

PA Milk Marketing Board
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Cooperatives to Add Over Order Premium Amounts to Producer Checks

Upon being appointed to the board in June 2018, Rob Barley and I were constantly being questioned about cooperatives and over order premium (OOP) payments to their members. Jim Van Blarcom confirmed that this had been an issue since his tenure on the board as well.

The issue seemed to be focused on several areas: Some producers did not know if they were receiving any OOP payments, if Pennsylvania OOP payments were going to non-PA producers and whether the board could force coops to pay their producers in the same manner as independent producers pay the farmers from whom they buy milk.

Cooperatives typically pool receipts from their sales of milk and distribute per hundredweight payments among their members. The differences in members' checks will usually result from quality and quantity assessments as well as varying premiums paid for milk components such as butterfat.

The OOP payments to members are made equally on a hundredweight basis by their respective coop; however, the producers did not know how much of their gross milk check consisted of the OOP. There was no provision in the regulations to make certain that producers were informed of OOP payment amounts.

Independent dealer OOP payments to producers are regulated by law and audited by board staff. The law (Section 809) precludes the board from mandating how cooperatives distribute funds to their members for milk sold. The board and staff began a process to change the existing regulations after receiving a petition on January 19, 2019, from Rep. John Lawrence and board approval for a hearing on the issue.

The hearing was approved during its regular Sunshine Meeting held on February 4th, with the hearing scheduled for May 1, 2019. During the hearing testimony was heard from cooperatives, PA Farm Bureau, and the Progressive Agriculture Organization. Prepared testimony from Rep. Lawrence was also presented.

The process to change an existing regulation is not "speedy," nor is it simple (in process). Our chief counsel must justify why the regulation needs to be changed, including impact on consumers and other industry stakeholders in Pennsylvania. A draft of the regulation changes is posted online for public comment and all the submitted paperwork is thoroughly reviewed by the Independent Regulatory Review Commission (IRRC), who also submit questions and make suggestions to us.

Public comments, IRRC and staff comments were incorporated into a final draft in preparation for submission to IRRC. Unfortunately, the onset of the COVID pandemic seriously delayed the movement forward of this initiative.

I am very pleased that we have just received approval from the IRRC for this regulation change. Once everything is approved by the PA Attorney General's office, the board will vote to publish it in the PA Bulletin, and it will then be official!

This change is just one example how board and staff are trying to listen to issues that exist in today's dairy industry. We want to change what we can within the limitations of our legislated responsibilities. This regulation change provides a level of transparency that we are trying to promote industry-wide and commit to practice in our own everyday work.

PMMB is always available to respond to questions and concerns. I can be reached at 717-210-8244 or by email at chardbarge@pa.gov.