

Commonwealth of Pennsylvania

# PENNSYLVANIA MILK MARKETING BOARD

## *FISCAL YEAR REPORT*

*2006 – 2007*

*2007 – 2008*



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**Richard Kriebel, Chairman**  
**Luke Brubaker, Member**  
**Barbara Grumbine, Consumer Member**  
**Keith Bierly, Secretary**

# PENNSYLVANIA MILK MARKETING BOARD

## MISSION STATEMENT

**T**o ensure that Pennsylvania’s dairy industry remains vital, the Milk Marketing Board provides a regulatory environment that facilitates a safe, adequate supply of wholesome milk by providing security for its dairy farmers and milk dealers, while providing an adequate supply of dairy products for our consumers.

**Richard Kriebel, Chairman**  
**Luke F. Brubaker, Member**  
**Barbara A. Grumbine, Consumer Member**  
**Keith Bierly, Secretary**



*Edward G. Rendell, Governor of Pennsylvania*



***On the cover:***

Top – Left to right: Photos of the Kriebel Farm in Benton, PA and Brubaker Farm in Mount Joy, PA.  
Bottom – Left to right: Photos of the Brubaker Farm and Kriebel Farm.

***On the back cover:***

Large photo: 2006 Farm Show  
Other photos: Top (left to right) - Brubaker Farm; Bottom (left to right) – Kriebel Farm, Brubaker Farm



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Commonwealth of Pennsylvania  
Milk Marketing Board

CHAIRMAN

2301 North Cameron Street  
Harrisburg, Pennsylvania 17110-9408  
717-787-4194

July 2008

Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Room 225, Main Capitol  
Harrisburg, PA 17120

Dear Governor Rendell:

I am pleased to present you with the Pennsylvania Milk Marketing Board's Fiscal Year Reports for 2006-2007 and 2007-2008.

Agribusiness remains the number one industry in Pennsylvania, and dairy is the largest segment of that industry. In 2006 and 2007, Pennsylvania's milk cows produced approximately 10.7 billion pounds of milk, representing 5.8% of the nation's milk supply and ranking Pennsylvania the fifth largest milk producing state in the nation. Gross income to Pennsylvania dairy farmers from the marketing of milk was approximately \$1.6 billion in 2006 and \$2.2 billion in 2007. Our dairy producers, processors, and distributors have a huge impact on the Commonwealth's economy. The Pennsylvania dairy industry provides over 40,000 direct and indirect jobs. As such, the Milk Marketing Board has a tremendous responsibility regulating all aspects of the Pennsylvania milk industry—from the farm to the consumer.

My fellow Board members and I do not take this responsibility lightly. We are confident that Pennsylvania will remain among the nation's leading dairy states, due to our hard-working dairy farmers and the unparalleled number and diversity of our processors and manufacturers. Through the mandates set forth in the Milk Marketing Law, the Milk Marketing Board will continue its vital and stabilizing role, ensuring all segments of the industry receive an equitable price for milk, thus guaranteeing a continual supply of pure and wholesome milk to the citizens of Pennsylvania.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard Kriebel".

Richard Kriebel

# INTRODUCTION

The first Milk Control Law was enacted January 2, 1934, amended April 30, 1935, and replaced April 28, 1937, when the Pennsylvania Milk Control Commission was established as a permanent state government agency. The creation of the Milk Control Commission was an outgrowth of the chaotic marketing conditions existing in the 1930s. During this time prices paid to milk producers fell to one dollar per hundredweight or lower. Home delivered milk was \$.10 per quart. Pricing wars and destructive competitive practices were prevalent in many markets.

Since the original legislation, several amendments and improvements have been made. These changes allow Pennsylvania to manage more effectively the marketing of milk and promote the interests of Pennsylvania consumers. One change occurred in 1966 when the Milk Control Law was amended to establish the Bureau of Consumer Affairs. This Bureau distributes information to the public and responds to consumer inquiries. In 1968 the Law was again amended and re-named the Milk Marketing Law.

In 1985 the General Assembly re-established the Milk Marketing Board (MMB) after conducting an extensive review of its functions pursuant to the Sunset Act. In conjunction with re-establishing the agency, the General Assembly once again made amendments to the Milk Marketing Law.

Today, the MMB is an independent administrative agency designated to create stability in the marketing of milk by giving dairy farmers a fair and equal opportunity to market their milk. Payment for Pennsylvania-produced milk is guaranteed through the bonding of milk dealers and the Milk Producers' Security Fund. The Fund was established by the Milk Producers' Security Act of July 6, 1984. This Act ensures prompt payment to Pennsylvania producers by requiring the establishment of a Security Fund and by requiring milk dealers who purchase Pennsylvania-produced milk to post security, in the form of bonds, with the MMB. Currently, there is more than \$4.2 million in the Security Fund and more than \$156 million in collateral or corporate surety bonds.

The Milk Marketing Law allows farmers and milk dealers a reasonable profit while ensuring Pennsylvania consumers adequate supplies of milk at reasonable prices. The MMB accomplishes this by establishing minimum prices to be paid Pennsylvania farmers for milk, and by establishing minimum wholesale prices and minimum retail prices. Prices are based upon evidence presented by interested parties during public hearings. All factors affecting the production, processing, packaging, delivery, and in-store handling costs of milk are considered.

Pennsylvania is divided into six different milk marketing areas. Each area is regulated by a different official general order. Official general orders (OGOs) are issued by the Board after hearings are conducted at which evidence is presented concerning that particular area. OGOs establish the minimum prices to be paid to farmers for their milk, and establish the minimum wholesale price and minimum retail price in each area. Milk Marketing Areas 1 and 4 are also regulated under Federal Milk Marketing Order 1; Area 5 is regulated by Federal Milk Marketing Order 33; Milk Marketing Areas 2, 3, and 6 are not regulated by any Federal Milk Marketing Orders. However, some plants in Areas 2, 3, and 6 fall under federal regulations. Federal Milk Marketing Orders cover specific geographic areas and can cross state lines; these orders establish minimum prices for all classes of producer milk.

Both the federal government and the MMB monitor and enforce minimum payments to producers. Additionally, Pennsylvania enforces minimum wholesale and minimum retail out-of-store prices. Pennsylvania enforces a state-mandated premium over the announced state and federal minimum price paid to producers. The state-mandated premium is paid to Pennsylvania farmers for milk that is produced, processed, and used as Class I milk (fluid drinking milk) in Pennsylvania. The federal producer price does not consider production and marketing conditions peculiar to Pennsylvania milk marketing areas (severe weather, fuel shortages, etc.). Since its inception in September 1988, the state-mandated premium has resulted in over 467 million additional dollars being paid to Pennsylvania farmers. Pennsylvania Milk Marketing auditors enforce Pennsylvania minimum payments to farmers

through monthly audits of the dealers' books. Minimum retail prices are enforced by the Milk Marketing auditors and examiners who conduct monthly store surveys.

Milk dealers, subdealers, milk haulers, milk testers, and weigher/samplers operating in Pennsylvania are required to be licensed by the MMB. The Milk Marketing Fee Act of 1978 permits the MMB to establish fees for certain licenses and certificates relating to milk marketing. The revenue generated from these fees and from fines is the only funding source for the MMB.

The Pennsylvania Milk Marketing Board is as necessary now as it was in the 1930s. Agribusiness is the number one industry in the Commonwealth, and dairy is the largest segment of this industry.

## Biographies of Members of the Board



*Richard Kriebel, Chairman  
Columbia County*

On April 7, 2008, Governor Edward G. Rendell named Richard Kriebel Chairman of the Pennsylvania Milk Marketing Board.

Mr. Kriebel's interest in the dairy industry began in Montgomery County while working on his grandfather's dairy farm and being surrounded by dairy operations. His dream of owning a dairy farm came to fruition in 1964 when he and his wife, Janet, purchased a farm in Columbia County and began milking nine Guernsey cows. Over the next 30 years, the herd increased to 75 head and the acreage producing corn, alfalfa hay and green beans grew to 550 acres. The farm was named a Dairy of Distinction in 1992.

During this time, Mr. Kriebel graduated from the Penn State University/Kellogg Foundation Rural Leadership Program which included travel to Europe and Northern Africa. Richard has been involved in many community and agricultural organizations. He served as a member and Chairman of the Columbia County Planning Commission, a member of the PA Junior Dairy Show Committee, for



*Richard Kriebel's Farm*

20 years served as Columbia County 4-H Administrative Leader and for many years served on the Board of Directors of AgChoice Farm Credit and AgFirst Farm Credit Bank of Columbia, S.C. Currently, he serves as a member on the Finance and Personnel Committees of the Northern Columbia County Cultural & Community Center.

