Commonwealth of Pennsylvania
Milk Board
2301 North Cameron Street
Harrisburg, PA 17110-9408

717/787-4194
717/783-6492

WEB SITE: https://www.pa.gov/agencies/pmb.html
E-mail: RA-PMMB@pa.gov

Official General Order No. A-1023

Posted: November 4, 2026
Effective November 11, 2026

OVER-ORDER PREMIUM

NOW, this 4th day of November 2026, the Commonwealth of Pennsylvania, Milk 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 11, 2026.

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

No over-order premium is established by this order.

PENNSYLVANIA MILK BOARD

Robert N. Barley, Chairman

James A. Van Blarcom, Member

Kristi Kassimer Harper, Consumer Member

Date: November 4, 2026

FINDINGS OF FACT AND CONCLUSIONS OF LAW
OVER-ORDER PREMIUM HEARING

FINDINGS OF FACT

1. On June 3, 2026, the Pennsylvania Milk Board ("Board") held a hearing for all milk marketing areas to receive testimony and evidence concerning the level and duration of the over-order premium.

2. Notice of the hearing was published at 56 Pennsylvania Bulletin 1935 on April 4, 2026. Notice of the hearing was also emailed to those who have requested emailed notice of Board hearings by means of Bulletin No. 1662, dated April 1, 2026.

3. Matt Espenshade testified on behalf of Pennsylvania State Grange. He is the President of Elizabethtown Area Grange and President of the Pennsylvania State Grange. Mr. Espenshade is a seventh-generation dairy farmer, with his family owning and operating the farm since 1867. Mr. Espenshade and his father milk approximately 75 cows, with a 19,600 pound rolling herd average. They farm 260 acres, raising their own forages. The farm raises its own replacement heifers. Mr. Espenshade and his father work the farm with no hired help. Mr. Espenshade testified in support of fixing the over order premium at $1.00 per hundredweight for the next six months.

4. Mr. Espenshade is a member of Mount Joy Farmers Co-op, which is affiliated with Dairy Farmers of America (DFA). The cooperative spreads the over-order premium it receives across all its members, regardless of the milk's class, processor location, and final destination. Approximately 30% - 35% of Mount Joy's milk goes to Class I facilities and is sold within Pennsylvania. Mr. Espenshade testified that his most recent monthly statement indicated he received $0.13 per hundredweight of over-order premium. Mr. Espenshade testified that the funds generated by the over-order premium are returned to Mount Joy members in a variety of ways. He testified that some funds are distributed directly to each member. He provided examples of other ways the cooperative uses the money generated by the over-order premium, including subsidizing quality premiums, defraying transportation costs, and defraying office expenses. Mr. Espenshade testified that the funds are used to cover costs which would otherwise come out of the pockets of the dairy farmer members.

5. Mr. Espenshade testified regarding some of the economic challenges he and other Pennsylvania dairy farmers face. His local fertilizer supplier could not get a single load delivered to his storage facility. The price of anhydrous ammonia is increasing from $350 per ton to $550 per ton. Diesel fuel has risen sharply, with its price more than $1.50 per gallon higher than two months prior. Rainfall deficits and drought will negatively impact homegrown forage yields.

6. Mr. Espenshade testified that the supply chain issues, energy costs, and price increases that have impacted daily life for Americans have hit Pennsylvania's dairy sector. The price of generic Round-Up was increasing 13%. The cost of electricity continues to

increase. Mr. Espenshade testified that input costs and supply delays will make it more difficult to keep current on bills and take advantage of early-payment discounts.

7. Paul Hartman testified on behalf of Pennsylvania Farm Bureau. Mr. Hartman is the Chairman of Farm Bureau's Dairy and Farm Policy Committee. He is an eighth-generation dairy farmer from Berks County. His farm has around 2,000 Holsteins. He grows forages and grains on approximately 1,200 acres. Mr. Hartman's milk is shipped to Clover Farms Dairy in Reading. Mr. Hartman testified in support of establishing the over-order premium at $1.00 per hundredweight for the next six months. While supporting a $1.00 per hundredweight over-order premium, Mr. Hartman also testified that adopting that premium would benefit a class of dairy farmers and that other dairy farmers would receive little or no part of that premium that is intended to benefit them.

