



Commonwealth of Pennsylvania
Milk Marketing Board
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Official General
Order No. A-906

Posted: December 13, 1999
Effective: January 1, 2000

OVER-ORDER PREMIUM

NOW, this 13th day of December, 1999, the Commonwealth of Pennsylvania, Milk Marketing Board (Board) adopts and issues this official general order pursuant to the authority conferred by the Milk Marketing Law, 31 P.S. §§ 700j-101 - 700j-1204. This order will become effective at 12:01 a.m. on January 1, 2000, and will expire at 12:00 midnight on June 30, 2000.

SECTION I

The attached findings of fact and conclusions of law are incorporated herein by this reference as though fully set forth in this order.

SECTION II

- (a) In all milk marketing areas the calculation of the Class I price for milk produced, processed, and sold in Pennsylvania will include an over-order premium of \$1.20 per hundredweight.
- (b) Milk dealers shall show by line item on their monthly statements to independent producers and cooperatives the specific amount of the over-order premium being paid.

SECTION III

All parts of Official General Order No. A-893 not inconsistent with this order shall continue in effect. This official general order supersedes Official General Order No. A-905.

PENNSYLVANIA MILK MARKETING BOARD

Beverly R. Minor, Chairwoman

J. Robert Derry, Consumer Member

Luke F. Brubaker, Member

FINDINGS OF FACT AND CONCLUSIONS OF LAW
OVER-ORDER PREMIUM HEARING

December 1, 1999

FINDINGS OF FACT

1. On December 1, 1999, the Pennsylvania Milk Marketing Board (Board) convened a hearing for all milk marketing areas to receive testimony and evidence concerning whether an adjustment should be made to the level of the over-order premium of \$.40 per hundredweight established by Official General Order (OGO) A-905.
2. Notice of the hearing was published at 29 *Pennsylvania Bulletin* 6076 on November 27, 1999, and was mailed to those on the Board's interested persons list by means of Bulletin No. 1285, dated November 22, 1999. (PMMB Exhibits 1 and 2)
3. At the conclusion of the hearing, the parties agreed to a letter brief due on December 3, 1999, and a reply letter brief due on December 7, 1999. (N.T. 127)
4. The BFP for September 1999 was \$16.29, the highest price for the second half of the year, however, because of a sharp decline in cheese prices, the October's BFP was \$11.49. The Chicago Mercantile Exchange BFP future prices for November settled at \$10.05.¹ If this November price is realized, it would be the second time this year the BFP declined by \$6 or more in a two-month span. (N.T. 32, Dairylea Exhibit 1)
5. The Pennsylvania Agricultural Statistics Service (PASS) estimates that Pennsylvania producers' average cost of production for the 12-month period ending September 1999 was \$13.17 per hundredweight of milk. Using the monthly BFP Milk Futures Prices at the Chicago Mercantile Exchange reported on November 26, 1999, the average BFP to be paid to producers from January through June 2000 would be about \$10.90. Using an average Class I differential of \$2.50 per hundredweight of milk at a 50% Class I utilization rate, the blend price paid to the average Pennsylvania producer will be approximately \$12.15 per hundredweight of milk. This would result in a shortfall of \$1.02 per hundredweight of milk. (N.T. 82, PFB Exhibits 1 and 2)
6. The drought that occurred throughout Pennsylvania reduced crop production throughout the state. According to PASS's most recent crop production report, corn production was down 32.8% from last year, soybean production was down 36.2% and baled hay production was down 11.4%. Many Pennsylvania dairy farmers must rely on purchased feed to maintain their herds and milk production levels. (N.T. 35, Dairylea Exhibit 3)

¹The November BFP, announced on December 3, 1999, by the USDA was \$9.79 per hundredweight, the lowest BFP in more than twenty years. (Brief on behalf of Dairylea Cooperative, Inc.; Dairy Farmers of America; and the Middle Atlantic Cooperative Milk Marketing Agency)

7. C. Arthur Zug, a dairy farmer in Juniata County, testified that his cost of production for November was approximately \$14.90 per hundredweight of milk. This increase in production expenses was attributed to purchased feed. (N.T. 15, Pennsylvania Grange Exhibit)
8. The *Special Dairy Report* issued by PASS shows that milk production in the state has not substantially increased despite an increase of about \$2.00 in average annual milk prices from the previous year. PASS reported that milk production in Pennsylvania was up 0.2 percent from the comparable period last year. (N.T. 86-87, PFB Exhibit 2)
9. An over-order premium of \$1.20 per hundredweight would respond appropriately to the factors of cost of production, prices received by dairy farmers, and drought conditions. (N.T. 15, 35, 82, 86-87)

CONCLUSIONS OF LAW

1. The December 1, 1999, hearing on the over-order premium was held pursuant to the authority granted to the Board in sections 801 and 803 of the Milk Marketing Law (Law), 31 P.S. §§ 700j-801 and 700j-803.
2. The hearing was held following adequate notice, and all interested persons were given a reasonable opportunity to be heard. (Finding of Fact 2)
3. All parts of Official General Order No. A-893 not inconsistent with the attached order will continue in effect.
4. In accordance with Official General Order No. A-894, milk dealers shall continue to show by line item on their monthly statements to independent producers and cooperatives the specific amount of the over-order premium being paid.
5. In accordance with Official General Order No. A-894 (Supplemental), the over-order premium will continue to apply only to Class I milk produced, processed, and sold in Pennsylvania.
6. In adopting the attached order, the Board has considered the entire record and concludes that the order is supported by a preponderance of credible evidence and is reasonable and appropriate under sections 801 and 803 of the Law.
7. The attached order may be amended pursuant to the procedures set out in section 801 of the Law.

PENNSYLVANIA MILK MARKETING LAW

Beverly R. Minor, Chairwoman

J. Robert Derry, Consumer Member

Luke F. Brubaker, Member

Dated: December 13, 1999

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