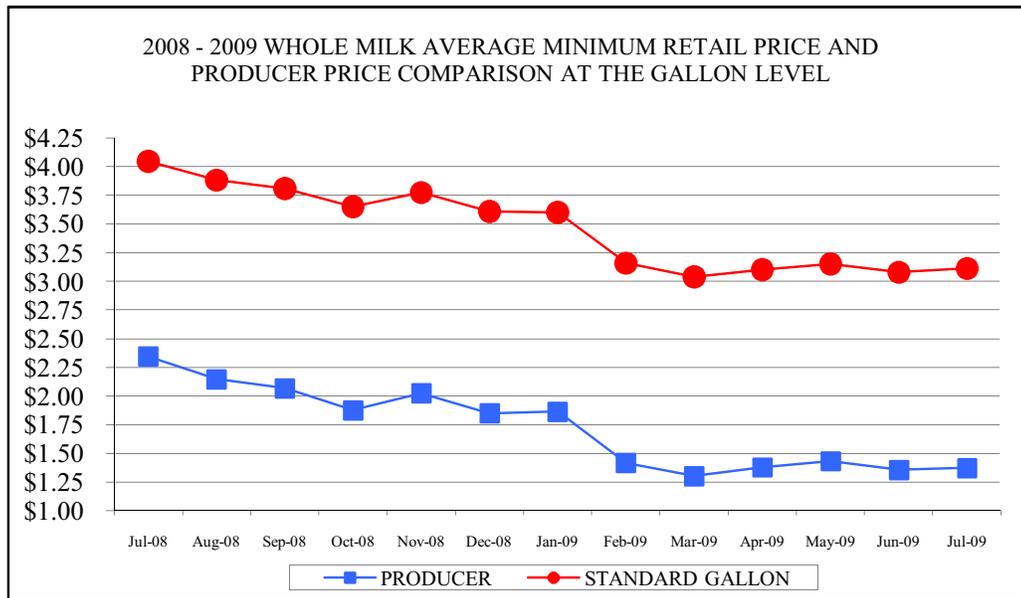


2
0
0
9
-
2
0
1
0



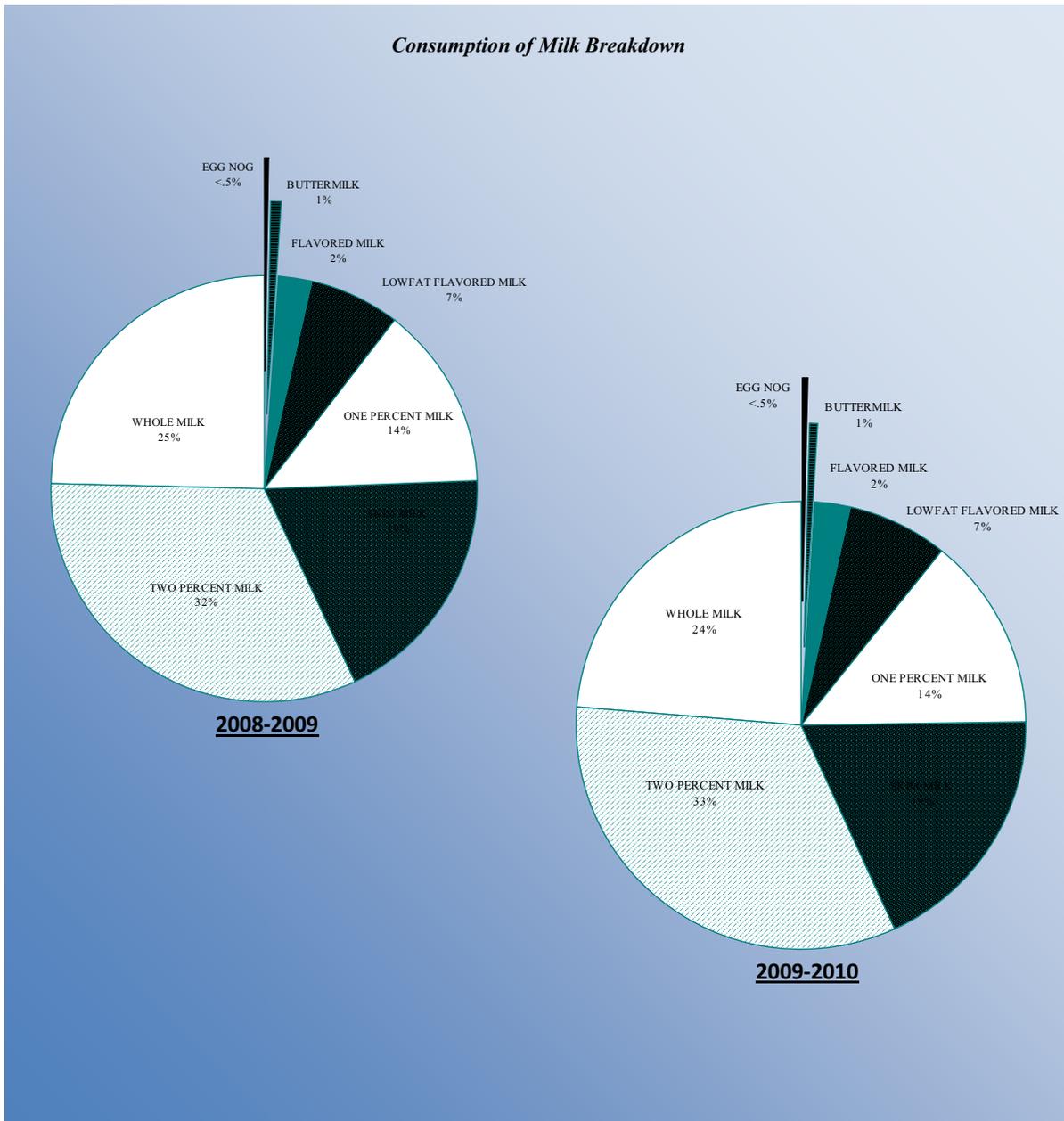
Pennsylvania Dairy Farmers
(cont'd)