Mr. Kriebel continues to reside on part of the farm in Benton with his wife, Janet. They have four children—Faith, Scott, Wendy and Kristen, and five grandchildren. He and his wife worship at the Benton Christian Church (Disciples of Christ) where they serve as elders.



*Richard Kriebel's Farm*

**Q. "What positive impact do you believe the PMMB has had on the Pennsylvania dairy industry over the past decade?"**

I believe the Pennsylvania Milk Marketing Board has a positive impact in a three-fold manner:

- Protecting the Dairyman/Producer through the Bonding and Security Fund and providing over-order premiums tied to input costs and marketing conditions;
- Updating the Processor/Handlers' costs, plus profit pricing mechanisms; and
- Retailers have the opportunity to provide consumers with a wholesome, reasonably priced product that has stimulated a strong dairy infrastructure supporting agriculture, the number one industry in the Commonwealth of Pennsylvania. - *Richard Kriebel*

## Biographies of Members of the Board (continued)

### *Luke Brubaker, Member Lancaster County*

Mr. Brubaker was first appointed to the Board by Governor Thomas J. Ridge in 1997; he was re-appointed by Governor Edward G. Rendell and unanimously confirmed by the State Senate in September 2003.

Mr. Brubaker is a dairy farmer with 30 years of experience in the Pennsylvania dairy industry. With his two sons, he manages a 1,000 acre dairy agri-business partnership. He has been Chairman of Lancaster Farm Service Agency since 1996 and a participating farmer in the Chesapeake Bay Program. Mr. Brubaker is also past president of the Lancaster County Farm and Home Foundation.



Mr. Brubaker was a member of the East Donegal Planning Commission from 1986 to 1992 and was Chairman of the East Donegal Board of Supervisors from 1993 to 1997. He is Chairman of Environmental Coordinators for Lancaster, Lebanon, York, Dauphin, and Berks Counties in conjunction with the Department of Environmental Protection and the Pennsylvania Farm Bureau, past member of Board of Trustees of the Lancaster County Farmland Trust and winner of the 2001 Pennsylvania Dairy Stakeholders Pacesetters Award. He has also been the recipient of the Dairy of Distinction Award. In 1999 Brubaker Farms was awarded the National Environmental Stewardship Award in recognition of production and practices and concern for community and in 2002 completed the Pennsylvania Environmental Agricultural Conservation Certification of Excellence (PEACCE) Program. Mr. Brubaker also received the Country Folks 2005 Keystone Farmer of the Year for the Mid-Atlantic States for Ag Production, leadership and community involvement. In 2008, Brubaker Farms received the Mid-Atlantic Master Farmer Award.



*Luke Brubaker's Methane Digester*

Internationally, as a member of an economic development team, Mr. Brubaker assisted in developing small businesses in Bolivia. In 1997, 1998, and 2001, he served as an ambassador to the Russian Republic and Ukraine for dairy management, nutrition, marketing, and overall expertise for the Citizens Network for Foreign Affairs. In 2007, Mr. Brubaker was invited to Morocco by invitation of Royal Government on the Dairy Heifers interest and conference on ag issues.

Mr. Brubaker and his wife Barbara reside in Mount Joy, Lancaster County. They have three children – Cindy, Mike and Tony, and ten grandchildren. Mr. and Mrs. Brubaker are active members of the Mount Joy Mennonite Church.

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#### *Q. "What positive impact do you believe the PMMB has had on the Pennsylvania dairy industry over the past decade?"*

When I was in a Turkey Hill Minit-Mart talking to the cashier, I said, "Since this is the last day of September, a gallon of 2% milk will be ten to twenty cents a gallon less October 1", not being exactly sure of the price without looking at the new price sheets. She then said, "Well then gas might go down too", and it did. The point I am trying to make is when I hear consumers say milk prices never change, that is not true. With the great system we have in Pennsylvania with the Milk Marketing Board, milk in most stores follow our state minimum price. The price of milk in the store follows the price the farmers receive. I am glad to be part of a Board that looks out for the farmer, processor, retailer and consumer. Among its many responsibilities, the Pennsylvania Milk Marketing Board makes balanced decisions, ones which consider all parties interested in the vitality of Pennsylvania's dairy industry. - *Luke Brubaker*

## Biographies of Members of the Board (continued)



*Barbara Grumbine, Consumer Member  
Lebanon County*

Mrs. Grumbine was appointed to the Board by Governor Thomas J. Ridge and was unanimously confirmed by the Pennsylvania Senate on May 22, 2001. Barb was reappointed to the Milk Marketing Board by Governor Edward G. Rendell in 2005.

A graduate of Lebanon Catholic High School, she attended West Chester State College and is a licensed realtor. She served in the Bush Administration as Northeast Area Director for the Agriculture Stabilization and Conservation Service, an agency of the USDA. Mrs. Grumbine was the first female area director ever appointed.

She is also an active member of the American and Pennsylvania Farm Bureau, a member of the Myerstown Women's Club, past President of the Lebanon County Society of Farm Women, past Treasurer of Penn's Agri-women/American Agri-women, and past Finance Chairman of the Lebanon County 4-H Development Board. Mrs. Grumbine has also served as Jackson Township Assessor, a member of the Township Election Board, Voting Machine Inspector, and as Judge of Elections. As a member of Frieden's Lutheran Church, she is Chairman of the Social Ministry Team.

Mrs. Grumbine and her husband Dennis reside in Myerstown, Lebanon County. They have two sons – Daryl L. and Darren L., and three grandchildren. With their sons, Mrs. Grumbine and her husband own and operate a cash crop farm.



*Barbara Grumbine  
at Sunshine Meeting*

***Q. “What positive impact do you believe the PMMB has had on the Pennsylvania dairy industry over the past decade?”***

I believe that the Pennsylvania Milk Marketing Board plays a significant role in the pricing of milk in Pennsylvania for the dairy farmers, the processors and the consumers. At the PMMB, we have established an Over-Order Premium on Class I milk, which increases the amount of money paid to the dairy farmers for raw milk. I realize that the price the dairy farmers receive for their product is sometimes insufficient to cover the cost of production. I think that it is unfortunate that the Federal Orders do not establish a higher price for raw milk.

The dairy processors receive some benefits from the orders we establish. These orders help to stabilize the dairy industry by assuring that dairy farmers have an outlet for their milk and that the processors will receive a reasonable profit. By helping to ensure that the dairy processors keep their operations alive, we in turn are helping to make Pennsylvania's economy stronger by providing jobs and tax dollars paid by the processing plants.

I believe that the consumers in Pennsylvania benefit from our minimum wholesale and retail pricing. This is accomplished by providing a quality dairy product for a reasonable price. Minimum prices are published monthly and most of the larger retail outlets sell at the minimum price.

I serve as the Consumer Member on the Board and am a consumer of dairy products along with thousands of other Pennsylvanians. I am a Realtor and deal with consumers on a daily basis. I am aware that most consumers want to purchase items for the lowest price possible, but more importantly they want to make sure that the source of their food is from local farms and markets where possible. They are not opposed to farmers and retailers making a REASONABLE PROFIT in order to ensure an ample supply of quality products whereby ensuring that the Pennsylvania Dairy industry will stay vibrant. – *Barbara Grumbine*

## Biography of Secretary

*Keith Bierly*  
*Secretary*



Keith Bierly was appointed Secretary of the Pennsylvania Milk Marketing Board on April 12, 2004. The Secretary of the Agency is appointed by the Board Members to administer the Milk Marketing Law. He is responsible for the efficient and effective operation of the agency's day-to-day activities. It is the Secretary's responsibility to keep the Board Members informed regarding any activity that could have an effect on the marketing of milk; he is the liaison between the Board Members and the dairy industry.

Mr. Bierly began his government service in 1975 when then Governor Milton Shapp appointed him as a Centre County District Justice. Mr. Bierly was later elected as a Centre County District Justice and served two six-year terms. In 1987, he was elected to the first of four terms as a Centre County Commissioner. Additionally, Mr. Bierly has been a member of many Boards in Centre County which encompassed both the public and private sector. In 2000, Mr. Bierly was elected as a Gore delegate to the Democratic National Convention.

Mr. Bierly received his B. A. Degree in Political Science in 1972 from Lock Haven State University where he was a member of the Phi Kappa Phi Honor Society; he was named a Distinguished Alumnus by his alma mater in 1992. In 1977 Mr. Bierly received his M. A. in Political Science/Constitutional Law from the Pennsylvania State University. He is also a graduate of the Pennsylvania Law Enforcement Academy, and he completed the Senior Executive Management Program at the John F. Kennedy School of Government at Harvard University in 2001. Mr. Bierly has received recognition at the local, state, and national levels for his speeches and opinions dealing with the United States Constitution, its adoption process, and its meaning in the 21<sup>st</sup> century.

