

Commonwealth of Pennsylvania

Milk Marketing Board

Annual Report

2010-11/2011-12



Pennsylvania Milk Marketing Board

MISSION STATEMENT

To 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.

Luke Brubaker, *Chairman*

Richard Kriebel, *Member*

Lynda Bowman, *Consumer Member*

Tim Moyer, *Secretary*



Thomas Corbett, Governor of Pennsylvania

Table of Contents

Letter from the Chairman	3
Introduction	4
Biographies of Members of the Board	6
Biography of the Secretary.....	9
Senior Staff.....	10
Fiscal Years in Review	12
Field Staff Activities	14
Pennsylvania Dairy Farmers.....	16
Staff Attorney.....	20
Chief Counsel – Price-Related Hearings.....	22
Farm Bulk Tank Calibration Program	24
Employee of the Year.....	25
Map of Milk Marketing Areas / Field Staff Locations.....	26

Charts/ Illustrations

Licenses Issued	12
Receipts and Disbursements	13
Field Staff Activity Summary.....	14
Cross-Section Dealer Locations.....	15
Percent of Retail Price Received by Producers.....	17
Minimum Retail / Producer Price	18
Milk Consumption.....	19



Commonwealth of Pennsylvania
Milk Marketing Board

CHAIRMAN

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

Honorable Thomas Corbett
Governor
Commonwealth of Pennsylvania
Room 225, Main Capitol
Harrisburg, PA 17120

Dear Governor Corbett:

I am pleased to present you with the Pennsylvania Milk Marketing Board's Fiscal Year Report for 2010-2011 and 2011-2012.

Agribusiness remains the number one industry in Pennsylvania, and dairy is the largest segment of that industry. In 2010 and 2011, Pennsylvania's milk cows produced approximately 21.3 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 \$2.2 billion in 2010. 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 "Luke Brubaker".

Luke Brubaker

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 1930's. During this time prices paid to milk producers fell to one dollar per hundredweight or lower. Home delivered milk was \$0.10 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 1968 when the Milk Control Law was amended to establish the Bureau of Consumer Affairs.

In 1985 the General Assembly re-established the Milk Marketing Board (MMB) after conducting an extensive review of the 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 designed 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. The Milk Producers' Security Act was amended in July 2004 to further enhance its financial protections for Pennsylvania milk producers. Currently, there is more than \$4.5 million in the Security Fund and more than \$145 million in collateral or corporate surety bonds for milk dealers and \$7.4 million in bonds posted by Subdealers.

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.

Introduction *(Continued)*

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 561 million additional dollars being paid to Pennsylvania farmers. Pennsylvania Milk Marketing Board auditors enforce Pennsylvania minimum payments to farmers through monthly audits of the dealers' books. Minimum retail prices are enforced by the Milk Marketing Board 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 Board Members



Luke Brubaker, Chairman
Lancaster County

On May 3, 2011, Governor Corbett named Luke Brubaker Chairman of the Pennsylvania Milk Marketing Board. 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 and reappointed for a third term in 2009.

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 served as Chairman of Lancaster Farm Service Agency from 1996-2004 and is 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 and the Governor's Environmental Excellence Award in 2010. In 2011 Brubaker Farms was named Innovative Dairy Farmer of the Year by IDFA and most recently in 2012 Mr. Brubaker has been recognized by the Innovation Center for US Dairies for Outstanding Energy Conservation and Renewable Energy Generation.

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.

Biographies of Board Members *(Continued)*



Richard Kriebel, Member

Columbia County

Mr. Kriebel was appointed to the Board on April 7, 2008 and served as Chairman until May 3, 2011.

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 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.

Biographies of Board Members (Continued)



Lynda Bowman, Consumer Member

Lancaster County

Lynda J. Bowman was appointed to the Board by Governor Tom Corbett and was unanimously confirmed by the Pennsylvania Senate on June 22, 2011.

A graduate of J. P. McCaskey High School, she served in the Tom Corbett for Attorney General and Governor Committees as Comptroller in 2003 through June, 2011. She also was a part-time senior associate with Capital Associates, Inc. From 1998 to December 2003, Ms. Bowman served as Secretary for the Pennsylvania Milk Marketing Board. Formerly, Ms. Bowman was Budget Analyst for the House Majority Appropriations Committee; Administrative Services Director for the Pennsylvania Department of Agriculture; Systems Administrator for the Tom Ridge for Governor Committee; Executive Director for the Senate Republican Campaign Committee; and Executive Director of the Republican Committee of Lancaster County. In 2002-2003, Ms. Bowman served as President

of the International Association of Milk Control Agencies and is an honorary life member in IAMCA. Currently Ms. Bowman is a partner in the Gemini 5 Group which provides administrative services to state and federal campaigns.

Ms. Bowman resides in Lancaster, Lancaster County, and is the proud mother of a daughter and son, and the very proud grandmother of six grandchildren. Ms. Bowman is a member of St. James Episcopal Church in Lancaster and a former choir member, Sunday school teacher and vestry member.



Biography of the Secretary of the Board



Tim Moyer

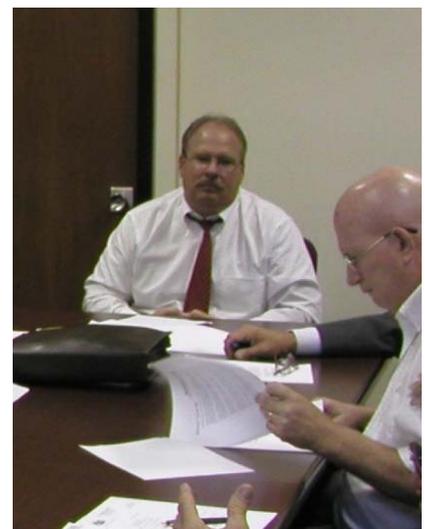
Secretary

Tim Moyer was appointed Secretary of the Pennsylvania Milk Marketing Board on November 11, 2011. 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.

As Secretary, Mr. Moyer strives to be a fiscal conservative. Under his direction, his cost-cutting measures have saved the agency thousands of dollars while at the same time providing new efficiencies in procedures making the staff even more productive.