8. Mr. Hartman testified that he agreed with many of the points made by Mr. Espenshade. Milk income metrics are trending downward while many non-feed expenses continue to rise. He testified that his county is under drought conditions and he expects lower yields of forage crops. Mr. Hartman testified that labor continues to be an increasingly high expense, with labor costs increased from last year. Mr. Hartman also testified that animal care and fertilizer costs have increased. His farm's diesel fuel cost has risen 61% since the end of January and the cost of fuel for tractors increased between the end of January and the beginning of April from $2.73 per gallon to $4.84 per gallon.

9. Mr. Hartman testified that he receives over-order premium of approximately $0.19 per hundredweight. He confirmed that he understands Clover Farms markets milk throughout the Northeast and this impacts the amount of Clover Farms milk produced, processed, and sold in Pennsylvania. Mr. Hartman also confirmed that he understands that Clover Farms pays the entirety of the over-order premium it receives to its dairy farmers.

10. Drew Frommelt testified on behalf of Dairy Farmers of America, Inc. ("DFA"). Mr. Frommelt is the Dairy Economics and Analysis Manager for the Northeast Area of DFA. DFA is a milk marketing cooperative with approximately 5,000 dairy farmer members, 971 of whom are in Pennsylvania. DFA also owns and operates ten milk processing plants in Pennsylvania. Mr. Frommelt testified that DFA cannot take a position in support of any specific over-order premium level. He testified that DFA cannot continue to support a $1.00 over-order premium that perpetuates a system used to collect and distribute that premium that is not working as intended. Mr. Frommelt further testified that DFA recognizes the challenges facing Pennsylvania dairy farmers and therefore cannot support setting the over-order premium at $0.00 per hundredweight. Mr. Frommelt testified his testimony was focused on reform of the collection and distribution of the Pennsylvania over-order premium.

11. Mr. Frommelt testified that Federal Order 1 blend prices for the first three months of 2026 were down, on average, 17% year over year, that diesel fuel prices in the Central Atlantic had increased 19% year over year during the first three months of 2026, and that Pennsylvania milk production for the first quarter of 2026 was 65 million pounds less than in the same period of 2025. Mr. Frommelt testified that despite these adverse

conditions DFA could not support any premium level because the current over-order premium structure falls short of supporting the industry in a fair and effective way.

12. Mr. Frommelt testified that the current over-order premium system creates an economic incentive that harms Pennsylvania farms by tying the over-order premium to wholesale prices, creating an incentive for processors to move milk across state lines. He also testified that the current over-order premium system does not distribute premium dollars to Pennsylvania dairy farmers in a fair and equitable manner. Mr. Frommelt testified that DFA pools all premiums, including the over-order premium, together and distributes that premium to all members in a fair and equitable way, for uses similar to those described by Mr. Espenshade. Mr. Frommelt further testified that the DFA members receiving the Pennsylvania over-order premium are those farmers in the Northeast Area Council, from Maine to Pennsylvania and west to Ohio.

13. Madison Weaver testified. Ms. Weaver is a milk consumer and granddaughter of a dairy farmer. She testified that the price of milk impacts her decision to buy milk and that the over-order premium impacts the milk price. Ms. Weaver testified at the hearing to express her concern about the current state of the over-order premium system as it relates to what consumers pay versus what is distributed to Pennsylvania producers. Ms. Weaver testified that establishing the over-order premium involved a producer-related argument, that there was not really a consumer-driven argument, and that she thought it was very important for consumers to get involved. She testified that while dairy farmer costs were higher, her costs were higher as well. Ms. Weaver testified that she would be willing to pay the over-order premium if she knew that premium was distributed to all Pennsylvania producers.

14. Ms. Weaver testified about the retail prices found in USDA market reports, but acknowledged that she did not know how the surveys forming the basis of the market reports are conducted. Nor was Ms. Weaver familiar with the loss leader concept. Similarly, while testifying about USDA Mailbox Milk Price Reports, she acknowledged that she was not aware of the details of those reports.