Mr. Bierly is married to the former Kimberly Yarnell. They reside in Centre Hall, Pennsylvania, with their three Golden Retrievers – Brandeis, Stratton, and Teddy Bear. When not working, Mr. Bierly enjoys watching college football, college basketball, and he follows the PGA.



### *Message from the Secretary:*

The Pennsylvania Milk Marketing Board staff recognizes the importance of the dairy industry in Pennsylvania. We strive to help create an environment in which all sectors of the industry can realize a reasonable profit. We know just how fortunate we are to be such a vibrant dairy state, and our goal remains to keep dairy the number one component of Pennsylvania's number one industry – agriculture. – *Keith Bierly*

## Senior Staff



***Douglas Eberly***  
*Chief Counsel*

The Milk Marketing Board implements and enforces the Milk Marketing Law and the Milk Producers' Security Act. Additionally, the Board enforces the regulations it promulgates pursuant to statutory authority and the official general orders it issues. In his position as Chief Counsel, Mr. Eberly is responsible for advising the Board Members and staff on issues requiring the application of legal principles, the interpretation of statutes and other mandates, and the observance of proper procedures.

***Tim Moyer***  
*Chief Support Services/  
Staff Advisor to the Board*



Tim Moyer is responsible for Licensing and Bonding, Management Information Services (MIS), and Administrative Services. Support Services is also responsible for the administration of the Milk Producers' Security Fund. Additionally, Support Services is responsible for all personnel actions, information technology processing and enhancements, and all financial operations of the Board. As staff advisor to the Board, Mr. Moyer advises the Board on non-legal issues and represents the Board at industry meetings, legislative hearings, etc., and makes recommendations for Board action based upon information received at these meetings.



***David DeSantis***  
*Enforcement Director*

In his position as Director, Mr. DeSantis is responsible for directing the Milk Marketing Auditors and the Milk Marketing Examiners in enforcing all official general orders, policies of the Board, and compliance with the Milk Marketing Law and Board regulations. The Unit is also responsible for gathering, compiling, and interpreting financial and accounting information used by the Board in hearings and other administrative proceedings; for issuing price announcements, and responding to violations of the minimum retail, wholesale, and farm-level prices issued by the Board.

***John Howard***  
*Staff Attorney*



John advises Board Staff as to interpretations and implementations of the agency's laws and regulations; provides guidance to, and reviews prosecution referrals from the agency's Enforcement Unit; issues citations when appropriate, and prosecutes cases before the Board. He also represents Board Staff at price hearings held before the Board by preparing staff testimony, reviewing and distributing exhibits to interested parties, conducting direct and cross examination, and by preparing post-hearing briefs. John also reviews license applications for compatibility with legal requirements, including bonding requirements, and assists the Chief Counsel in providing advisory and administrative legal services necessary to the agency's operation, including drafting new or amended regulations.

## Senior Staff

(continued)

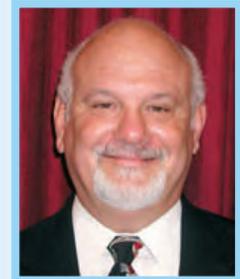


***Dave Weldon***  
*Information Technology*  
*Generalist Administrator*

Dave directs the Management Information Systems section of Support Services. He is responsible for all of the computer hardware and software installation and maintenance, and oversight of computer training. This section is also responsible for entering, maintaining, and securing all data regarding financial audits, monthly reports, and/or surveys for licensed dealers and haulers, as well as all licensing and bonding information contained in the “Milk Accounting and Regulatory System”—an Oracle based program. Dave is also responsible for establishing the security and software standards for the agency.

***Fred Puchany***  
*Audit Supervisor*

Fred is responsible for the daily supervision and direction of Milk Marketing Auditors and Milk Marketing Examiners in Milk Marketing Areas 5 (Western Pennsylvania) and 6 (West Central Pennsylvania).



***Gary Gojsovich***  
*Audit Supervisor*

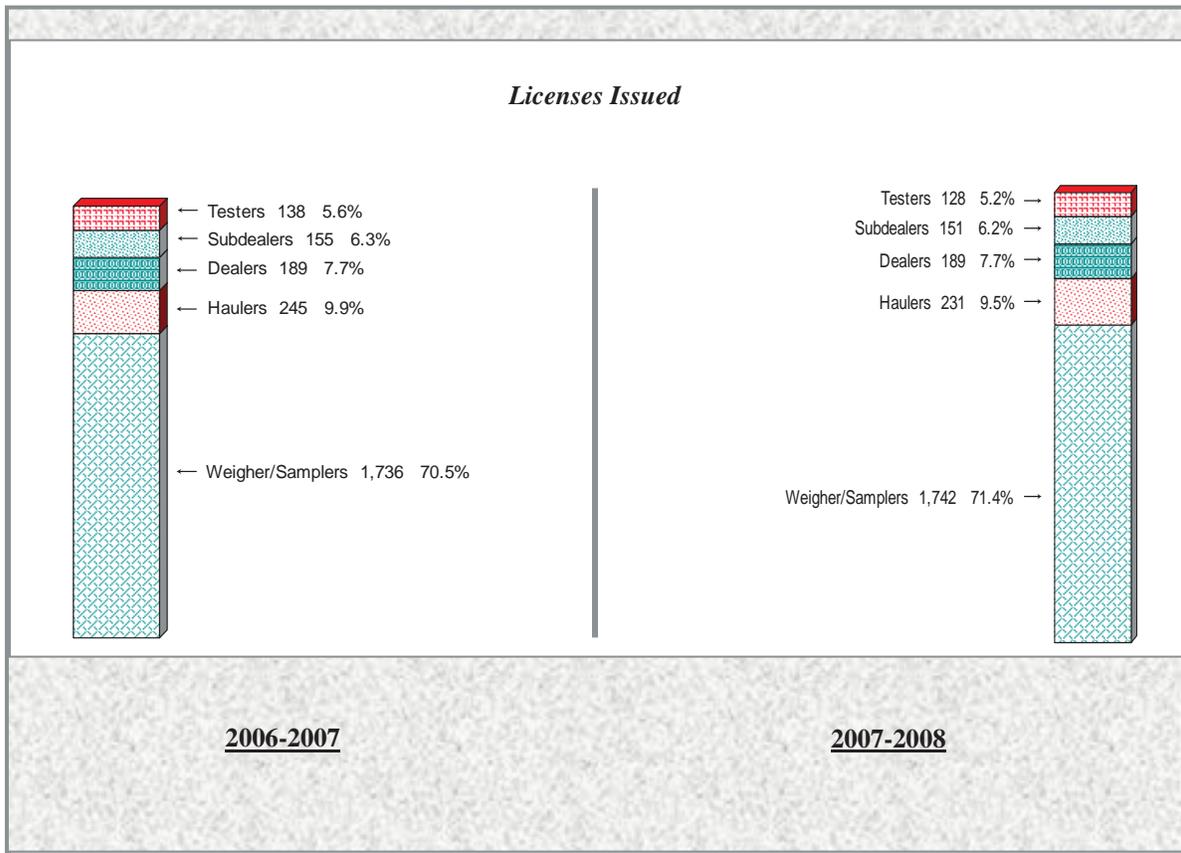
Gary is responsible for the daily supervision and direction of Milk Marketing Auditors and Examiners in Milk Marketing Areas 1 (Southeastern Pennsylvania), 2 (East Central Pennsylvania), 3 (Northeastern Pennsylvania), and 4 (South Central Pennsylvania).

## Fiscal Years 2006-2007 and 2007-2008 In Review

The Milk Marketing Law is administered by a 3-member Board. Each member is appointed by the Governor with the advice and consent of a majority of the State Senate. The Governor appoints one member as chairman, and another member to represent consumer interests. On April 7, 2008, Governor Rendell named Richard Kriebel Chairman of the Board. The Board members appoint a secretary who is responsible for the administration and daily operation of the Agency. On April 12, 2004, the Board members appointed Keith Bierly as Secretary of the Milk Marketing Board.

Funding for the Milk Marketing Board is derived from license fees and fines. No tax monies from the Commonwealth's General Fund are appropriated to the Milk Marketing Board.