Tim is a 1985 graduate of Elizabethtown College. He worked as an Auditor for the Pennsylvania Department of Transportation before coming to the Milk Marketing Board as an Accountant. After being promoted to Field Supervisor, Tim assumed the duties of the Chief of Support Services in 2001.

Tim now resides in Selinsgrove, Pennsylvania with his wife Cindy and two sons. In his spare time, he enjoys golf and is a regular fixture at his sons' sporting events.



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.



David DeSantis – Chief, Enforcement & Accounting

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.



Andrew Saylor – Staff Attorney

Mr. Saylor 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. Mr. Saylor 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)



Gary Gojsovich – Audit Supervisor

Gary is responsible for the daily supervision of Milk Marketing Auditors throughout the state. This includes reviewing monthly field work and directing special investigations. Gary also reviews and compiles audit summaries for presentation at cost replacement and other Board hearings. In addition, he is responsible for the data input and publication of the Board's resale and producer price lists.



Steven Zalman – Audit Supervisor / Information Technology Staff

Steven is responsible for the supervision of Milk Marketing Examiners located throughout the state and one auditor located in eastern Pennsylvania. He is also the agency's resource for computer-related activities including hardware and software installation and maintenance, help desk activities, and the maintenance of the application "Milk Accounting and Regulatory System" (MARS) and its related database.

Fiscal Years

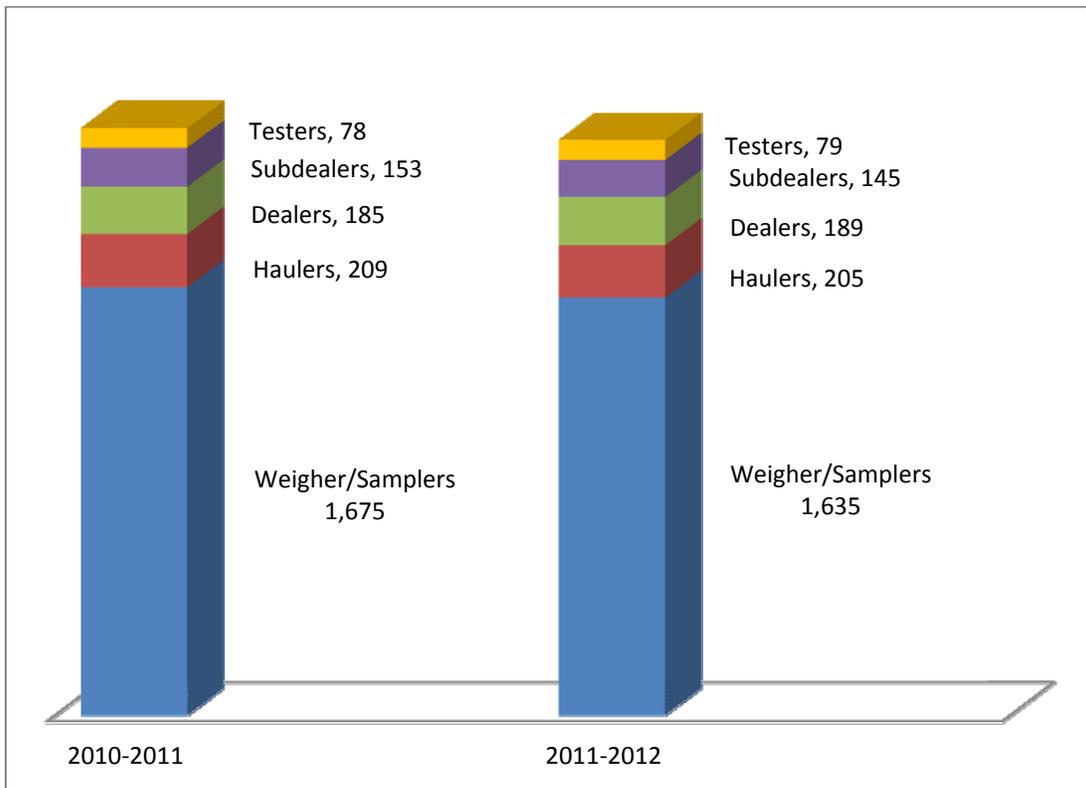
**Fiscal Years
2010-2011 and 2011-2012
In Review**

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 May 3, 2011, Governor Corbett named Luke Brubaker Chairman of the Pennsylvania Milk Marketing Board. The Board members appoint a secretary who is responsible for the administration and daily operation of the Agency. On November 11, 2011 the Board members appointed Tim Moyer 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.

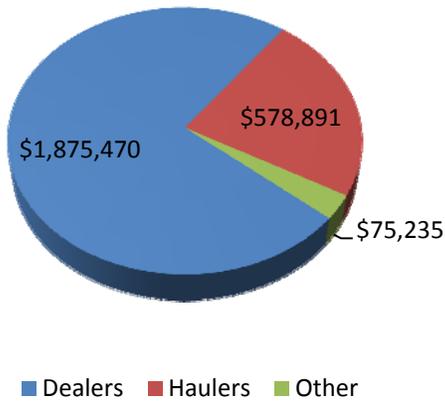
During the 2010-2011 and 2011-2012 Fiscal Years, the Board issued 4,553 licenses. Weigher/samplers comprised the largest group of licenses with 3,310 (73%) certificates being issued. The remaining (27%) were distributed among milk dealers, subdealers, testers, and haulers. (See illustrations below).