Because the retail out-of-store price is based upon the price paid to the dairy farmer (including the state-mandated premium), there is a direct correlation between the producer price and the out-of-store price. When the producer price drops, the out-of-store price will be lower. When the farm price goes up, the retail out-of-store price increases. (See illustrations below).



Pennsylvania Dairy Farmers
(cont'd)

During the 2008-2009 Fiscal Year, Reduced Fat Milk (2%) was the most popular variety sold in Pennsylvania accounting for 32% of milk sold. Whole milk accounted for one quarter of the volume. In 2009-2010, overall packaged milk consumption declined by 1.0%. Reduced Fat Milk maintained its dominance as the most consumed type. (See illustrations below).



Staff Attorney

Report of Citations

Total Number of Citations Issued:

July 1, 2008 through June 30, 2009: 53
 July 1, 2009 through June 30, 2010: 30



Breakdown by Type:

	<u>2008-2009</u>	<u>2009-2010</u>	<u>Total</u>
Late filing of milk hauler's monthly report	15	5	20
Late filing of milk dealer's monthly report	11	9	20
Sales below minimum wholesale	4	0	4
Sales below minimum retail	1	0	1
Bond claim against subdealer for failure to pay dealer	2	1	3
Bond claim against dealer for failure to pay producers	1	0	1
Late payment to producers	2	1	3
Underpayment to producers	1	0	1
Failure to make up underpayment to producers within 30 days	10	0	10
Insufficient bond	1	0	1
Improper sampling procedures	1	0	1
Inaccurate samples	1	0	1
Failure to furnish information required by the Board	2	0	2
Late payment of quarterly license fee	1	0	1
Dealer late filing of annual financial statement	0	14	14
Totals:	53	30	83

Disposition:

Settled by consent order	41	11	52
Hearings before the Board resulting in Board order	3	0	3
Hearing before the board resulting in dismissal	1	0	1
Administratively dismissed	8	12	20
Pending as of June 30, 2010	0	7	7
Totals:	53	30	83

(cont'd)

Staff Attorney

Report of Citations (cont'd)

Results of Hearings before the Board:

Four of the citations issued during the 2008-2009 fiscal year resulted in hearings before the Board:

1. A dealer was cited for failure to make full payment for milk purchased from a milk producers' cooperative; the Board issued an order giving the dealer three weeks to make full payment for all amounts in arrears or risk license revocation.
2. A dealer was cited for failure to file a bond in the amount required by the Board. Following the hearing, the dealer discontinued purchasing milk from Pennsylvania producers, thus negating the requirement to post a bond. Since the issue was moot, the Board did not issue an order but dismissed the case.
3. A dealer was cited for failure to account and make payment for milk purchased from a cooperative during the 2007-2008 and 2008-2009 license years. The Board concluded that there was sufficient evidence presented to revoke the dealer's license and to make a claim against the dealer's corporate surety bond, but that it would not be in the best interest of the cooperative or the Pennsylvania dairy industry to do so. The Board did order that the dealer's license be suspended for five days, and accepted an offer in compromise at the rate of \$150.00 per day of suspension as a penalty in lieu of suspension.
4. The same dealer was cited five months later for continuing failure to make full payment for milk purchased from the cooperative. The Board ordered that a claim be made against the dealer's corporate surety bonds for the license years involved.