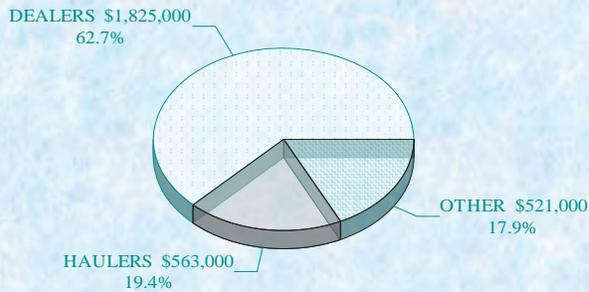
During the 2006-2007 and 2007-2008 Fiscal Years, the Board issued 4,904 licenses. Weigher/samplers comprised the largest group of licenses with 3,478 (71%) certificates being issued. The remaining (29%) were distributed among milk dealers, subdealers, testers, and haulers. (See illustrations below).



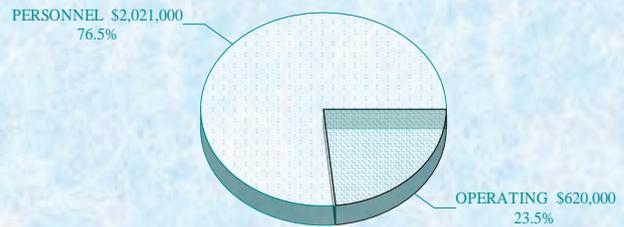
Fiscal Years  
 2006-2007/2007-2008  
 In Review  
 (continued)

Dealer and hauler license fees accounted for 68.6% of the 2006-2007 receipts and 70.5% of the 2007-2008 receipts received by the Board. The remaining receipts were generated from tester and weigher/sampler certificates, fines, refunds, and interest payments. (See illustrations below)

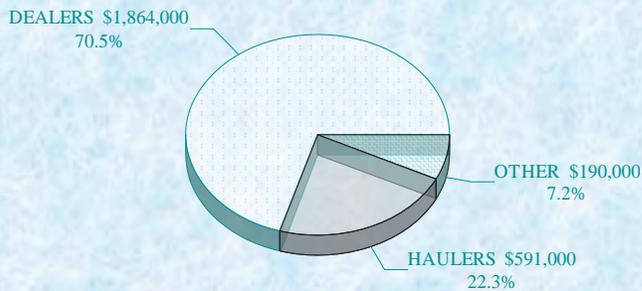
**06-07 Receipts**



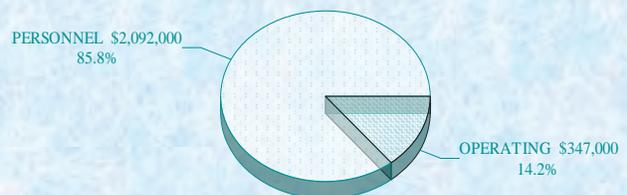
**06-07 Disbursements**



**07-08 Receipts**



**07-08 Disbursements**



## Field Staff Activities

To ensure that Pennsylvania dairy farmers are being paid promptly and properly, the Board's field staff is kept quite busy. One of the most important aspects of the Board's enforcement activities centers on dairy farmers or producers. Dairies and milk manufacturing facilities that purchase milk from producers pay for the milk based on components (fat, protein, and non-fat milk solids) in the milk. Milk truck drivers or weigher/samplers as we know them in Pennsylvania take samples from bulk tanks at the farm at the time of milk pickup. Board Milk Examiners monitor weigher/sampler pickup procedures at the farm and test samples in the Board's offices in Harrisburg. Examiners make sure the weigher/samplers follow proper procedures to ensure that the milk is not contaminated and to assure that dairies pay dairy farmers correctly.

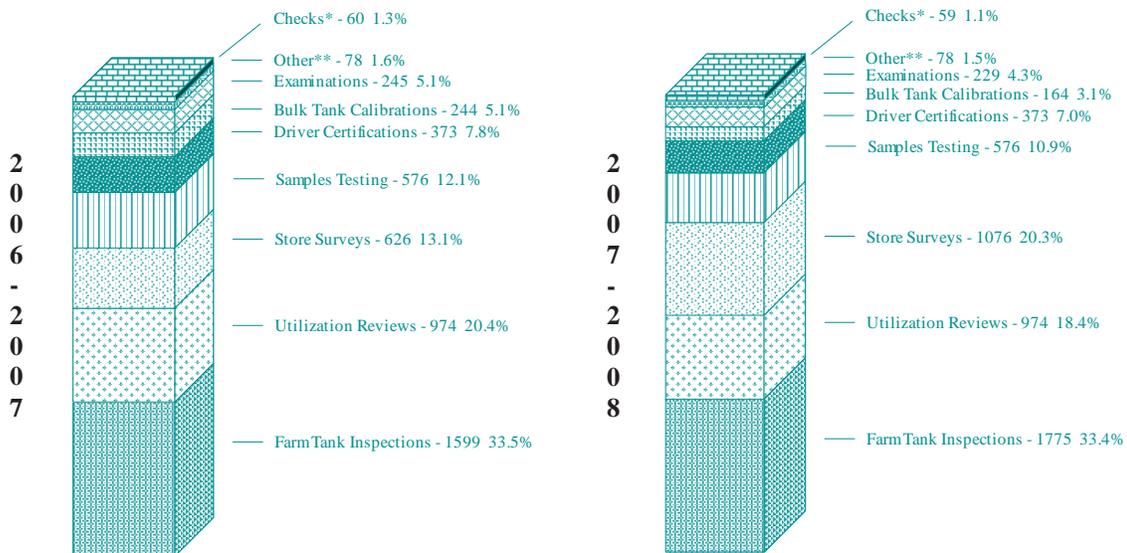


*Jon Dadigan, Special Investigator, demonstrates milk testing procedures*

The Board uses electronic testing equipment to determine the component levels of milk. If a Pennsylvania dairy farmer is concerned about his fat, protein, or solids test results, the Board uses *Milk-O-Scan* testing equipment to verify the sample tests. The Board calibrates the equipment using official samples received from the United States Department of Agriculture (USDA) laboratories. Periodically, the Board requires independent laboratories throughout the state to test these USDA samples to ensure that the industry testing results match the official results.

The Auditors of the Milk Marketing Board are responsible for financial audits, wholesale audits, monthly utilization reviews, and several other activities. (See illustrations below). The Enforcement Division compiles the results of the financial audits for presentation to the Board at public hearings to adjust wholesale and retail prices. The Board holds hearings to adjust the minimum resale prices on an annual basis for each of the six milk marketing areas in the state.

### Field Assignments Completed



\* Checks include bulk tank checks, bulk tank driver checks, and bill of lading checks.

\*\* Other includes dealer & producer interviews, wholesale audits, financial audits, investigations, weighing & sampling reports, and calibration chart inspections.

## Field Staff Activities

*(continued)*

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The Board's field staff is also responsible for conducting milk price surveys within the Commonwealth and in the bordering states of New York, New Jersey and Maryland. Board staff conducted 1,702 price surveys over the past two fiscal years. These surveys show that Pennsylvania's regulated retail out-of-store milk prices are comparable to those in other states with no retail price regulations. This is even more remarkable since surrounding states have no state-mandated producer premiums except for New Jersey whose premium is far lower than Pennsylvania's.

The Board operates a Bulk Milk Tank Calibration program in cooperation with the Pennsylvania Department of Agriculture. The program provides a service to Pennsylvania dairy farmers who want to know if the measuring device for their bulk tank is providing an accurate measurement of their milk. Incorrect calibrations result in incorrect payments to dairy farmers. A member of the Board's staff operates the bulk milk test-unit and responds to requests from dairy farmers for calibration throughout the state. The Board gives priority to newly-installed tanks and responds quickly to all other requests. Four hundred seventy-nine calibrations were completed from July 1, 2006 through June 30, 2008.