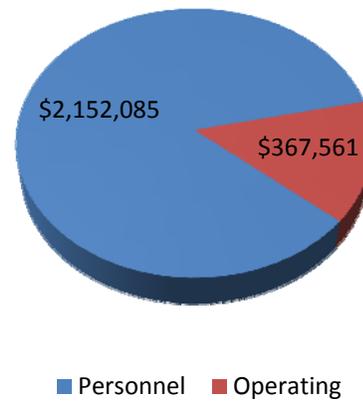
Fiscal Years
2010-2011 and 2011-2012
In Review – (Continued)

Dealer and hauler license fees accounted for 97% of the 2010-2011 and 2011-2012 receipts received by the Board. The remaining receipts were generated from tester and weigher/sampler certificates, fines, refunds, and interest payments. (See illustrations below)

2010-2011 Receipts



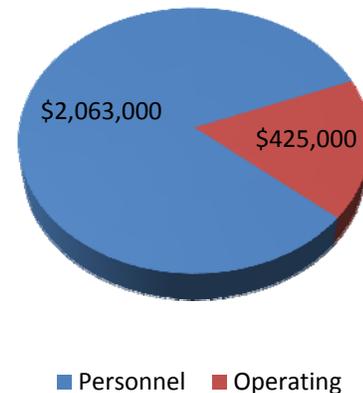
2010-2011 Disbursements



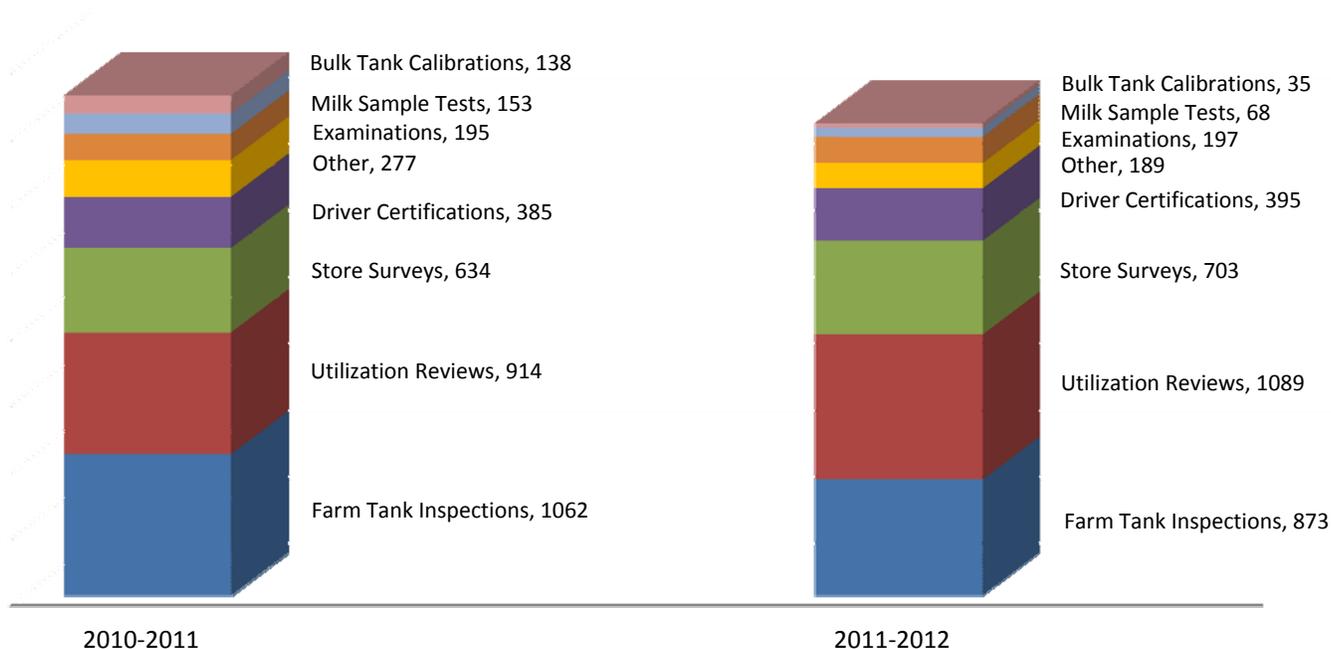
2011-2012 Receipts



2011-2012 Disbursements



Field Staff Activities



Field Staff Activities

The field staff of the Milk Marketing Board administers a comprehensive economic regulatory framework that provides stability and protection for everyone in the dairy industry. Ultimately, this ensures that the consumers of Pennsylvania enjoy plentiful supplies of dairy products in a variety of types and sizes at the best price possible.

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 that bottle milk, and manufacturing facilities that make products like cheese or butter, purchase milk from producers. The Board values that milk based on the 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.

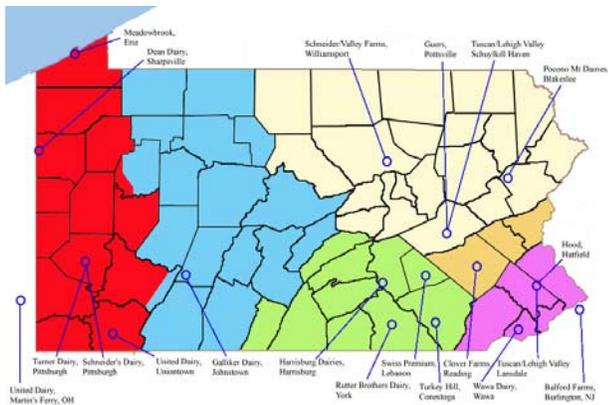
The Board uses electronic testing equipment to determine the component levels of milk. If a Pennsylvania dairy farmer is concerned about his fat, protein, or solids test results, the Board has the capacity to objectively test milk samples. Periodically, the Board requires independent laboratories throughout the state to test USDA samples to ensure that the industry testing results match the official results.

Field Staff Activities (continued)



The Auditors of the Milk Marketing Board are responsible for financial audits, wholesale audits, monthly utilization reviews, and several other activities. (See illustrations page 14). 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.

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 1,337 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. Other includes dealer and producer interviews, wholesale audits, financial audits, investigations, weighing & sampling reports, calibration chart inspections; bulk tank, bulk tank driver, and bill of lading checks.



Board Staff also conducts financial audits on each of the cross-section dealers shown on the map to the left. These audits are the basis for the yearly adjustment of resale prices based on changes in dealer cost. These costs are presented at cost replacement hearings for the Board's consideration.

The Board operates a Bulk Milk Tank Calibration program. 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. One hundred seventy-three calibrations were completed from July 1, 2010 through June 30, 2012.