Bond Claims:

Two subdealers were cited during the 2008-2009 fiscal year and another subdealer was cited during the 2009-2010 fiscal year for failure to make payment for milk purchased from dealers. All three of these citations were settled without hearings by means of consent orders in which the defendants admitted the violations and allowed the Board to claim on their subdealers' corporate surety bonds.

One milk dealer was cited for failure to make payment for milk purchased from a cooperative during the 2007-2008 and 2008-2009 license years. Following a hearing the Board ordered that a claim be made against the dealer's corporate surety bonds for those license years.

Chief Counsel Price-Related Hearings

During the 2008-2009 and 2009-2010 fiscal years, the Board conducted 28 price-related hearings. This continues a trend of industry participants requesting more frequent hearings to address rapidly changing circumstances in Pennsylvania's milk markets. In contrast to federal milk marketing orders, which can take years to issue, the Board is able to respond to petitions, hold hearings, and issue orders in as little as two months. The Pennsylvania dairy industry regularly commends the Board for the speed and efficiency with which it addresses changes in Pennsylvania's milk markets. In addition to the numerous hearings which the Board held to address unanticipated changes in Pennsylvania's milk markets, the Board also held general price hearings and regularly scheduled annual cost replacement hearings for each of the six Milk Marketing Areas and regularly scheduled hearings to consider the level of the Class I over-order premium paid to Pennsylvania dairy producers.



The Board also defended an Official General Order in an appeal to Pennsylvania Commonwealth Court. After several days of hearings, the Board issued an order denying a request to expand the scope of Pennsylvania's over-order premium to include Pennsylvania produced and processed milk sold in New Jersey. That order was appealed to Commonwealth Court, which had not issued an order as of the close of fiscal year 2009.