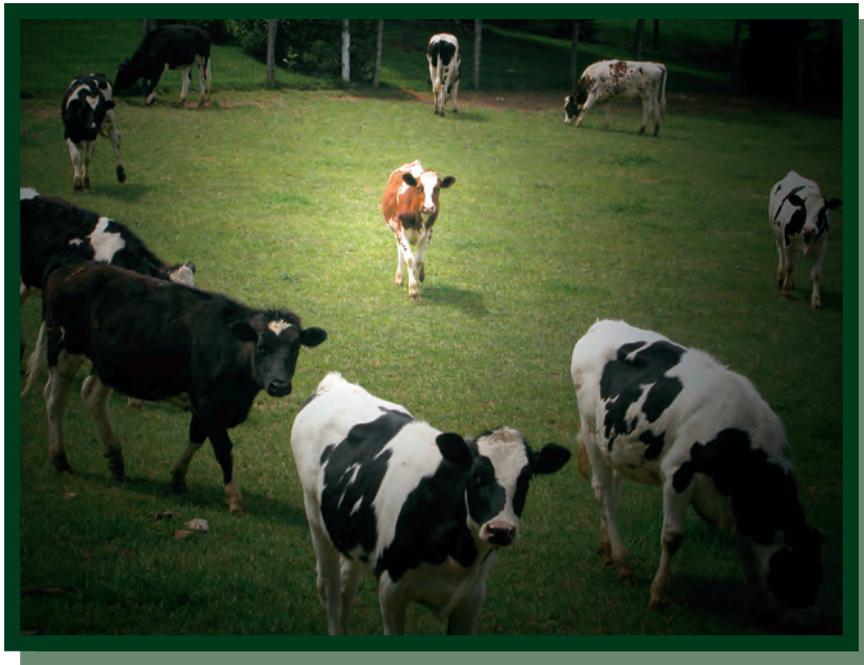


*Duane Noll, Auditor, conducting a monthly utilization review*

## Pennsylvania Dairy Farmers

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**T**rends and cycles in Pennsylvania milk production continue to match, but generally outperform, those for the entire United States. The number of dairy farms in Pennsylvania declined from 8,700 in 2006 to 8,400 in 2007, a decline of 3.4%. During the same period, the number of dairy farms in the entire United States fell 4.6%. Pennsylvania dairy farmers continue to become more efficient – despite the decline in dairy farm numbers, total milk production in Pennsylvania increased from 10.5 billion pounds in fiscal year 2005-06 to 10.7 billion pounds in fiscal year 2007-08.



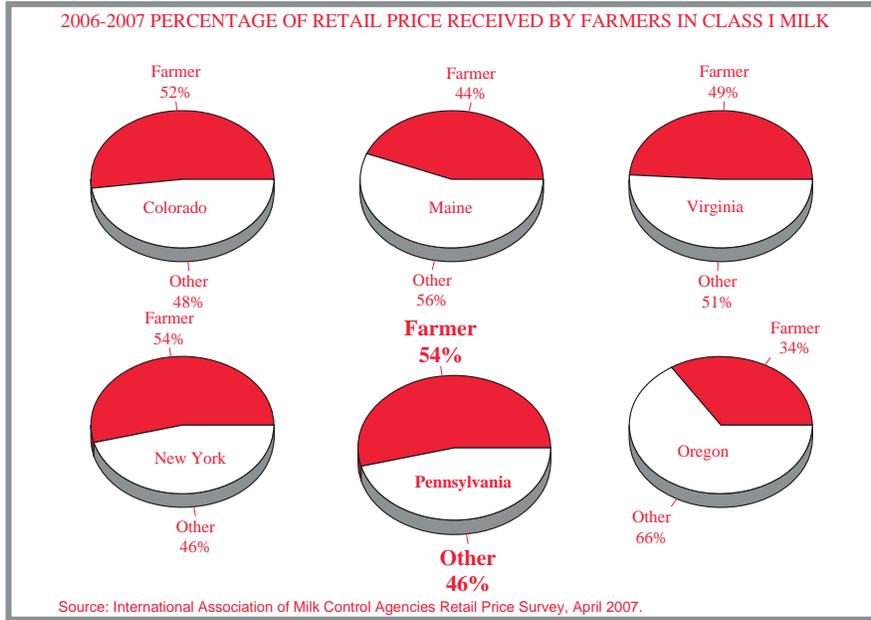
Class I milk prices in 2006 fell to \$16.00 per hundredweight, their lowest level since 2003. However, increasing demand and lower supply drove a price recovery in early 2007 that continued through the entire year. As a result, the 2007-08 fiscal year saw the highest average Class I price in history of \$25.30 per hundredweight. Class I prices include the Board-established over-order premium and a fuel adjuster premium. The July 2006 over-order premium of \$1.60 per hundredweight rose and fell as the Board responded to market conditions, settling at \$2.15 per hundredweight in June 2008. The fuel adjuster premium, which fluctuates monthly in response to the price of diesel fuel, remained relatively stable at around \$0.47 per hundredweight until late 2007, when fuel prices began increasing at a rapid rate, resulting in a June 2008 fuel adjuster premium of \$0.86 per hundredweight. These Board-established premiums generated over \$80 million for Pennsylvania dairy farmers in fiscal years 2006-07 and 2007-08.

# Pennsylvania Dairy Farmers

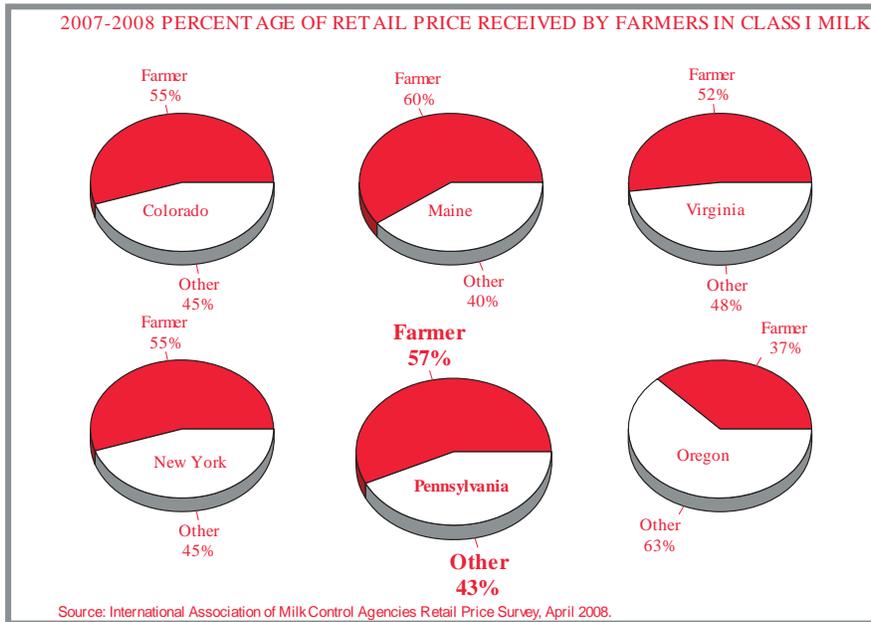
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The Board's regulation of minimum producer, wholesale, and retail prices results in Pennsylvania dairy farmers receiving a high percentage of the retail price. (See illustrations below).

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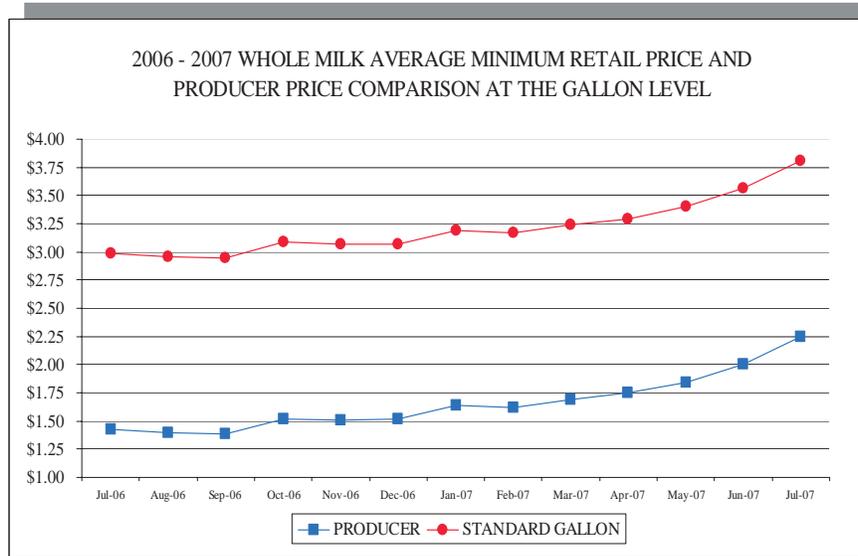


# Pennsylvania Dairy Farmers

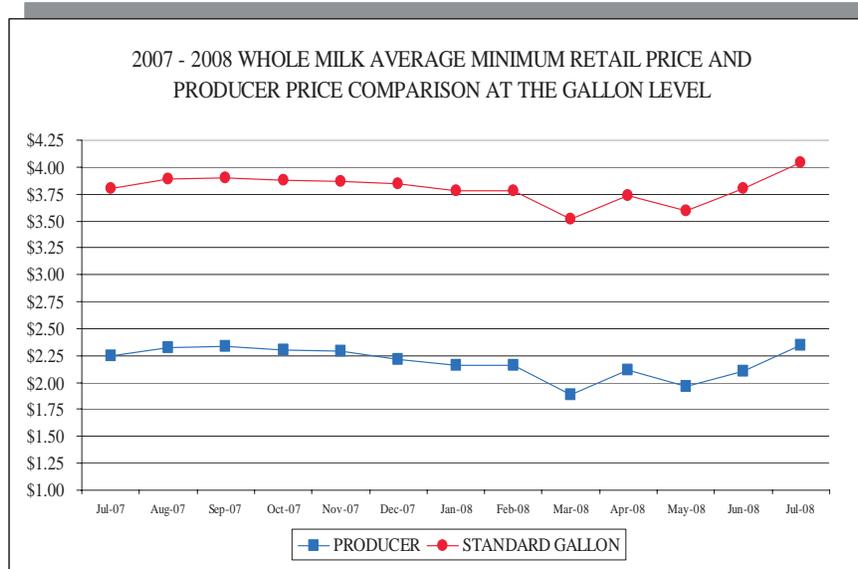
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Because the retail out-of-store price is based upon the price paid to the dairy farmer (including the state-mandated premium), there is a direct correlation between the producer price and the out-of-store price. When the producer price drops, the out-of-store price will be lower. When the farm price goes up, the retail out-of-store price increases. (See illustrations below).

