



## Commonwealth of Pennsylvania

Milk Marketing Board

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Official General  
Order No. A 909 Amended

Posted: October 13, 2000  
Effective: November 1, 2000

### OVER-ORDER PREMIUM

NOW, this 13th day of October 2000, the Commonwealth of Pennsylvania, Milk Marketing Board (Board) adopts and issues this official general order pursuant to the authority conferred by the Milk Marketing Law, 31 P.S. §§ 700j-101 – 700j-1204. This order will become effective at 12:01 a.m. on November 1, 2000, and will expire at 12:00 midnight on December 31, 2000.

### SECTION I

The attached findings of fact and conclusions of law are incorporated herein by this reference as though fully set forth in this order.

### SECTION II

- (a) In all milk marketing areas the calculation of the Class I price for milk produced, processed, and sold in Pennsylvania will include an over-order premium of \$1.20 per hundredweight.
- (b) Milk dealers shall show by line item on their monthly statements to independent producers and cooperatives the specific amount of the over-order premium being paid.

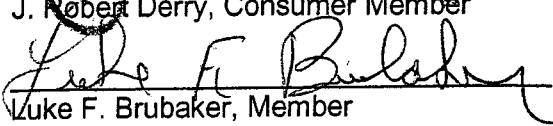
### SECTION III

All parts of Official General Order No. A-893 not inconsistent with this order shall continue in effect. This official general order supersedes Official General Order No. A-909.

PENNSYLVANIA MILK MARKETING BOARD

  
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Beverly R. Minor, Chairwoman

  
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J. Robert Derry, Consumer Member

  
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Luke F. Brubaker, Member

**FINDINGS OF FACT AND CONCLUSIONS OF LAW  
OVER-ORDER PREMIUM HEARING  
OCTOBER 4, 2000**

**FINDINGS OF FACT**

1. On October 4, 2000, the Pennsylvania Milk Marketing Board (Board) convened a hearing for all milk marketing areas to receive testimony and evidence concerning whether an adjustment should be made to the level of the over-order premium of \$1.00 per hundredweight established by Official General Order (OGO) A-909.
2. Notice of the hearing was published at 30 *Pennsylvania Bulletin* 4987 on September 23, 2000, and was mailed to those on the Board's interested parties list by means of Bulletin No. 1294 dated September 13, 2000. (PMMB Exhibits 1 and 2)
3. At the conclusion of the hearing, a briefing schedule was set. Principal letter briefs were due on October 10, 2000 and Reply letter briefs were due on October 11, 2000. (N.T. 153)
4. Mr. Edward Gallagher testified on behalf of Dairy Marketing Services (DMS), Dairylea Cooperative, and Dairy Farmers of America's Northeast Council, as an expert witness in agricultural economics and dairy marketing. Mr. Gallagher testified that farm prices are lower than what was expected when testimony was received during the May 2000 over-order premium where a decrease of \$.20 per hundredweight was requested. (N.T. 23) Mr. Gallagher testified that the September Class III price of \$10.76 per hundredweight may be the "peak for the year." The average Class III price for the second half of the year was \$10.30, \$1.68 less than what was reported at the May hearing when the over-order premium was reduced by \$.20 per hundredweight. Mr. Gallagher stated that he is expecting the average blend prices for the second half of the year to be \$.50 per hundredweight lower than what was anticipated at the May 3 hearing. (N.T. 24) Dennis Schad, an expert in dairy economics and marketing, testifying on behalf of Land O'Lakes agreed that farm prices were down. (N.T. 91)
5. Mr. Gallagher testified that the cost of production is also higher than was anticipated in the May over-order premium hearing. (N.T. 25) The PASS cost of production for the year ending June 30, 2000 was \$13.63, \$.33 per hundredweight higher than the cost of production for the May hearing. (N.T. 26) Mr. Gallagher recognized that feed costs are low but testified that farmers are still struggling to meet cash flow needs. (*Id.*) Mr. Schad also testified that the cost of production had increased even though feed prices dropped compared to last year. (N.T. 90-91)
6. Mr. Gallagher further testified that markets are currently tight because of seasonally lower milk production at the same time there is a significant demand for Pennsylvania milk from areas outside Pennsylvania, such as the Southeast. (N.T. 31) As of December 1999, 31 million pounds of Pennsylvania milk went to the Southeast, representing a significant decrease in milk necessary to service Pennsylvania Class I dealers, creating a supply/demand squeeze. (N.T. 32-33)

