



**Commonwealth of Pennsylvania**  
Milk Marketing Board  
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Official General  
Order No. A-991

Posted: September 23, 2015  
Effective October 1, 2015

### **OVER-ORDER PREMIUM**

NOW, this 23<sup>rd</sup> day of September 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 October 1, 2015, and will expire at 12:00 midnight on March 31, 2016.

#### **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 October 1, 2015, through midnight on March 31, 2016.

(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

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Luke F. Brubaker, Chairman

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Lynda J. Bowman, Consumer Member

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James A. Van Blarcom, Member

Date: September 23, 2015

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**  
**OVER-ORDER PREMIUM HEARING**  
**September 2, 2015**

FINDINGS OF FACT

1. On September 2, 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 3954 on July 18, 2015, and was mailed to those who have requested mailed notice of Board hearings by means of Bulletin No. 1513, dated July 8, 2015.
3. Dean Ellinwood testified on behalf of the Pennsylvania Association of Dairy Cooperatives (“PADC”) as an expert in raw milk marketing, procurement from producers, and sales to handlers. 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. Ellinwood testified that current Pennsylvania milk production was increased compared to the previous year, but producer prices were also down by about one third. He also testified that he expected little change in producer prices through the first quarter of 2016. Mr. Ellinwood also testified that plant expansions in the northeast continued, drawing upon the area milk supply.
5. Michael Evanish testified on behalf of Pennsylvania Farm Bureau as an expert in dairy farm accounting and dairy business analysis. Mr. Evanish is manager of MSC Business Services, a division of PFB Members’ Service Corporation, which is an affiliate company of Pennsylvania Farm Bureau. Mr. Evanish recommended that the over-order premium be set at \$1.60 per hundredweight for six months.
6. Mr. Evanish testified that while the prices received by Pennsylvania dairy farmers in 2013 and 2014 had helped them recover from the devastating financial effects of 2009 and 2010, that two-year period was a serious financial setback that still must be taken into consideration. He testified that the losses experienced during 2009 and 2010 had a depressing impact on subsequent business decisions and enthusiasm about the future, making owners less likely to take on the additional financial risk necessary to modernize their operations.
7. Mr. Evanish also testified that the unprecedented average net margin experienced by MSC-client dairy farms in 2014 was predominantly a reflection of high 2014 prices. He testified that Pennsylvania dairy farmers have seen increased production costs in recent

years, and that with those increased production costs and the much lower 2015 producer prices, net margins for 2015 would be considerably reduced.

8. 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 and raises all of its own heifer calves. Mr. Stoltzfus and his brothers farm approximately 1,300 acres. Pennwood Farms also does custom crop work and genetics work. Mr. Stoltzfus recommended that the over-order premium be set at \$1.60 per hundredweight for six months.
9. Pennwood Farms ships its milk to Maryland and Virginia Milk Producers Cooperative Association. 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.
10. Mr. Stoltzfus testified that income over feed costs for Pennwood Farms had decreased from \$11.29 in December 2014 to \$7.19 in June 2015, a very significant amount for his farm. He also testified that although gasoline prices have moderated recently, fuel costs overall are still high, with fuel costs increasing 12% between 2011 and 2014. Mr. Stoltzfus further testified that insurance costs had also increased between 2011 and 2014.
11. Matthew Espenshade testified on behalf of the Pennsylvania State Grange. Mr. Espenshade is a seventh generation dairy farmer in Lancaster County. Mr. Espenshade, his father, and his nephew milk 86 cows, raise their own replacement heifers, and farm 260 acres. Mr. Espenshade ships his milk to Mount Joy Farmers Co-Op. The Grange requested that the over-order premium be set at \$1.60 per hundredweight.
12. Mr. Espenshade testified that in 2014 milk prices reached levels seldom seen, resulting in higher profit margins on his farm. He further testified, however, that conditions in 2015 were not as favorable. Mr. Espenshade testified that his blend price in January 2015 was \$22.42 per hundredweight, with an income over feed cost of \$12.01 per hundredweight. Since then, his blend price decreased month after month, while feed costs remained basically unchanged. Therefore, by July 2015 income over feed costs had decreased to \$6.75. Mr. Espenshade also testified that electricity costs increased from 2014 to 2015.
13. Arden Tewksbury testified. Mr. Tewksbury has operated a dairy farm in Wyoming County for over 50 years and has also been involved with many dairy organizations during that time. He has served on the dairy committees of the Pennsylvania Farm Bureau, Pennsylvania Farmers Union, and Pennsylvania State Grange. Mr. Tewksbury served on the Board of Directors and as President of Eastern Milk Producers. He has

also been manager of the Northern Tier Farmers Union Co-op and was a director of the Regional Marketing Cooperative Agency. In 1991 Mr. Tewksbury helped found the Progressive Agriculture Organization, which he has managed since. Mr. Tewksbury testified that the Pennsylvania over-order premium is necessary because neither the United States Congress nor the United States Department of Agriculture have come to grips with the inadequate prices paid to local dairy farmers the majority of the time.

14. The Board finds that the over-order premium should be set at \$1.60 per hundredweight effective October 1, 2015, through March 31, 2016.

In so finding, we rely on the credible, persuasive, and uncontradicted testimony of Mr. Ellinwood, Mr. Evanish, Mr. Stoltzfus, Mr. Espenshade, and Mr. Tewksbury regarding market conditions, producer prices, production costs and conditions on Pennsylvania dairy farms, and the need for the over-order premium.

## CONCLUSIONS OF LAW

1. The September 2, 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

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Luke F. Brubaker, Chairman

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Date: September 23, 2015

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