Pennsylvania Dairy Farmers

Pennsylvania continues to rank fifth in the nation in milk production. In 2010 Pennsylvania dairy farmers produced approximately 10.48 billion pounds of milk. In 2011 Pennsylvania dairy farmers produced approximately 10.26 billion pounds of milk. The decrease in production is in contrast to the increase of 1.8% by the top four milk producing states between 2010 and 2011.

Milk prices nation-wide and in Pennsylvania continue to be highly volatile. Over the two years covered by this report, the statistical average minimum price as published by the Board ranged to a high of \$23.42 in August of 2011 to a low of \$16.81 just this past June of 2012. That represents more than a 39% fluctuation in the farm price in the state. Over the same period, utilization of Class I (beverage uses of milk) in Pennsylvania, by all dealers located within the state decreased by nearly 75 million pounds, a 4.2% drop when comparing fiscal years 2010-11 to 2011-12.

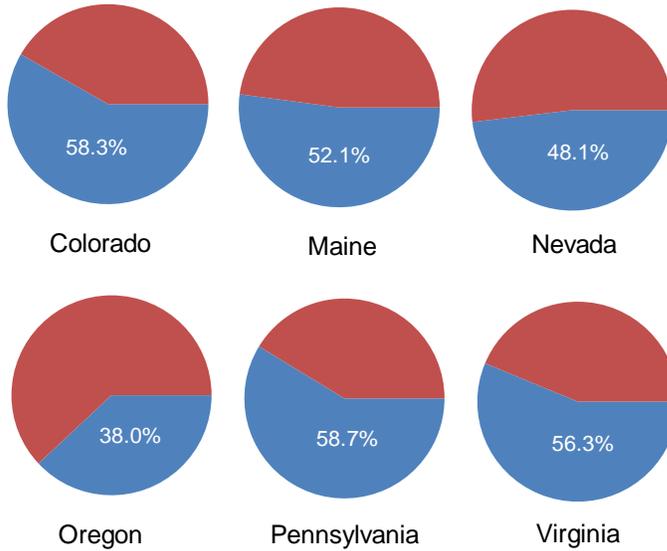
The Board responds to market pressures by balancing the interests of dairy farmers in the state with the effects milk prices may have on consumption patterns of fluid milk. To address these concerns, the Board adjusted the over-order premium, which is the mandated premium that must be paid on all milk produced, processed, and sold within Pennsylvania from \$2.15 to \$2.65 during the course of these two years. Over the course of this same period, the Board-mandated over-order premium generated over \$100 million for Pennsylvania dairy farmers.



Pennsylvania Dairy Farmers (Continued)

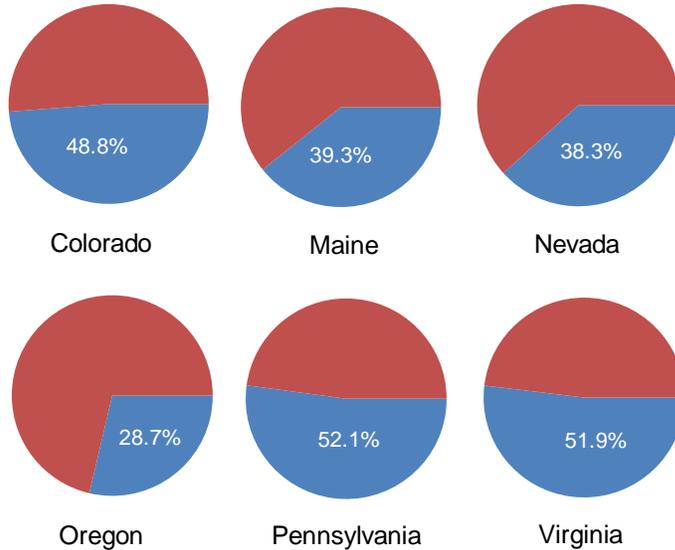
The Board's regulation of minimum producer, wholesale, and retail prices results in Pennsylvania dairy farmers receiving a high percentage of the retail price. (See illustrations below).

