

My name is Gary Gojsovich. I am employed by the Pennsylvania Milk Marketing Board (PMMB) as an Audit Supervisor. I am here today to offer testimony on behalf of Board Staff.

Board Staff does not take a position for or against the proposal presented by DFA/DMS. In that proposal DFA/DMS has requested OGO 903-A be revised to allow DMS to deduct from its independent producers a “marketing adjustment charge” which would otherwise have them paying below their PMMB obligation. Board Staff is only looking to state whether the requested changes to OGO 903-A could be audited and enforced.

Board Staff currently perform audits of DMS to ensure the independent producers are paid at least the PMMB minimum value. Were the Board to approve a revision to OGO 903-A, Board Staff believe they would still be able to ensure these independent producers are paid at least the PMMB minimum value mandated by the revision. Board Staff does not foresee that any significant additional work by existing Board Staff would be required to enforce this.

DFA/DMS’s proposal also contains language stating that Dealers would be able to similarly deduct from their independents a charge to recover losses on sales of distressed milk “on a current basis”. PMMB Regulation 143.43 (Distressed or surplus milk) already allows fluid milk dealers the ability to recover losses on sales of distressed or surplus milk. It is our understanding that DFA/DMS intends to modify how that would be enforced. Currently OGO A-893 describes the usual methodology to be used to calculate producer payment deductions when Reg. 143.43 is applied. However, that methodology would not be applicable in this situation because it uses four months periods for calculating losses and sets a 20 cent per CWT cap. As such, we assume the usual calculation methodology per OGO A-893 would not apply in this situation. With this clarification, Board Staff believe they would still be able to enforce this section of the revised OGO 903-A with no significant additional work required of existing Board Staff.

The following are observations made by Board Staff in reading DFA/DMS’s proposal and we offer suggestions to perhaps add some clarity to their proposed revised Order language:

- We assume the intent is to apply this proposal to milk purchased during the period, not to payments made during the period, and we suggest this be clarified.
- The market adjustment charge deducted from the cooperative’s independents is to be “equal to, but not greater than such charge which is applied to the cooperative’s member dairy producers”. We suggest that the charge applied to a cooperative’s independents would not be greater than the lowest charge applied to a cooperative’s members. We understand that typically these charges are uniform to all members, but we suggest this just in case the cooperative would decide to charge members various amounts.
- The proposal reads “dealer may deduct...losses incurred”. Board Staff believe this should read “net losses incurred” to also account for any gains which may be realized on bulk sales during this period.

We offer Board Staff Exhibit 1 to show Board Staff's suggestions: first in a marked-up version showing the suggested changes along with the edited language, and then in a cleaned-up version where our suggestions are incorporated.

In summary, were the Board to revise the language of OGO 903-A as requested by DFA/DMA, Board Staff believe that we would be able to enforce it and that it would not require any significant additional work from existing staff.

Thank you.