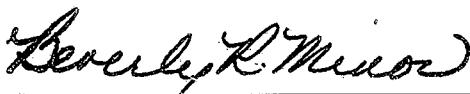
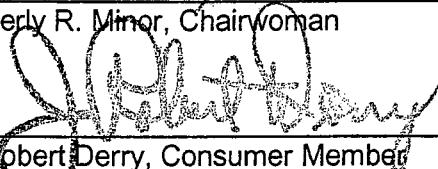
This situation has caused Dairylea to stop delivering to the Dietrich's Middlebury Center plant and to reduce deliveries to other plants, including Dietrich's Reading plant and Leprino's plant in South Waverly, Pennsylvania. (N.T. 34) In contrast, Mr. Schad testified that there was no problem with Class I plants receiving milk from Pennsylvania dairy farmers currently or in the foreseeable future. (N.T. 85)

7. Mr. Gallagher testified that the current MACMMA premium in Maryland and Delaware is \$1.10 and \$.83 in southern New Jersey. He further testified that he expects MACMMA to follow the Pennsylvania over-order premium as has occurred in the past. (N.T. 40) He also testified that DFA and others have recently implemented new over-order Class I prices in the western Pennsylvania/eastern Ohio area in the range of \$1.55 to \$1.90. (N.T. 41, 45, 50-51)
8. Mr. Gallagher testified that the \$.20 increase in the current over-order premium requested by DMS, Dairylea Cooperative, and Dairy Farmers of America's Northeast Council is supported by two main factors: the cost/price squeeze and the increase in premium being offered out of state which is making it difficult to obtain milk in Pennsylvania. (N.T. 70)
9. Mr. Gallagher testified in support of the continuation of the fuel adjustment amounting to \$.25 per hundredweight of milk. (N.T. 13, 25, 39) This add-on to the over-order premium is established in Official General Order No. 908 and the termination date of this add-on is set forth in that order.
10. The Pennsylvania Association of Milk Dealers agreed that an over-order premium of \$1.20 per hundredweight for the months of November and December 2000 would be appropriate. (N.T. 147)
11. The Pennsylvania Farm Bureau supports an over-order premium of \$1.20 per hundredweight for the months of November and December 2000. (N.T. 150)
12. Land O'Lakes does not oppose or object to the proposed premium of \$1.20 per hundredweight. (Land O'Lakes Reply Brief)
13. The Board finds that an over-order premium of \$1.20 per hundredweight for the months of November and December 2000 responds appropriately to the cost-price squeeze resulting from higher production costs and lower milk prices to Pennsylvania's dairy farmers. The Board further finds that it is unnecessary to resolve the differences in testimony as to the existence of an adequate supply of Class I milk available in Pennsylvania since the evidence concerning the current cost-price squeeze being experienced by Pennsylvania producers is enough to support the Board's increase of the over-order premium by \$.20 per hundredweight.

## CONCLUSIONS OF LAW

1. The October 4, 2000 hearing on the over-order premium was held pursuant to the authority granted to the Board in Sections 801 and 803 of the Milk Marketing Law. (31 P.S. §§700j-801 and 700j-803)
2. The hearing was held following adequate notice and all interested parties were given a reasonable opportunity to be heard.
3. All parts of Official General Order A-893 not inconsistent with the attached order will continue in effect.
4. In accordance with Official General Order A-894, milk dealers shall continue to show by line item on their monthly statements to independent producers and cooperatives the specific amount of the over-order premium being paid.
5. In accordance with Official General Order A-894 (Supplemental), the over-order premium will continue to apply only to Class I milk produced, processed, and sold in Pennsylvania.
6. In adopting this order, the Board has considered the entire record and concludes that the order is supported by a preponderance of credible evidence and is reasonable and appropriate under Sections 801 and 803 of the Milk Marketing Law.
7. The attached order may be amended pursuant to the procedures set out in Section 801 of the Milk Marketing Law.

PENNSYLVANIA MILK MARKETING BOARD

  
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Beverly R. Minor, Chairwoman  
  
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J. Robert Derry, Consumer Member  
  
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Luke F. Brubaker, Member

Dated: October 13, 2000

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