Percentage of Retail Price Received by Farmer



Source: International Association of Milk Control Agencies. April 2011

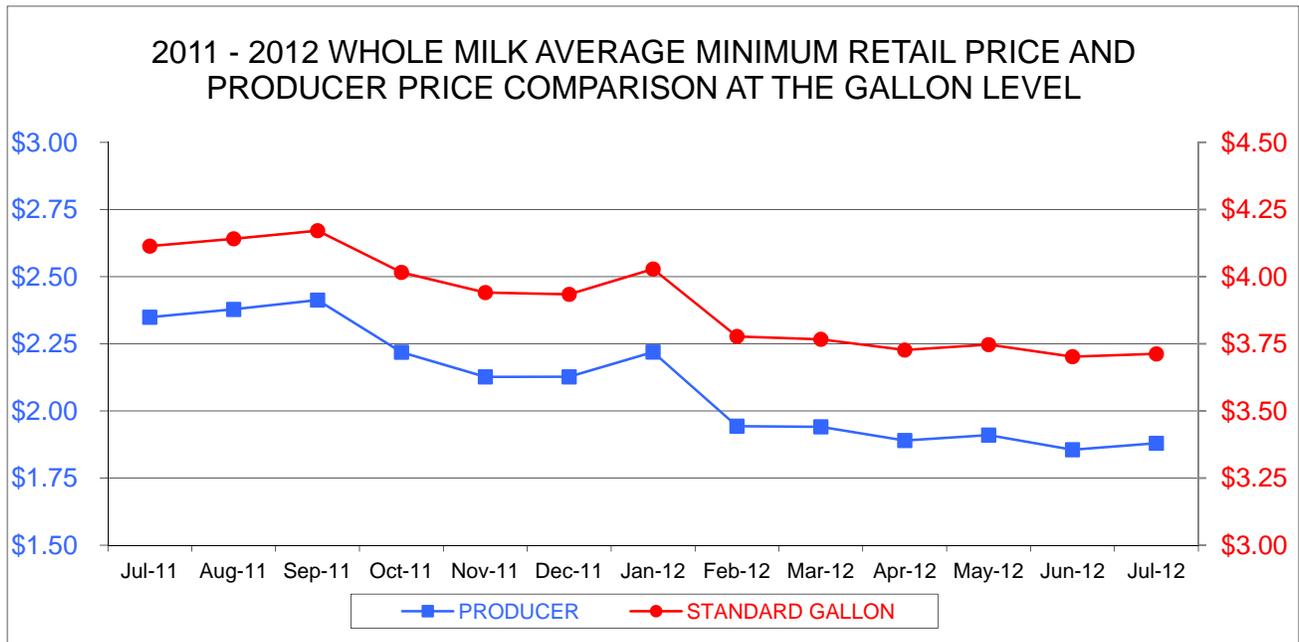
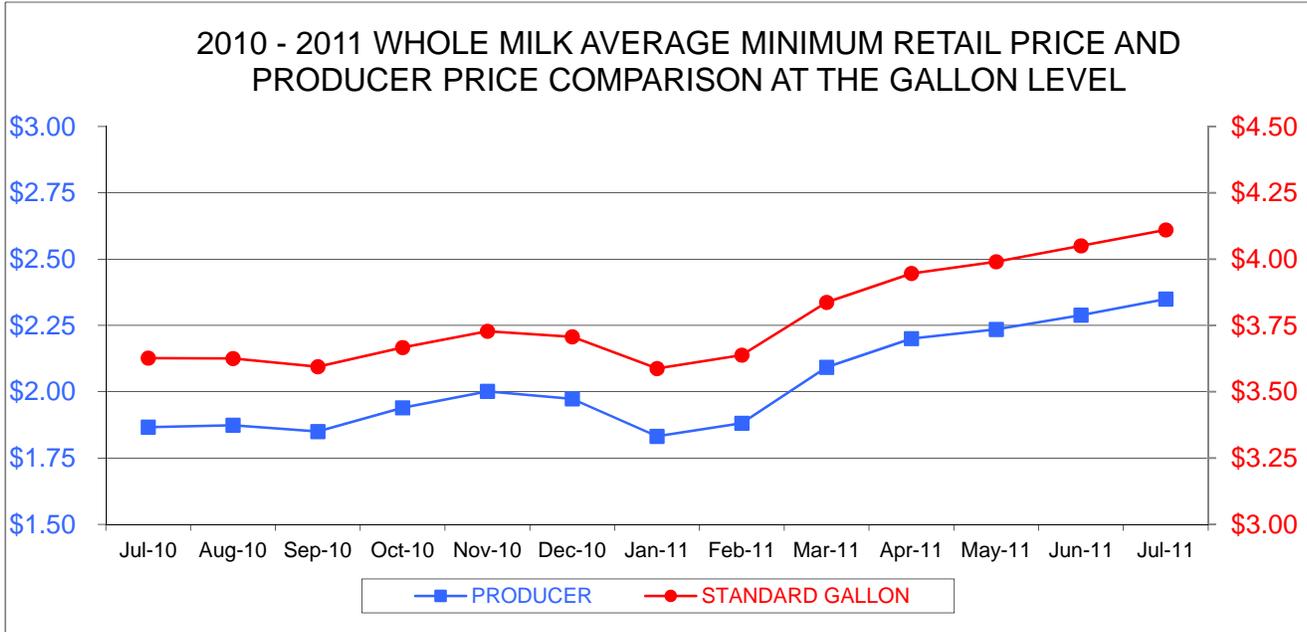
Percentage of Retail Price Received by Farmer



Source: International Association of Milk Control Agencies. April 2012

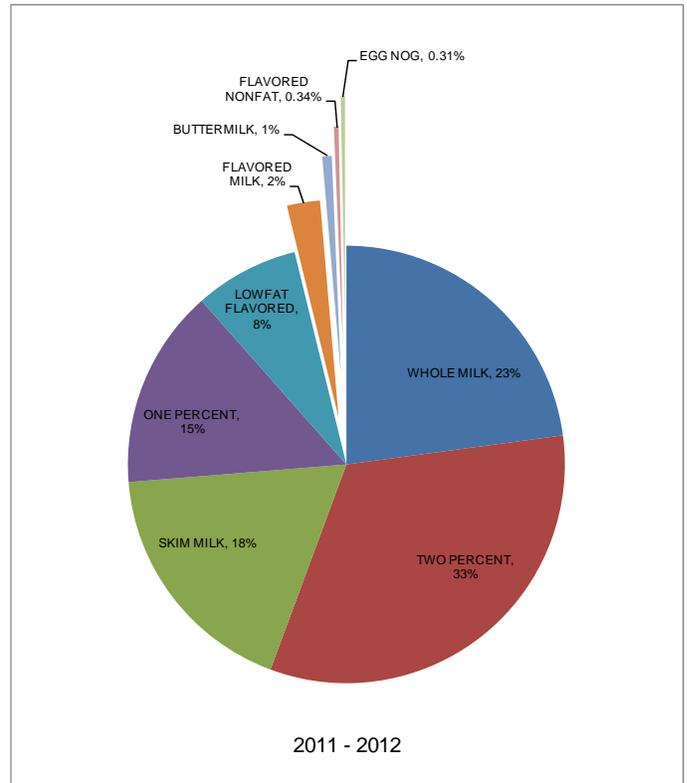
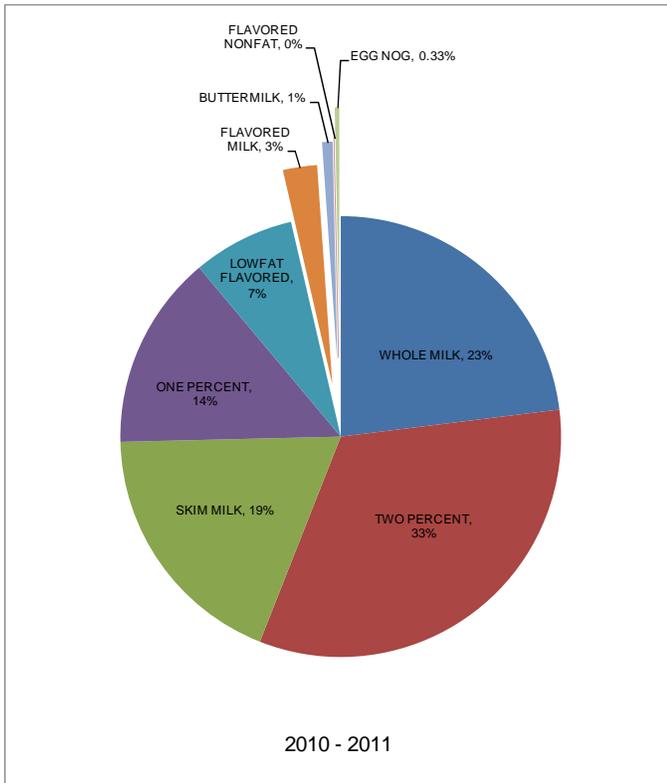
Pennsylvania Dairy Farmers (Continued)

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).



