



Commonwealth of Pennsylvania
Milk Marketing Board
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Official General
Order No. A-990

Posted:
Effective

March 12, 2015
April 1, 2015

OVER-ORDER PREMIUM

NOW, this 12th day of March 2015, 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 April 1, 2015, and will expire at 12:00 midnight on September 30, 2015.

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 shall include an over-order premium of \$1.60 per hundredweight effective 12:01 a.m. on April 1, 2015, through midnight on September 30, 2015.

(b) Milk dealers shall show by line item on their monthly statements to independent producers and cooperatives the specific amount of the Pennsylvania Milk Marketing Board's over-order premium being paid.

SECTION III

All parts of Official General Order A-893 not inconsistent with this order shall continue in effect.

PENNSYLVANIA MILK MARKETING BOARD

Luke F. Brubaker, Chairman

Lynda J. Bowman, Consumer Member

James A. Van Blarcom, Member

Date: March 12, 2015

FINDINGS OF FACT AND CONCLUSIONS OF LAW
OVER-ORDER PREMIUM HEARING
February 27, 2015

FINDINGS OF FACT

1. On February 27, 2015, the Pennsylvania Milk Marketing Board (“Board”) held a hearing for all milk marketing areas to receive testimony and evidence concerning the level and duration of the over-order premium.
2. Notice of the hearing was published at 45 Pennsylvania Bulletin 631 on January 31, 2015, and was mailed to those who have requested mailed notice of Board hearings by means of Bulletin No. 1512, dated January 22, 2015.
3. Dennis Schad testified on behalf of the Pennsylvania Association of Dairy Cooperatives (“PADC”) as an expert in agricultural economics. PADC members include Dairy Farmers of America, Inc., Dairy Marketing Services, LLC, Lanco Dairy Farms Co-Op, Inc., Land O’Lakes, Inc., and Maryland and Virginia Milk Producers’ Cooperative Association, Inc. PADC recommended that the over-order premium be set at \$1.60 per hundredweight for at least six months.
4. Mr. Schad testified that 2014’s elevated milk prices began to decline in the third quarter and that Chicago Mercantile Exchange Futures’ Prices pointed to a continued downturn through 2015. Mr. Schad testified that he expected feed prices to remain stable; with declining milk prices, though, Mr. Schad forecasted average dairy farmer margins to be at breakeven level through the first six months of 2015. He also testified that he expected dairy profitability levels to be below the average of the last three years.
5. Mr. Schad testified that 2014 milk production in Pennsylvania generally mirrored national trends, with flat to slightly declining milk production in Pennsylvania through June. Milk production in Pennsylvania in the second half of 2014 ranged between three and four percent. Unlike the national trend, though, Pennsylvania’s dairy farmers increased production without increasing the number of cows.
6. Dean Ellinwood testified on behalf of PADC as an expert in raw milk marketing, procurement, and sales to handlers. Mr. Ellinwood testified in support of setting the over-order premium at \$1.60 per hundredweight through September 2015.
7. Mr. Ellinwood testified that farm milk production was adequate to meet the current demand in the Northeast and Mid-Atlantic. Mr. Ellinwood testified that he expected the Northeast market to experience increased demand during the remainder of 2015.
8. Matthew Espenshade testified on behalf of the Pennsylvania State Grange. Mr. Espenshade is a seventh generation dairy farmer in Lancaster County. Mr. Espenshade requested that the premium be set at \$1.60 per hundredweight. Mr. Espenshade testified that in 2014 milk prices and profit margins had reached levels seldom seen in the past.

9. Mr. Espenshade testified that the high margins had allowed him to invest in his operation, make needed repairs and improvements, and replace two critical pieces of farm machinery. Mr. Espenshade attributed a quality bonus for low somatic cell counts to replacement of mattresses used by the milking cows. He also testified that replacing the farm machinery had led to dramatic results, with his silage yield increasing 175 tons with 14 less acres of corn planted. Mr. Espenshade also testified that fuel and energy costs continue to be a challenge.
10. Glenn Stoltzfus testified on behalf of Pennsylvania Farm Bureau. Mr. Stoltzfus is Chairman of Pennsylvania Farm Bureau's Dairy Committee and is a member of the Farm Bureau State Board of Directors. Mr. Stoltzfus operates Pennwood Farms in partnership with his three brothers. Pennwood Farms milks almost 600 Holsteins, raises all of its own heifer calves, and has a custom grower that feeds approximately 250 of the heifers. Mr. Stoltzfus and his brothers farm approximately 1,300 acres. Pennwood Farms also does custom crop work and genetics work.
11. Mr. Stoltzfus testified that the over-order premium plays a very important role in the financial stability of Pennsylvania dairy farms. He testified that in addition to its direct benefit, the over-order premium indirectly benefits farmers like himself that ship to cooperatives by helping identify a target that helps obtain a more adequate level of voluntary premium in neighboring markets.
12. Mr. Stoltzfus testified that his annual average cost of production had increased nine percent between 2011 and 2014. He expected 2015's cost of production to be higher than in 2014 due to rising seed, fertilizer, and equipment costs. He testified that protein and feed concentrate prices had increased since 2011. Mr. Stoltzfus testified that while gasoline prices had moderated recently, fuel costs overall remained high. He also testified that insurance costs had increased.
13. The Board finds that the over-order premium should be set at \$1.60 per hundredweight beginning April 1, 2015, through September 30, 2015.

We rely on the credible, persuasive, and uncontradicted testimony of Mr. Schad, Mr. Ellinwood, Mr. Espenshade, and Mr. Stoltzfus in establishing the over-order premium level at \$1.60 per hundredweight.

CONCLUSIONS OF LAW

1. The February 27, 2015, 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 parties were given a reasonable opportunity to be heard.
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 Pennsylvania Milk Marketing Board's 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 this order, the Board 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 BOARD

Luke F. Brubaker, Chairman

Lynda J. Bowman, Consumer Member

James A. Van Blarcom, Member

Date: March 12, 2015

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