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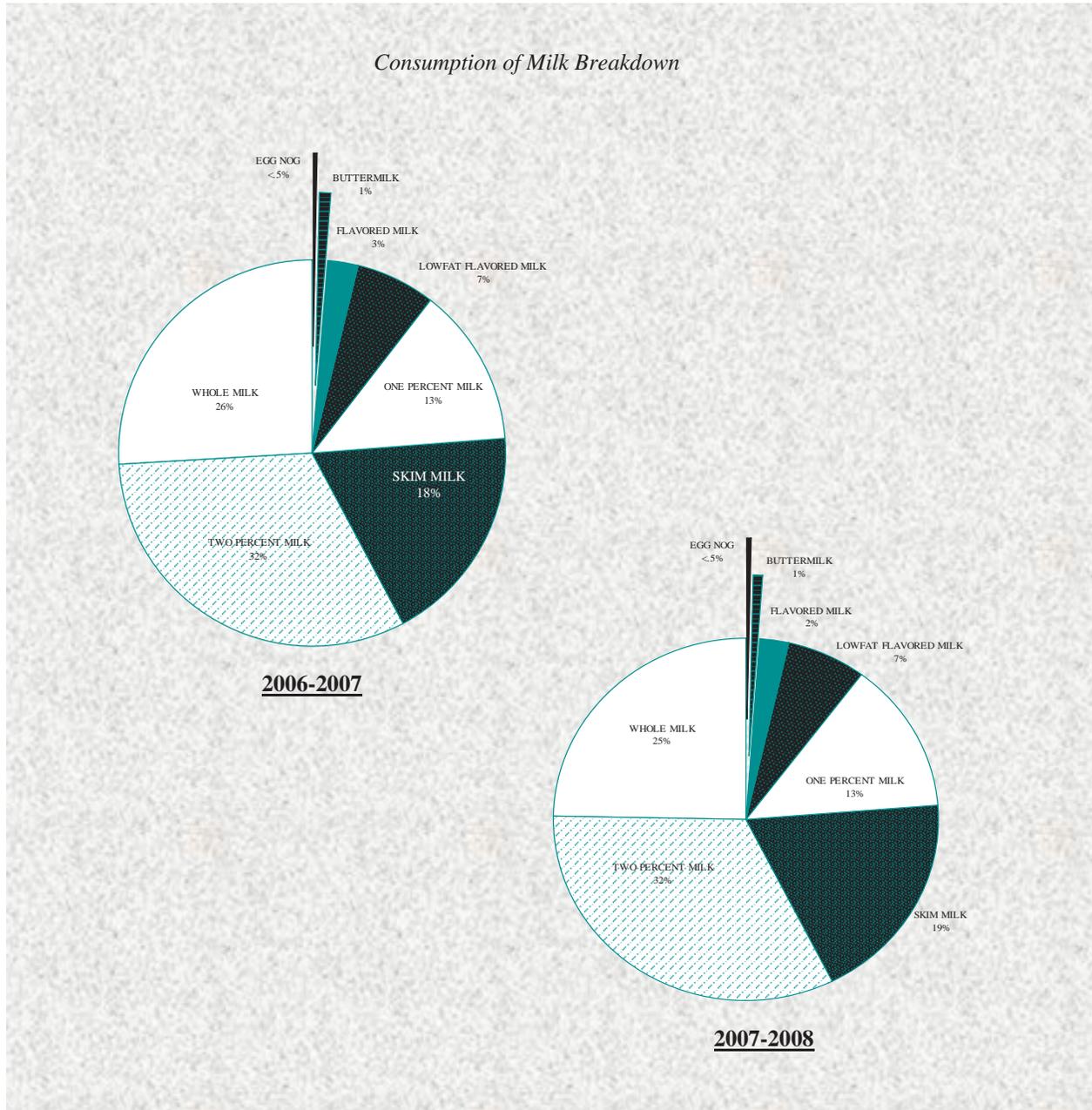
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# Pennsylvania Dairy Farmers

(continued)

During the 2006-2007 Fiscal Year, Reduced Fat Milk (2%) was the most popular variety sold in Pennsylvania accounting for 32% of milk sold. Whole milk accounted for one quarter of the volume. In 2007-2008, overall packaged milk consumption declined by 1.5%. Reduced Fat Milk maintained its dominance as the most consumed type. Other varieties saw little change except for whole milk and buttermilk whose sales declined by 6% and 19% respectively. Even with whole milk's decline, it remains the second most popular variety of milk. (See illustrations below).



## Staff Attorney Citations

### Total Number of Citations Issued:

July 1, 2006 through June 30, 2007:	34
July 1, 2007 through June 30, 2008:	23

### Breakdown by Type:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>Total</u>
Late filing of milk hauler's monthly report	3	14	17
Hauling milk without renewing license	13		13
Sales below minimum wholesale	4	3	7
Bond claim against subdealer for failure to pay dealer	1	1	2
Late payment to producers	2	3	5
Underpayment to producers	1		1
Failure to file bond by license renewal deadline	3		3
Dealer late filing of annual financial statement	3	1	4
Improper sampling procedures	3		3
Intent to deceive/defraud consumers	1		1
Received discount in violation of license stipulation		<u>1</u>	<u>1</u>
Totals:	<u>34</u>	<u>23</u>	<u>57</u>

### Disposition:

Settled by consent order	27	15	42
Hearings before the Board	2	1	3
Administratively dismissed	5	4	9
Pending as of June 30, 2008	<u>0</u>	<u>3</u>	<u>3</u>
Totals:	<u>34</u>	<u>23</u>	<u>57</u>

### Results of Hearings before the Board:

Two of the citations issued during the 2006-2007 fiscal year resulted in hearings before the Board. A dealer was cited for failure to make payment for milk purchased from a milk producer's cooperative; the Board ordered that the dealer could purchase or acquire milk only on a cash-on-delivery basis. A business operating as a subdealer submitted a subdealer's license renewal application but did not file a bond with the application as required by law. The applicant was cited and ordered to show cause why its license should be issued. The Board found that the applicant had not filed a bond with its application and therefore denied the subdealer license application.

A milk dealer was cited during the 2007-2008 fiscal year for late payments to a milk producer's cooperative. The Board ordered that the dealer become current in its payments or face a hearing to show why its license should not be revoked.

### Bond Claims:

One subdealer was cited during the 2006-2007 fiscal year and another subdealer was cited during the 2007-2008 fiscal year for failure to make payment for milk purchased from dealers. Both citations were settled without hearings by means of consent orders in which the defendants admitted the violations and allowed the Board to claim on their subdealers' corporate surety bonds.

## Chief Counsel *Price-Related Hearings*

**D**uring the 2006-2007 and 2007-2008 fiscal years, the Board conducted 24 price-related hearings. This continues a trend of industry participants requesting more frequent hearings to address rapidly changing circumstances in Pennsylvania's milk markets. In contrast to federal milk marketing orders which can take years to issue, the Board is able to respond to petitions, hold hearings, and issue orders in as little as two months. The members of the Pennsylvania dairy industry regularly commend the Board for the speed and efficiency with which it addresses changes in Pennsylvania's milk markets. In addition to the numerous hearings which the Board held to address unanticipated changes in Pennsylvania's milk markets, the Board also held regularly scheduled annual cost replacement hearings for each of the six Milk Marketing Areas and regularly scheduled hearings to consider the level of the Class I over-order premium paid to Pennsylvania dairy producers.