15. John Painter testified. Mr. Painter is a dairy farmer. He and his family own and operate Painterland Farms in Westfield, Pennsylvania. He milks 454 cows and farms 5,000 acres. Mr. Painter testified that the over-order premium is one of the many things working against dairy farmers in Pennsylvania and recommended setting the over-order premium at $0.00.

16. Mr. Painter testified that while the over-order premium was helpful at one time, it is less so now. He testified that what was once a good program no longer worked for the majority of farmers in Pennsylvania. Mr. Painter agreed that farmers are hurting and that some farmers may be helped by the over-order premium. He testified, however, that in the big picture the over-order premium was doing nothing to help the farmer and the entire industry. Mr. Painter characterized the over-order premium as an archaic system that had been allowed to remain in place to keep some segments of the industry happy while other segments suffered.

17. Among the issues cited by Mr. Painter were milk crossing state lines to neighboring state plants. Mr. Painter also testified that consumers were not being treated fairly and honestly when they pay the over-order premium on every gallon of milk they purchase with the assumption that premium is being paid to their local farmers when less than 20 percent of Pennsylvania's dairy farmers get that premium while out-of-state cooperatives and independent bottlers like Walmart take full advantage of both the minimum wholesale and retail prices.

18. Craig Marburger testified on behalf of the Pennsylvania Association of Milk Dealers ("PAMD"). Mr. Marburger is the President of Marburger Farm Dairy ("Marburger"), a family-owned fluid milk processing plant located in Evans City, Pennsylvania, employing 130 people. Marburger partners with over 50 independent Pennsylvania dairy farms and distributes its products throughout Western Pennsylvania to food service, retailers, schools, medical facilities, and institutions. Mr. Marburger testified in support of setting the over-order premium at $1.00 per hundredweight to help fluid milk producers and processors in Western Pennsylvania, as it would be an incentive for local farmers to sell milk to local processing plants.

19. Mr. Marburger testified that Marburger producers support other farmers outside the area by paying into the federal order pool through the producer price differential and it was important to support Class 1 milk producers who are paying more into the federal pool than they have before. Mr. Marburger also testified that Marburger producers, like every Pennsylvania dairy farmer, are facing increasing input costs such as fertilizer, fuel, and labor.

20. Mr. Marburger testified that due to the over-order premium decrease in April 2026 some of his producers contacted cooperatives. He testified that, according to these producers, cooperatives had offered them incentives such as patronage payments, quality premiums, and location premiums of nearly $1.00 per hundredweight for being in milk deficit regions. Mr. Marburger testified that he had not lost any producers since the over-order premium decrease and would see where the over-order premium goes. He also testified that he could pay his producers a premium in the absence of the over-order premium.

21. Mr. Marburger testified that milk supplies are tight and they would become tighter as new plant capacity in New York comes on line. He testified that the New York plants do not have a sufficient supply of New York milk and would be able to take milk from Pennsylvania processors, but had no way to know how much of that supply might come from Pennsylvania or from other states. Mr. Marburger further testified that New York would be able to eventually build up its milk supply, leaving Pennsylvania farmers supplying the New York plants looking for a new home for their milk.

22. Jeff Ansell testified on behalf of PAMD. Mr. Ansell and his wife own and operate a dairy farm in Evans City, Pennsylvania, milking 55 cows and raising approximately 80 head of youngstock. The milk is marketed to Marburger. Mr. Ansell is also a crop consultant with Nutrien Ag Solutions ("Nutrien"). In this role he works with dairy farmers throughout Central and Western Pennsylvania, advising them on crop

production, forage quality, farm inputs, and financial decisions. Mr. Ansell testified that his family and Nutrien support setting the over-order premium at $1.00 per hundredweight for the next six months.

23. Mr. Ansell testified that for 2025 he was paid an over-order premium of $0.56 per hundredweight, representing approximately 2.5% of his milk income. He testified that the over-order premium he received could pay for a year's worth of seed corn, six months of veterinary services, nine months of skid loader payments, or one month of feed purchased from his local feed mill. The over-order premium he receives helps support the businesses that support agriculture.