Board and Staff at Sunshine Meetings and Hearings

PENNSYLVANIA MILK MARKETING BOARD

**OVER-ORDER PREMIUM EFFECT
SEPTEMBER 1988 THROUGH JUNE 2010**

OGO	HEARING CALL	PERIOD	MONTHS	RATE	AVE. MONTHLY POUNDS	AMOUNT
FOR SPECIFIC INFORMATION ON ORDERS PRIOR TO 2006, PLEASE CONTACT THE BOARD						\$362,545,269
FOR SPECIFIC INFORMATION ON A-927 PRIOR TO 2006, PLEASE CONTACT THE BOARD						\$7,203,043
A-927	Increased Fuel Costs	01/01/06 Through 01/31/06	1	\$0.38	161,189,850	\$612,521
A-927	Increased Fuel Costs	02/01/06 Through 02/28/06	1	\$0.35	147,615,487	\$516,654
A-927	Increased Fuel Costs	03/01/06 Through 03/31/06	1	\$0.38	166,283,705	\$631,878
A-927	Increased Fuel Costs	04/01/06 Through 04/30/06	1	\$0.35	143,947,016	\$503,815
A-927	Increased Fuel Costs	05/01/06 Through 05/31/06	1	\$0.38	156,597,737	\$595,071
A-927	Increased Fuel Costs	06/01/06 Through 06/30/06	1	\$0.44	142,779,936	\$628,232
A-927	Increased Fuel Costs	07/01/06 Through 09/30/06	3	\$0.47	149,063,838	\$2,101,800
A-927	Increased Fuel Costs	10/01/06 Through 10/31/06	1	\$0.50	162,407,843	\$812,039
A-927	Increased Fuel Costs	11/01/06 Through 11/30/06	1	\$0.44	159,449,760	\$701,579
A-927	Increased Fuel Costs	12/01/06 Through 01/31/07	2	\$0.38	162,169,129	\$1,232,485
A-927	Increased Fuel Costs	02/01/07 Through 02/28/07	1	\$0.41	148,036,866	\$606,951
A-927	Increased Fuel Costs	03/01/07 Through 04/30/07	2	\$0.35	154,382,401	\$1,080,677
A-927	Increased Fuel Costs	05/01/07 Through 05/31/07	1	\$0.41	152,810,161	\$626,522
A-927	Increased Fuel Costs	06/01/07 Through 08/31/07	3	\$0.44	142,898,626	\$1,886,262
A-927	Increased Fuel Costs	09/01/07 Through 10/31/07	2	\$0.47	155,808,173	\$1,464,597
A-927	Increased Fuel Costs	11/01/07 Through 11/30/07	1	\$0.50	161,530,918	\$807,655
A-927	Increased Fuel Costs	12/01/07 Through 12/31/07	1	\$0.53	159,114,895	\$843,309
A-927	Increased Fuel Costs	01/01/08 Through 02/29/08	2	\$0.65	155,971,394	\$2,027,628
A-927	Increased Fuel Costs	03/01/08 Through 03/31/08	1	\$0.62	155,505,816	\$964,136
A-927	Increased Fuel Costs	04/01/08 Through 04/30/08	1	\$0.65	149,787,255	\$973,617
A-927	Increased Fuel Costs	05/01/08 Through 05/31/08	1	\$0.80	157,243,648	\$1,257,949
A-927	Increased Fuel Costs	06/01/08 Through 06/30/08	1	\$0.86	132,523,981	\$1,139,706
A-927	Increased Fuel Costs	07/01/08 Through 07/31/08	1	\$0.98	144,159,173	\$1,412,760
A-927	Increased Fuel Costs	08/01/08 Through 09/30/08	2	\$1.04	151,335,998	\$3,147,789
A-927	Increased Fuel Costs	10/01/08 Through 10/31/08	1	\$0.95	162,492,826	\$1,543,682
A-927	Increased Fuel Costs	11/01/08 Through 11/30/08	1	\$0.83	150,795,723	\$1,251,605
A-927	Increased Fuel Costs	12/01/08 Through 12/31/08	1	\$0.71	165,629,171	\$1,175,967
A-927	Increased Fuel Costs	01/01/09 Through 01/31/09	1	\$0.53	156,890,809	\$831,521
A-927	Increased Fuel Costs	02/01/09 Through 02/28/09	1	\$0.38	143,424,012	\$545,011
A-927	Increased Fuel Costs	03/01/09 Through 03/31/09	1	\$0.35	158,247,149	\$553,865
A-927	Increased Fuel Costs	04/01/09 Through 04/30/09	1	\$0.32	149,175,040	\$477,360
A-927	Increased Fuel Costs	05/01/09 Through 07/31/09	3	\$0.29	141,311,567	\$1,229,411
A-927	Increased Fuel Costs	08/01/09 Through 09/30/09	2	\$0.38	146,558,192	\$1,113,842
A-927	Increased Fuel Costs	10/01/09 Through 12/31/09	3	\$0.41	158,679,065	\$1,951,752
A-927	Increased Fuel Costs	01/01/10 Through 01/31/10	1	\$0.47	147,532,513	\$693,403
A-927	Increased Fuel Costs	02/01/10 Through 02/28/10	1	\$0.44	144,867,846	\$637,419
A-927	Increased Fuel Costs	03/01/10 Through 04/30/10	2	\$0.47	152,774,348	\$1,436,079
A-927	Increased Fuel Costs	05/01/10 Through 05/31/10	1	\$0.50	132,134,689	\$660,673
A-927	Increased Fuel Costs	06/01/10 Through 06/30/10	1	\$0.53	132,413,597	\$701,792
A-935	Market Conditions	01/01/06 Through 06/30/06	6	\$1.55	153,068,955	\$14,235,413
A-938	Market Conditions	07/01/06 Through 12/31/06	6	\$1.60	154,783,370	\$14,859,203
A-941	Market Conditions	01/01/07 Through 06/30/07	6	\$1.85	152,069,338	\$16,879,696
A-944	Market Conditions	07/01/07 Through 11/30/07	5	\$1.60	152,745,220	\$12,219,618
A-947	Market Conditions	12/01/07 Through 03/31/08	4	\$1.35	156,640,875	\$8,458,607
A-950	Market Conditions	04/01/08 Through 12/31/08	9	\$2.15	151,700,419	\$29,354,031
A-959	Market Conditions	01/01/09 Through 06/30/09	6	\$2.15	148,271,012	\$19,126,961
A-964	Market Conditions	07/01/09 Through 10/31/09	4	\$2.15	148,971,622	\$12,811,560
A-966	Market Conditions	11/01/09 Through 12/31/09	2	\$2.65	157,656,364	\$8,355,787
A-967	Market Conditions	01/01/10 Through 06/30/10	6	\$2.65	143,749,557	\$22,856,180
						\$ 570,284,381