Pennsylvania Dairy Farmers (Continued)

During the 2010-2011 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 2011-2012, overall packaged milk consumption declined by 1.0%. Reduced Fat Milk maintained its dominance as the most consumed type. (See illustrations below).



Staff Attorney

There are nine chapters of PMMB regulations. During these two fiscal years, two of those chapters went through the regulatory approval process to be revised. These were Chapter 143 – *Transactions between Dealers and Producers* – and Chapter 144 – *Electronic Methods for Testing Milk for Fat Content*. They were updated to reflect new technologies and practices in how milk is tested and producers are paid for their milk.

One of the most important roles of the Board is requiring a bond from every licensed dealer to assure that producers will be paid for their milk. When licenses are renewed every July 1, or a new license is requested, we require that the dealers have the necessary financial security in place, or the license will not be issued or renewed.

When the PMMB laws, regulations, or orders are violated, it becomes necessary to issue citations. Our enforcement efforts are intended to encourage compliance. Citations are issued for violations such as selling controlled products under the minimum prices established by the Board, failure to pay producers or dealers properly, and late filing of reports or license renewals. The citations are usually resolved without a hearing. We are glad to report that during these two years, no licenses had to be revoked.



Report of Citations

Total Number of Citations Issued:

July 1, 2010 through June 30, 2011: 27
 July 1, 2011 through June 30, 2012: 124

Categories of Citations:

	<u>2010-2011</u>	<u>2011-2012</u>	<u>Total</u>
Late filing of milk hauler's monthly report	2	27	29
Late filing of milk dealer's monthly report	1	25	26
Pricing below minimum prices established by the Board	8	11	19
Bids to institutions below minimum prices	4	1	5
Bond claim against subdealer for failure to pay dealer	0	1	1
Bond claim against dealer for failure to pay producers	0	0	0
Late payment to producers	2	2	4
Underpayment to producers	1	0	1
Failure to furnish information required by the Board	2	0	2
Late payment of license fee	0	3	3
Late filing of dealer annual financial statement	3	38	41
Late filing of annual dealer license renewal	0	1	1
Late filing of annual subdealer license renewal	1	2	3
Late filing of annual hauler license renewal	3	13	16
Total:	27	124	151

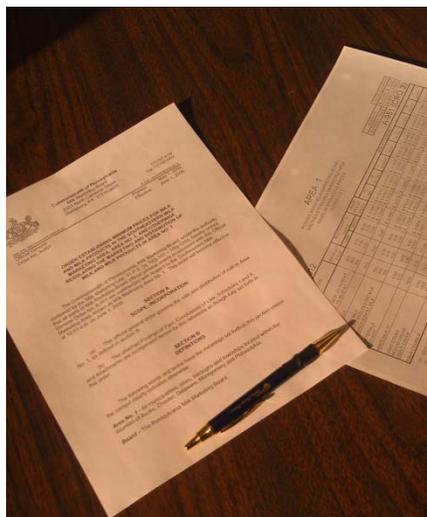
Disposition:

Settled by consent order	26	95	121
Hearings before the Board	0	1	1
Administratively dismissed	1	28	29
Total:	27	124	151



Chief Counsel – Price-Related Hearings

During the 2010-2011 and 2011-2012 fiscal years, the Board conducted 21 price-related hearings. This continues a trend of industry participants requesting 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 Pennsylvania dairy industry regularly commends 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 general price hearings and 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.