24. Mr. Ansell testified that he spoke recently with eight producers that he works with for Nutrien. Those producers ship between 1.2 million and 27 million pounds annually to eight different independent processors or cooperatives. The value of the over-order premium received by those eight farms ranged from $0.08 per hundredweight to $0.76 per hundredweight. He provided more detail on two of those farms, both independent producers, noting that the over-order premium represented nearly 3% and about 3.5% of those farms' milk income. Mr. Ansell further testified that the farm receiving $0.08 per hundredweight belonged to a cooperative, while the farm receiving $0.76 per hundredweight was an independent.

25. Mr. Ansell testified that the over-order premium helps incentivize him to produce milk for the Class I market. He testified that equal is not necessarily fair and that treating every situation exactly the same does not necessarily recognize the different markets, risks, and commitments that producers make. He testified that producers whose milk is marketed by a cooperative for non-Class I use are incentivized in ways other than the over-order premium, including patronage checks, profit sharing, or buyers' groups.

26. Sara Dorland testified on behalf of PAMD as an expert in dairy economics and milk marketing. Ms. Dorland testified that implementation of Federal Milk Marketing Order ("FMMO") reform in May 2025 led to several changes that had exacerbated the challenges already confronting the Class I sector in Pennsylvania. She testified the changes have caused more money to move from Pennsylvania's Class I dairy producers to manufacturing in Pennsylvania, and to all classes in New York, Ohio, Indiana, and Michigan.

27. Ms. Dorland testified that the over-order premium was vital as an antidote to address imbalances caused by the FMMO system that are detrimental to dairy producers and processors in Pennsylvania. Ms. Dorland testified that the over-order premium applicable to Class I milk supports a broader dairy portfolio in Pennsylvania, including 27 cheese operations, 15 yogurt operations, one milk powder operation, eight butter operations, 12 ice cream facilities, and the dairy producers that supply those plants. She testified that the over-order premium is important for maintaining Pennsylvania's Class I infrastructure and that stabilizing Class I stabilizes the entire dairy ecosystem.

28. Ms. Dorland testified that changes to the Class I differential have had the greatest systemwide impact. She testified that USDA engaged experts to modernize the

differential map to reflect milk supply versus plant locations and the cost of serving the market, but the changes went beyond reimbursing for the costs of serving Class I plants and resulted in taking money from the Class I sector to fund the manufacturing sector. Pennsylvania producers supplying Pennsylvania Class I plants in some areas are receiving less of the Class I differential than before the FMMO change.

29. Ms. Dorland testified that competition for milk has increased because there is more plant capacity, with more new facilities coming on line. New plants are expected in New York and Michigan. There is more capacity and less production, which Ms. Dorland testifies tends to bring back premiums. Ms. Dorland testified that premium structures are returning because premiums are necessary to attract farms. Ms. Dorland testified that a $1.00 per hundredweight over-order premium would not cause milk to enter Pennsylvania because of a premium disparity between Pennsylvania and other states. She also testified that a $1.00 per hundredweight over-order premium would not cause retailers to import packaged milk from out of state due to transportation costs.

30. Based on the evidence presented at this hearing, the Board is not able to reach a decision on the level or duration of the over-order premium.

In Official General Order A-1022 we detailed issues with the over-order premium that concern us. These issues were also addressed in Official General Order A-1014 and the dissents to Official General Orders A-1015, A-1017, A-1018, A-1019, A-1020, A-1021, and A-1022. To repeat the main issues we identified, 1. consumers pay the entire over-order premium rate through minimum retail prices but Pennsylvania producers do not receive the entire over-order premium, and 2. Pennsylvania producers that do receive over-order premium receive significantly different amounts.

Official General Order A-1014 became effective on October 1, 2022. Our concerns have remained largely, if not wholly, unaddressed since then.

The over-order premium is a component of the minimum producer price. Section 801 of the Milk Marketing Law requires the Board to establish minimum producer prices that allow producers to recover their cost of production plus a reasonable profit. The over-order premium is the method the Board chose to attempt to meet Section 801's requirement. Section 801 of the Law also requires that the Board establish minimum wholesale and retail prices on fluid (or Class I) milk.