The Board also conducted two hearings regarding expanding the scope of Pennsylvania's over-order premium. Since its inception in 1988, the over-order premium has been paid to Pennsylvania producers for Class I milk produced, processed, and sold in Pennsylvania. In 2006 Governor Rendell, Pennsylvania Secretary of Agriculture Dennis Wolff, a group of dairy producer cooperatives, and the Pennsylvania Farm Bureau petitioned the Board to expand the scope of the over-order premium. The seven days of hearings were held at the same time that New Jersey was considering implementing a mandated Class I producer premium. However, by the conclusion of the Board's hearing, New Jersey had not finalized its Class I producer premium program. Therefore, the petitioners recommended that the Board hold another hearing to determine what premium would be appropriate to apply to Pennsylvania produced and processed milk sold in New Jersey (the only state with a mandated Class I producer premium where Pennsylvania processed milk is sold). The Board accepted this recommendation and essentially ordered that another hearing be held to determine what level of premium, if any, should be paid to Pennsylvania producers for milk produced and processed in Pennsylvania and sold in New Jersey.

The second hearing regarding expanding the scope of the over-order premium has concluded and is awaiting a decision by the Board. In the meantime, New Jersey established a producer premium program with significant differences from Pennsylvania's. However, part of New Jersey's program provided for a fuel adjuster to the over-order premium that is calculated essentially the same as Pennsylvania's over-order premium fuel adjuster. In the second hearing, the petitioners requested only that the Board establish a Class I over-order premium for Pennsylvania produced and processed milk sold in New Jersey equal to Pennsylvania's fuel adjuster premium, which changes monthly based on changes in diesel fuel costs.



*Board  
at  
Sunshine Meetings  
and Hearings.*

**PENNSYLVANIA MILK MARKETING BOARD**  
**OVER-ORDER PREMIUM EFFECT**  
**SEPTEMBER 1988 THROUGH JUNE 2008**

OGO	HEARING CALL	PERIOD		MONTHS	AVE. MONTHLY		
					RATE	POUNDS	AMOUNT
For Specific Information On Years Prior To 2003, Please Contact The Board					Amount Generated		\$279,345,577
A-918	Adverse Conditions	01/01/03	THROUGH 02/28/03	2	\$1.50	156,246,364	\$4,687,391
A-920	Adverse Conditions	03/01/03	THROUGH 06/30/03	4	\$1.40	144,993,658	\$8,119,645
A-922	Increased Fuel Costs	04/01/03	THROUGH 06/30/03	3	\$0.15	144,726,513	\$651,269
A-923	Market Conditions	07/01/03	THROUGH 12/31/03	6	\$1.65	145,827,416	\$14,436,914
A-924	Market Conditions	01/01/04	THROUGH 06/30/04	6	\$1.65	143,365,719	\$14,193,206
A-927	Increased Fuel Costs	07/01/04	THROUGH 08/31/04	2	\$0.10	144,894,380	\$289,789
A-927	Increased Fuel Costs	09/01/04	THROUGH 09/30/04	1	\$0.14	145,304,352	\$203,426
A-929	Market Conditions	07/01/04	THROUGH 09/30/04	3	\$1.30	145,926,762	\$5,691,144
A-927	Increased Fuel Costs	10/01/04	THROUGH 11/30/04	2	\$0.17	154,975,372	\$526,916
A-927	Increased Fuel Costs	12/01/04	THROUGH 01/31/05	2	\$0.26	158,665,717	\$825,062
A-927	Increased Fuel Costs	02/01/05	THROUGH 04/30/05	3	\$0.23	149,101,147	\$1,028,798
A-927	Increased Fuel Costs	05/01/05	THROUGH 07/31/05	3	\$0.29	140,645,603	\$1,223,617
A-927	Increased Fuel Costs	08/01/05	THROUGH 08/31/05	1	\$0.32	148,943,197	\$476,618
A-927	Increased Fuel Costs	09/01/05	THROUGH 10/31/05	2	\$0.35	157,412,395	\$1,101,887
A-927	Increased Fuel Costs	11/01/05	THROUGH 12/31/05	2	\$0.47	162,439,380	\$1,526,930
A-927	Increased Fuel Costs	01/01/06	THROUGH 01/31/06	1	\$0.38	161,189,850	\$612,521
A-927	Increased Fuel Costs	02/01/06	THROUGH 02/28/06	1	\$0.35	147,615,487	\$516,654
A-927	Increased Fuel Costs	03/01/06	THROUGH 03/31/06	1	\$0.38	166,283,705	\$631,878
A-927	Increased Fuel Costs	04/01/06	THROUGH 04/30/06	1	\$0.35	143,947,016	\$503,815
A-927	Increased Fuel Costs	05/01/06	THROUGH 05/31/06	1	\$0.38	156,597,737	\$595,071
A-927	Increased Fuel Costs	06/01/06	THROUGH 06/30/06	1	\$0.44	142,779,936	\$628,232
A-927	Increased Fuel Costs	07/01/06	THROUGH 09/30/06	3	\$0.47	149,063,838	\$2,101,800
A-927	Increased Fuel Costs	10/01/06	THROUGH 10/31/06	1	\$0.50	162,407,843	\$812,039
A-927	Increased Fuel Costs	11/01/06	THROUGH 11/30/06	1	\$0.44	159,449,760	\$701,579
A-927	Increased Fuel Costs	12/01/06	THROUGH 01/31/07	2	\$0.38	162,169,129	\$1,232,485
A-927	Increased Fuel Costs	02/01/07	THROUGH 02/28/07	1	\$0.41	148,036,866	\$606,951
A-927	Increased Fuel Costs	03/01/07	THROUGH 04/30/07	2	\$0.35	154,382,401	\$1,080,677
A-927	Increased Fuel Costs	05/01/07	THROUGH 05/31/07	1	\$0.41	152,810,161	\$626,522
A-927	Increased Fuel Costs	06/01/07	THROUGH 08/31/07	3	\$0.44	142,898,626	\$1,886,262
A-927	Increased Fuel Costs	09/01/07	THROUGH 10/31/07	2	\$0.47	155,808,173	\$1,464,597
A-927	Increased Fuel Costs	11/01/07	THROUGH 11/30/07	1	\$0.50	161,530,918	\$807,655
A-927	Increased Fuel Costs	12/01/07	THROUGH 12/31/07	1	\$0.53	159,114,895	\$843,309
A-927	Increased Fuel Costs	01/01/08	THROUGH 02/29/08	2	\$0.65	155,971,394	\$2,027,628
A-927	Increased Fuel Costs	03/01/08	THROUGH 03/31/08	1	\$0.62	155,505,816	\$964,136
A-927	Increased Fuel Costs	04/01/08	THROUGH 04/30/08	1	\$0.65	149,787,255	\$973,617
A-927	Increased Fuel Costs	05/01/08	THROUGH 05/31/08	1	\$0.80	157,243,648	\$1,257,949
A-927	Increased Fuel Costs	06/01/08	THROUGH 06/30/08	1	\$0.86	132,523,981	\$1,139,706
A-931	Market Conditions	10/01/04	THROUGH 12/31/04	3	\$1.55	156,854,893	\$7,293,753
A-932	Market Conditions	01/01/05	THROUGH 06/30/05	6	\$1.55	148,303,123	\$13,792,190
A-933	Market Conditions	07/01/05	THROUGH 12/31/05	6	\$1.55	154,130,959	\$14,334,179
A-935	Market Conditions	01/01/06	THROUGH 06/30/06	6	\$1.55	153,068,955	\$14,235,413
A-938	Market Conditions	07/01/06	THROUGH 12/31/06	6	\$1.60	154,783,370	\$14,859,203
A-941	Market Conditions	01/01/07	THROUGH 06/30/07	6	\$1.85	152,069,338	\$16,879,696
A-944	Market Conditions	07/01/07	THROUGH 11/30/07	5	\$1.60	152,745,220	\$12,219,618
A-947	Market Conditions	12/01/07	THROUGH 03/31/08	4	\$1.35	156,640,875	\$8,458,607
A-950	Market Conditions	04/01/07	THROUGH 06/30/08	3	\$2.15	146,518,295	\$9,450,430
					TOTAL		\$467,866,363

## Employee of the Year 2006 and 2007

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Joyce Detweiler has been employed by the Commonwealth of Pennsylvania for 11 years. She began her state government service in the PP&R Comptroller's Office as Secretary to the Chief of the Document & Review Division and then as a Fiscal Assistant before coming to the Milk Marketing Board. Joyce Detweiler joined the Milk Marketing Board's staff in 2000 as a Fiscal Technician. Her many and varied duties include reviewing and analyzing budget reports, making budget recommendations, and producing monthly financial reports for the Board. As Fiscal Technician, her role encompasses accounts payable and receivable, procurement--handling all purchasing for the agency, coordinating the agency's purchasing card program and overseeing and reallocating the expenses of this program. Further, Joyce acts as the Automotive Officer, maintaining a fleet of vehicles for the agency. In her extensive role, Ms. Detweiler also is the agency's Telecommunications Officer, Training Officer, and Timekeeper.