PENNSYLVANIA MILK MARKETING BOARD

OVER-ORDER PREMIUM EFFECT

SEPTEMBER 1988 THROUGH JUNE 2012

OGO	HEARING CALL	PERIOD		MONTHS	AVE. MONTHLY		AMOUNT
					RATE	POUNDS	
FOR SPECIFIC INFORMATION ON ORDERS PRIOR TO 2008, PLEASE CONTACT THE BOARD							\$362,545,289
FOR SPECIFIC INFORMATION ON A-827 PRIOR TO 2008, PLEASE CONTACT THE BOARD							\$22,855,090
A-827	INCREASED FUEL COSTS	01/01/08	THROUGH 02/29/08	2	\$0.85	155,971,394	\$2,027,828
A-827	INCREASED FUEL COSTS	03/01/08	THROUGH 03/31/08	1	\$0.82	155,505,816	\$84,136
A-827	INCREASED FUEL COSTS	04/01/08	THROUGH 04/30/08	1	\$0.85	149,787,255	\$873,617
A-827	INCREASED FUEL COSTS	05/01/08	THROUGH 05/31/08	1	\$0.80	157,243,648	\$1,257,949
A-827	INCREASED FUEL COSTS	06/01/08	THROUGH 06/30/08	1	\$0.86	132,523,981	\$1,139,706
A-827	INCREASED FUEL COSTS	07/01/08	THROUGH 07/31/08	1	\$0.98	144,158,173	\$1,412,780
A-827	INCREASED FUEL COSTS	08/01/08	THROUGH 08/30/08	2	\$1.04	151,335,998	\$3,147,789
A-827	INCREASED FUEL COSTS	10/01/08	THROUGH 10/31/08	1	\$0.95	162,492,826	\$1,543,682
A-827	INCREASED FUEL COSTS	11/01/08	THROUGH 11/30/08	1	\$0.83	150,795,723	\$1,251,605
A-827	INCREASED FUEL COSTS	12/01/08	THROUGH 12/31/08	1	\$0.71	165,829,171	\$1,175,967
A-827	INCREASED FUEL COSTS	01/01/09	THROUGH 01/31/09	1	\$0.53	158,890,809	\$831,521
A-827	INCREASED FUEL COSTS	02/01/09	THROUGH 02/28/09	1	\$0.38	143,424,012	\$545,011
A-827	INCREASED FUEL COSTS	03/01/09	THROUGH 03/31/09	1	\$0.35	158,247,149	\$553,885
A-827	INCREASED FUEL COSTS	04/01/09	THROUGH 04/30/09	1	\$0.32	149,175,040	\$477,360
A-827	INCREASED FUEL COSTS	05/01/09	THROUGH 07/31/09	3	\$0.29	141,311,567	\$1,229,411
A-827	INCREASED FUEL COSTS	08/01/09	THROUGH 08/30/09	2	\$0.38	146,558,192	\$1,113,842
A-827	INCREASED FUEL COSTS	10/01/09	THROUGH 12/31/09	3	\$0.41	158,679,065	\$1,951,752
A-827	INCREASED FUEL COSTS	01/01/10	THROUGH 01/31/10	1	\$0.47	147,532,513	\$693,403
A-827	INCREASED FUEL COSTS	02/01/10	THROUGH 02/28/10	1	\$0.44	144,867,846	\$637,419
A-827	INCREASED FUEL COSTS	03/01/10	THROUGH 04/30/10	2	\$0.47	152,150,751	\$1,430,217
A-827	INCREASED FUEL COSTS	05/01/10	THROUGH 05/31/10	1	\$0.50	143,689,146	\$718,446
A-827	INCREASED FUEL COSTS	06/01/10	THROUGH 06/30/10	1	\$0.53	131,130,387	\$694,991
A-827	INCREASED FUEL COSTS	07/01/10	THROUGH 07/31/10	1	\$0.56	139,173,186	\$779,370
A-827	INCREASED FUEL COSTS	08/01/10	THROUGH 11/30/10	4	\$0.50	146,182,122	\$2,923,642
A-827	INCREASED FUEL COSTS	12/01/10	THROUGH 12/31/10	1	\$0.53	157,509,628	\$834,801
A-827	INCREASED FUEL COSTS	01/01/11	THROUGH 01/31/11	1	\$0.56	151,737,068	\$849,728
A-827	INCREASED FUEL COSTS	02/01/11	THROUGH 02/28/11	1	\$0.59	134,589,042	\$794,075
A-827	INCREASED FUEL COSTS	03/01/11	THROUGH 03/31/11	1	\$0.65	152,473,189	\$991,076
A-827	INCREASED FUEL COSTS	04/01/11	THROUGH 04/30/11	1	\$0.71	145,531,205	\$1,033,272
A-827	INCREASED FUEL COSTS	05/01/11	THROUGH 05/31/11	1	\$0.80	141,629,593	\$1,133,037
A-827	INCREASED FUEL COSTS	06/01/11	THROUGH 07/31/11	2	\$0.83	127,958,321	\$2,124,108
A-827	INCREASED FUEL COSTS	08/01/11	THROUGH 10/31/11	3	\$0.80	145,032,419	\$3,480,778
A-827	INCREASED FUEL COSTS	11/01/11	THROUGH 12/31/11	2	\$0.77	147,217,732	\$2,267,153
A-827	INCREASED FUEL COSTS	01/01/12	THROUGH 01/31/12	1	\$0.80	145,714,720	\$1,165,718
A-827	INCREASED FUEL COSTS	02/01/12	THROUGH 02/29/12	1	\$0.77	135,018,249	\$1,039,641
A-827	INCREASED FUEL COSTS	03/01/12	THROUGH 03/31/12	1	\$0.80	146,780,114	\$1,174,241
A-827	INCREASED FUEL COSTS	04/01/12	THROUGH 04/30/12	1	\$0.83	136,165,083	\$1,130,170
A-827	INCREASED FUEL COSTS	05/01/12	THROUGH 06/30/12	2	\$0.86	133,347,463	\$2,283,576
A-835	MARKET CONDITIONS	01/01/08	THROUGH 06/30/08	6	\$1.55	153,068,955	\$14,235,413
A-838	MARKET CONDITIONS	07/01/08	THROUGH 12/31/08	6	\$1.60	154,783,370	\$14,859,203
A-841	MARKET CONDITIONS	01/01/07	THROUGH 06/30/07	6	\$1.85	152,069,338	\$16,879,696
A-844	MARKET CONDITIONS	07/01/07	THROUGH 11/30/07	5	\$1.60	152,745,220	\$12,219,618
A-847	MARKET CONDITIONS	12/01/07	THROUGH 03/31/08	4	\$1.35	156,640,875	\$8,458,607
A-850	MARKET CONDITIONS	04/01/08	THROUGH 12/31/08	9	\$2.15	151,700,419	\$28,354,031
A-859	MARKET CONDITIONS	01/01/09	THROUGH 06/30/09	6	\$2.15	148,271,012	\$19,126,961
A-864	MARKET CONDITIONS	07/01/09	THROUGH 10/31/09	4	\$2.15	148,971,822	\$12,811,580
A-866	MARKET CONDITIONS	11/01/09	THROUGH 12/31/09	2	\$2.65	157,656,364	\$8,355,787
A-867	MARKET CONDITIONS	01/01/10	THROUGH 06/30/10	6	\$2.65	145,253,586	\$23,085,317
A-869	MARKET CONDITIONS	07/01/10	THROUGH 12/31/10	6	\$2.65	146,901,884	\$23,357,400
A-870	MARKET CONDITIONS	01/01/11	THROUGH 06/30/11	6	\$2.15	142,151,181	\$18,337,502
A-871	MARKET CONDITIONS	07/01/11	THROUGH 12/31/11	6	\$2.15	143,083,729	\$18,457,801
A-872	MARKET CONDITIONS	01/01/12	THROUGH 06/30/12	6	\$2.15	138,385,515	\$17,853,021

\$ 681,137,195

Farm Bulk Tank Calibration Program

The Milk Marketing Board operates a farm bulk tank calibration program. In 2012, the Milk Marketing Board purchased the truck and all the equipment from the Pennsylvania Department of Agriculture. Prior to that, the Board operated the program jointly with the Department. After the purchase, the Board completed repairs to the truck and upgraded the equipment.

