

PA Milk Marketing Board

Part 3 – How PMMB Calculates Minimum Producer (Farm) Prices

There are six PA Milk Marketing Areas, each regulated by a different official general order (OGO) issued by PMMB after hearings. PA's marketing areas ensure that producers not located or selling in a federal order also receive a minimum price for their milk. OGOS establish minimum producer, wholesale and retail prices for each area. Milk Marketing Areas 1 and 4 are also regulated under Federal Milk Marketing Order (FMMO) 1, Area 5 is regulated by FMMO 33, and Areas 2, 3, and 6 are not regulated by any federal order. However, some plants in Areas 2, 3, and 6 are under federal regulations.

- Over Order Premium (OOP): Paid by the hundred weight (cwt) for Class 1 milk produced, processed and sold in Pennsylvania.
- Class 1 Differential: An amount added to the base price as an incentive to move milk from areas of high supply to areas of low supply - often county-specific and depends on delivery location.
- Producer Price Differential (PPD): A payment made to producers that is based on the pool—calculated by subtracting the total value of Class 3 milk sales (used for hard cheeses) from the total value of all milk sales.
- Milk Pool: Monies from sales of all milk is blended or “pooled” and then divided equally among all farmers in a specific area.

PMMB pricing begins with Class 1 (fluid milk) base price established by USDA; the OOP is added where appropriate, currently \$1.00/cwt + a \$0.12 fuel adjustment. Butterfat and skim prices—calculated using the complex formulas presented in Part 2 of this series—and the Class 1 Differential are added in to establish the Pennsylvania Class 1 producer prices for each of the six marketing areas. The milk pools for FMMOs 1 and 33 include payments for butterfat, protein, other milk solids and the PPD.

Pennsylvania dairy producers can expect their monthly milk checks to include most of the following line items for amount received: Butterfat price, Protein price, Other solids price, Producer Price Differential (PPD), Volume premiums, Quality premiums, and the OOP.

Part 4 will look at how the PA Milk Marketing Board generates minimum wholesale and retail milk prices.