2006  
*Employee of the Year*

Ms. Detweiler's 16 plus years of federal government service include her active duty in the U.S. Air Force as a Bioenvironmental Engineering Technician and a shift supervisor at Andrews AFB Telecommunications Center.

She is married and the mother of three children: Crystal, Joey, and Laura. She is active in her church and enjoys playing tennis, listening to music, playing board and trivia games, and especially enjoys spending time with her family.



Debbie Laudenslager has been employed by the Commonwealth of Pennsylvania for 14 years. Debbie started her career with Health and Welfare, State Police, and the Department of Transportation. Since 1997 she has been employed with the Milk Marketing Board. As Clerk Typist 3, Debbie performs various duties for the agency including data entry using our Milk Accounting and Regulatory System. In addition, Ms. Laudenslager serves as the receptionist for the agency, as well as administers the testing for weighers/samplers. As part of the MMB's participation in the Annual Farm Show, you will sometimes catch Debbie donning her "Cow" costume—a special treat for the children.



2007  
*Employee of the Year*

Debbie grew up as a helper on her grandmother's farm in Carsonville, PA. She is a 1976 graduate of Upper Dauphin Area School District.

Debbie and her husband, Terry, reside in Halifax, Dauphin County and are parents of three sons, Scott, Gregory, and Jeffrey. She enjoys camping, cross-stitching, needlework, painting, and wood crafts. Ms. Laudenslager is a member of the St. James Independent Church of Carsonville.

Boyd E. Wolff  
(Former) Chairman of the Board  
Fiscal Years  
2006-2007 – 2007-2008



*Boyd Wolff*  
*Dauphin County*

On April 25, 2003, Governor Edward G. Rendell named Mr. Boyd Wolff Chairman of the Pennsylvania Milk Marketing Board. Mr. Wolff served as Chairman until April 2, 2008.

Mr. Wolff brought a lifetime of dairy experience to the Pennsylvania Milk Marketing Board. He was born and raised on a dairy farm in Westmoreland County. Mr. Wolff graduated from Penn State in 1953 with a B.S. Degree in Dairy Husbandry after which he returned to his home farm. Over the next three decades, he expanded his farm to 410 acres and 100 cows. He received numerous awards including the “Master Farmer Award” and the “Distinguished Service to Agriculture Award.”

From 1987 to 1995 Mr. Wolff served as the Pennsylvania Secretary of Agriculture where he continued his advocacy for agriculture by creating several new programs which included Pennsylvania’s Farm Land Preservation Program; the Animal Health Commission; and the Pennsylvania Diagnostic Laboratory System which enabled the Department, Penn State, and the University of Pennsylvania to share laboratory resources. As Secretary, Mr. Wolff also secured funding for the Department’s new laboratory, spearheaded legislation allowing Pennsylvania’s dairy and other commodity producers to work together to promote their products, and worked with dairy processors for regulations to extend the shelf life of milk. Mr. Wolff also served as a member of the State Ethics Commission. He served on the Penn State Board of Trustees and has received the “Distinguished Alumnus Award”. He continues to serve the University as an Emeritus Trustee. Mr. Wolff is also active on the Board of 10,000 Friends of Pennsylvania and the South Central Assembly for Effective Governance.



*Boyd Wolff's Farm*

Traveling abroad, Mr. Wolff completed 14 overseas projects for the United States Agency for International Development (USAID). Four were in Russia; two each in Moldavia, Ukraine, and Zimbabwe; and one each in Poland, Venezuela, Macedonia, and Ethiopia. He helped farmers understand and develop cooperatives to secure supplies and market their products. In Ukraine he helped dairy processors form an organization similar to the Pennsylvania Association of Milk Dealers.



*A Departing Gift for Boyd Wolff*

Mr. Wolff remains active in many agricultural and community organizations and his church. He continues to reside in Harrisburg with his wife, the former Margaret A. Garvis.

# Careers in Agriculture

## Follow the Milk



The Pennsylvania Milk Marketing Board is proud to present two educational videos.

The first, *Follow the Milk*, is an educational video that follows milk from the cow pasture to the ice cream cone. Produced by C-Net, the Centre County Government and Educational Access Channel, the video focuses on the path of milk and narrates the duties of the Pennsylvania Milk Marketing Board. Follow the Milk is geared towards all ages, children and adults alike. The 13-minute video is available through the Pennsylvania Milk Marketing Board and includes correlating lesson plans for grades K-12. This venture was sponsored by the Centre County Commissioners to educate the public about the dairy industry in Pennsylvania.

This video can be viewed on the Pennsylvania Milk Marketing Board website, [www.mmb.state.pa.us](http://www.mmb.state.pa.us), or on the Pennsylvania Department of Agriculture's [www.marketplaceforthemind.com](http://www.marketplaceforthemind.com).

The second video, also produced by C-Net, *Careers in Agriculture – A Wide Open Field to Explore*, is a 30-minute presentation regarding potential occupations in agriculture. This video is geared toward high school students who may be considering a career in agriculture, but who may not be fully aware of all the opportunities available in the field. This venture was sponsored by the Harris Township Supervisors in Centre County, who are situated in close proximity to the main campus of the Pennsylvania State University, where many of the interviews took place. From the barn, to the laboratory, to the classroom, to the dairy processing facility, this video provides a unique perspective on career opportunities in agriculture.

Copies of these videos are available by contacting the Pennsylvania Milk Marketing Board at 717-787-4194.

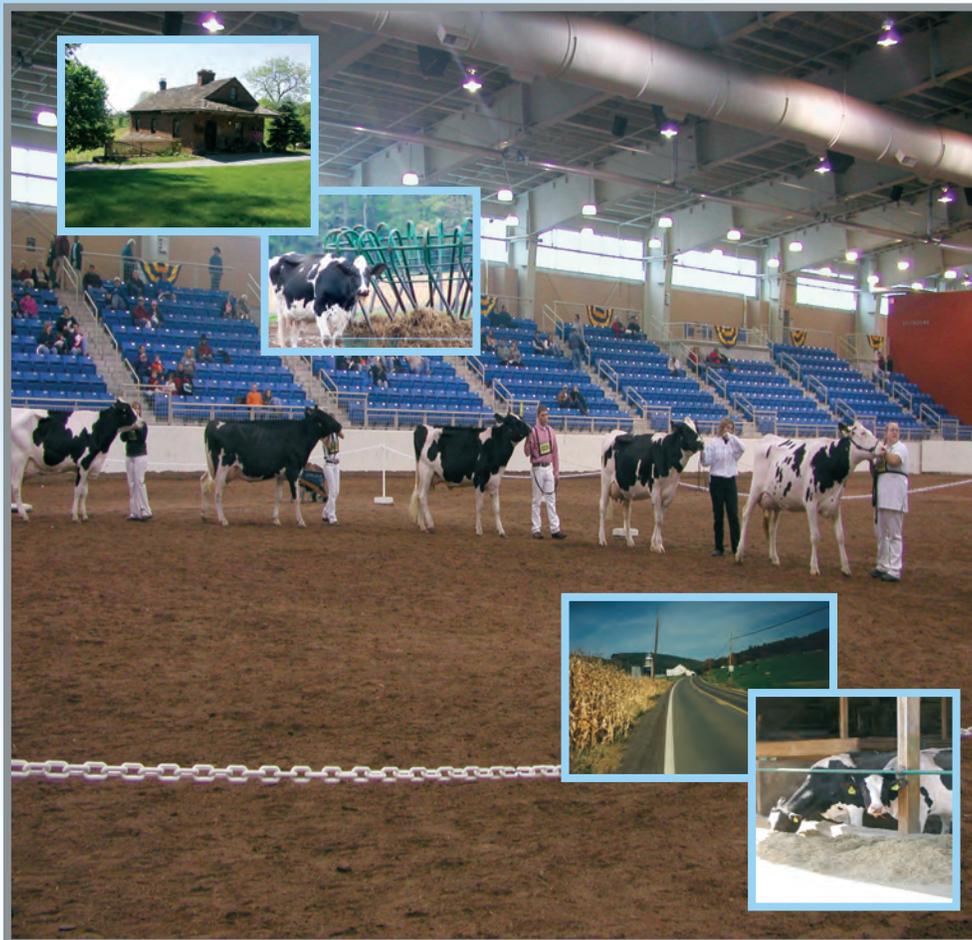




# PMMB

Commonwealth of Pennsylvania

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