The service, which is free of charge for any Pennsylvania dairy farmer, accurately calibrates the farm tanks where milk is cooled and stored prior to pickup. During the calibration process, water is pumped in precise increments from the calibration truck into the farm bulk tank. The operator then reads the dipstick of sight tube and records the reading in a computer program that will, in the end, produce a calibration chart.



Employee of the Year

Steven Zalman

The Employee of the year this time around is Steven Zalman. Steve was just recently promoted to Audit Supervisor. In addition to managing the Milk Marketing Examiners and one Auditor, Steven also has assumed the responsibilities associated with Information Technology for the Board. This came at a time when the Board's MIS director retired, while at the same time, wrapping up an upgrade to the Board's core computer programs migrating to a Dot Net platform. During a period where it was essential to have all components of the system rigorously tested, Steven excelled in planning, directing and organizing the project, all the while providing support and guidance for his field staff. Employee of the Year for 2011 is a well-deserved recognition of Steven's efforts and dedication.

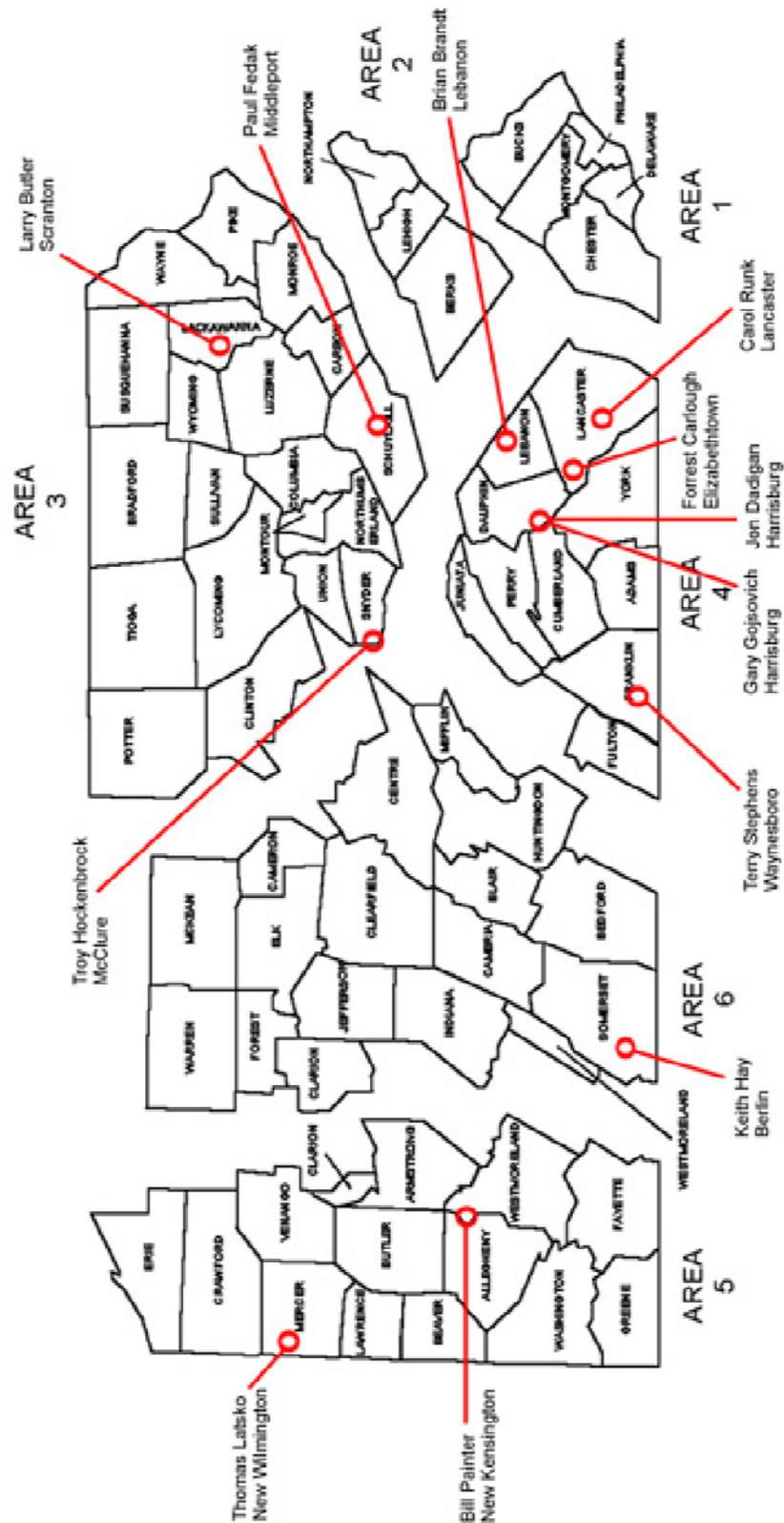


Cathy Vollbrecht

Cathy has proven herself to be an indispensable part of the Board's team. As Administrative Secretary, Cathy is the go-to person for just about everything. Board members rely on her for all administrative support. The staff of the Board draws on her expertise in Microsoft programs and her gifted use of graphic programs to make stunning presentations. Never one to say no, Cathy pitches in wherever she is asked. Cathy is the consummate professional, never failing to go beyond the task at hand to see the bigger picture. As a result, the overall service to all segments of the dairy industry is greatly enhanced. It was only appropriate that the Board recognize Cathy's significant contributions by awarding her Employee of the year for 2010.



PMMB FIELD STAFF LOCATION



*Commonwealth of Pennsylvania
Milk Marketing Board*



**Pennsylvania Milk Marketing Board
2301 North Cameron Street
Harrisburg, PA 17110-9408**

Telephone: 717-787-4194

Fax: 717-783-6492

Email: ra-pmmb@state.pa.us

Website: www.mmb.state.pa.us