The over-order premium is applied only to Class I milk because the Board establishes minimum wholesale and retail prices for Class I milk, but not for milk used in other classes. The over-order premium, being part of the producer price, then is incorporated into the minimum wholesale and retail prices for Class I milk.

When the Board establishes the minimum wholesale price of packaged fluid milk, the first component of that wholesale minimum price is the producer price, which includes the entire over-order premium rate. When the Board establishes the minimum retail price, the first component of that minimum retail price is the minimum wholesale price,

which includes the entire over-order premium rate. Therefore, consumers pay the entire over-order premium rate when they purchase packaged fluid milk.

The over-order premium is not intended to function in any way specific to producers supplying milk to Class I processors. It is not intended as an incentive to attract milk to Class I processors. The over-order premium is intended as a mechanism to provide all producers a minimum producer price that attempts to meet Section 801's requirements.

The over-order premium is paid on Class I milk produced, processed, and sold in Pennsylvania. (Official General Order A-894 (Supplemental)). Because this Class I utilization is not 100% produced, processed, and sold in Pennsylvania, Pennsylvania producers do not receive the entire over-order premium through the minimum producer price established by the Board. Pennsylvania producers receive different over-order premium rates depending on the Pennsylvania Class I utilization of their market. This despite the over-order premium being a component of the Board-mandated minimum producer price and passed, in its entirety, through minimum wholesale and minimum retail prices.

Pennsylvania producers do not receive the entire over-order premium through the minimum producer price. As explained above, consumers pay the entire over-order premium rate when they purchase milk. We have a system where Pennsylvania consumers pay the entire over-order premium, yet Pennsylvania producers receive only a portion of the premium.

We also observed in Official General Order A-1014 that "[w]hen the over-order premium was first established in 1988, it may have functioned better as a mechanism to provide all producers additional income. However, the dairy industry and the legal environment have changed since the over-order premium was first added to producer prices in 1988. Class I utilization has declined. Milk imports and exports have increased. Commerce Clause jurisprudence has evolved." We found then, in October 2022, that the over-order premium system should be modified. Every over-order premium order since then, either in the order or in the dissent, reiterated our concerns.

Section 801 requires the Board to base all prices on all conditions affecting the milk industry. In *Pittsburgh v. Milk Marketing Board*, 1 Pa. Commw. 300, 275 A.2d 115 (1971), Commonwealth Court explained that when establishing prices the Board should give equal consideration to (1) milk producers, (2) transporters, processors, and sellers of dairy products, and (3) consumers. In *Pittsburgh*, the Court quoted the Board's brief: "[t]he Board is aware that the consumer is disorganized, uninformed, and in the main, too disinterested or dispersed to participate effectively in price hearings conducted by the Board." This remained the case until this hearing. This was the first over-order premium hearing in which a consumer participated solely as a consumer.

There are 13 million consumers in Pennsylvania. The over-order premium is a component of the minimum producer price and is passed through, in its entirety, into the minimum retail price for Class I milk paid by those Pennsylvania consumers. While those Pennsylvania consumers pay the entire over-order premium, Pennsylvania

producers only receive a portion of the premium. The current system establishes a producer price that is paid entirely by consumers but is not entirely received by producers. Consumers have not been given equal consideration when we establish the over-order premium.

The evidence presented at this hearing is not persuasive enough for the Board to put aside our long standing concerns reach a decision balancing and giving equal consideration to all segments of Pennsylvania's dairy industry.

CONCLUSIONS OF LAW

1. The June 3, 2026, over-order premium hearing was held pursuant to the authority granted to the Board in sections 801 and 803 of the Milk Marketing Law (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. In adopting this order, the Board 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 Law.

4. The attached order may be amended pursuant to the procedures set out in section 801 of the Law.

PENNSYLVANIA MILK BOARD

Robert N. Barley, Chairman

James A. Van Blarcom, Member

Kristi Kassimer Harper, Consumer Member

Date: November 4, 2026

IF YOU WISH TO RECEIVE THIS INFORMATION IN AN ALTERNATE FORMAT, CALL 717-787-4194 OR 1-800-654-5984 (PA RELAY SERVICE FOR TDD USERS.)