Employee of the Year 2008 and 2009



Larry Butler
2008

Larry Butler –

Larry Butler came to the Pennsylvania Milk Marketing Board in 1994 as an Examiner. In the course of his career, Larry has been key in developing and maintaining the farm tank calibration program that is shared by the Board and the Pennsylvania Department of Agriculture. Dairy farmers throughout the state have come to rely on Larry to ensure that the milk picked up from their tanks has been measured accurately as a result of his calibration.

Larry and his wife Nancy of 32 years reside in Scranton near their children, Ryan, Justin, Sarah and Matthew. In his spare time, Larry enjoys riding his motorcycle and babysitting his new granddaughter, Ava Jacqueline.



Fred Puchany
2009

Fred Puchany –

In August of 1975, Fredrick W. Puchany Jr. joined the Pennsylvania Milk Marketing Board as an Administrative Assistant. Since that time, Fred had progressed through the ranks as a Milk Marketing Examiner, Auditor and finally the western Field Supervisor for the Board.

He learned not only the intricacies of milk valuation, but also the more important lessons of dealing effectively with people. This combination of job-knowledge and people skills has made Fred an invaluable supervisor. It is thanks to Fred's diligent efforts and sharing of his knowledge that we have an enforcement staff that is so well trained.

Fred and his wife Ann of 28 years reside in Canonsburg with their two children, Mike and Gina. Fred is an avid re-enactor of the French & Indian War attending events throughout the northeast. Fred also enjoys hunting, fishing, vintage music, and gourmet cooking.



Theresa Imes
2009

Theresa Imes –

Theresa started her Commonwealth career with the Pennsylvania Department of Agriculture in 1987. She worked as a data analyst for the Bureau of Animal Health. She joined the Milk Marketing Board in 1996 as a Data Analyst 2. Theresa retired from the Milk Marketing Board in June 2010.

In her data analyst position, she was responsible for initial data analysis and entry for all dealers' and haulers' monthly reports, and annual dealer financial statements. During her tenure, the Milk Marketing Board modified its database entry programs several times. Theresa was able to quickly master the new programs which allowed for a very smooth transition to the new systems.

Theresa and her husband Larry live in Harrisburg. Her adult sons Tim and Justin also live and work in the Harrisburg area. Theresa is active in her church and enjoys spending time with her family.

Careers in Agriculture Follow the Milk



The Pennsylvania Milk Marketing Board is proud to present two educational videos. The first, *Follow the Milk*, is an educational video that follows milk from the cow pasture to the ice cream cone. Produced by C-Net, the Centre County Government and Educational Access Channel, the video focuses on the path of milk and narrates the duties of the Pennsylvania Milk Marketing Board. Follow the Milk is geared towards all ages, children and adults alike. The 13-minute video is available through the Pennsylvania Milk Marketing Board and includes correlating lesson plans for grades K-12. This venture was sponsored by the Centre County Commissioners to educate the public about the dairy industry in Pennsylvania.

This video can be viewed on the Pennsylvania Milk Marketing Board website, www.mmb.state.pa.us, or on the Pennsylvania Department of Agriculture's www.marketplaceforthemind.com.

The second video, also produced by C-Net, *Careers in Agriculture – A Wide Open Field to Explore*, is a 30-minute presentation regarding potential occupations in agriculture. This video is geared toward high school students who may be considering a career in agriculture, but who may not be fully aware of all the opportunities available in the field. This venture was sponsored by the Harris Township Supervisors in Centre County, who are situated in close proximity to the main campus of the Pennsylvania State University, where many of the interviews took place. From the barn, to the laboratory, to the classroom, to the dairy processing facility, this video provides a unique perspective on career opportunities in agriculture.

Copies of these videos are available by contacting the Pennsylvania Milk Marketing Board at 717-787-4194.



Commonwealth of Pennsylvania
Pennsylvania Milk Marketing Board



Pennsylvania Milk Marketing Board
2301 N. Cameron Street
Harrisburg PA 17110-9408
Telephone: 717-787-4194
Fax: 717-783-6492
Email: ra-pmmb@state.pa.us
Website: www.mmb.state.pa.us