



Commonwealth of Pennsylvania

Milk Board

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Official General
Order No. A-1022

Posted:
Effective

December 17, 2025
January 1, 2026

OVER-ORDER PREMIUM

NOW, this 17th day of December 2025, 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 January 1, 2026, and will expire at 12:00 midnight on June 30, 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

(a) In all milk marketing areas, the calculation of the Class I price for milk produced, processed, and sold in Pennsylvania shall include an over-order premium of \$1.00 per hundredweight effective 12:01 a.m. on January 1, 2026, through midnight on March 31, 2026.

(b) In all milk marketing areas, the calculation of the Class I price for milk produced, processed, and sold in Pennsylvania shall include an over-order premium of \$0.50 per hundredweight effective 12:01 a.m. on April 1, 2026, through midnight on June 30, 2026.

(c) Milk dealers shall show by line item on their monthly statements to independent producers and cooperatives the specific amount of the Pennsylvania Milk Board over-order premium being paid.

(d) Cooperatives shall show by line item on their monthly statements to members the specific amount of the Pennsylvania Milk Board over-order premium being paid.

SECTION III

All parts of Official General Order A-893 not inconsistent with this order shall continue in effect.

PENNSYLVANIA MILK BOARD

Robert N. Barley, Chairman

James A. Van Blarcom, Member

Kristi Kassimer Harper, Consumer Member

Date: December 17, 2025

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

FINDINGS OF FACT

1. On December 3, 2025, 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 55 Pennsylvania Bulletin 7354 on October 18, 2025. Notice of the hearing was also mailed to those who have requested mailed notice of Board hearings by means of Bulletin No. 1661, dated October 8, 2025.
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 70 cows, with a 19,700 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 \$0.14 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 cited other examples of how the cooperative uses the money generated by the over-order premium, including subsidizing quality premiums, defraying transportation costs, and defraying office expenses. In any case, 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. Unfavorable weather conditions have caused shortfalls in home raised forages, which are made up by purchasing feed. Purchased feed prices have generally increased. He testified that the supply chain issues and inflation rates that have impacted daily life for Americans have also adversely impacted Pennsylvania's dairy sector. The milk price he receives has declined 25% since January 2025.
6. 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,

spread across two milking locations, and four heifer facilities. He grows forages and grains on approximately 1,200 acres. Mr. Hartman's milk is shipped to Clover Farms Dairy in Reading and Swiss Premium Dairy in Lebanon, receiving over-order premium from both plants. Mr. Hartman testified in support of establishing the over-order premium at \$1.00 per hundredweight through June 2026.

7. Mr. Hartman testified that he agreed with many of the points made by Mr. Espenshade. He testified that weather conditions in the spring and summer caused many farmers to either significantly delay planting altogether or utilize prevented planting insurance. As a result, many dairy farms will need to purchase forage next year, at a higher cost than homegrown. Mr. Hartman also testified that milk prices have seen a steady downward trend. He testified that many expenses on his farm have remained stable or decreased slightly. However, Mr. Hartman emphasized that the negative milk income trend and uncertainty regarding forage purchasing next year outweigh the minimal price relief from some expenses.
8. Pennsylvania Department of Agriculture ("Department") Secretary Russell Redding testified. Secretary Redding testified that the Department did not oppose Grange's over-order premium proposal. Secretary Redding testified that the Department's non-opposition did not mean the Department accepted the status quo. He testified the Department supports fundamental reform of the way over-order premium dollars paid by consumers are imposed, collected, and distributed, ensuring those premium dollars are collected and distributed in a manner that benefits the entire dairy industry. Secretary Redding testified that the Department supported a premium price above the federal minimum price if it is distributed uniformly among all Pennsylvania dairy farmers, does not charge consumers substantially more than what is paid to dairy farmers, and does not provide incentives for mechanisms that avoid premium payments to Pennsylvania dairy farmers.
9. The Board finds that the over-order premium should be fixed at \$1.00 per hundredweight effective January 1, 2026, through March 31, 2026, and set at \$0.50 per hundredweight effective April 1, 2026, through June 30, 2026.

In finding the over-order premium should be set at \$1.00 per hundredweight through March 31, 2026, the Board relies on the credible and persuasive testimony of Mr. Espenshade, Mr. Hartman, and Secretary Redding. Their testimony demonstrates that an over-order premium level of \$1.00 per hundredweight will help address the economic conditions expected to continue to confront Pennsylvania dairy farmers.

In finding the over-order premium should be set at \$0.50 per hundredweight effective April 1, 2026, through June 30, 2026, we acknowledge the testimony of Mr. Espenshade, Mr. Hartman, and Secretary Redding. However, we find that we should consider consumers when establishing the over-order premium. We find that an over-order premium of \$0.50 per hundredweight for April, May, and June 2026 strikes a better balance among the various segments of the dairy industry.

Section 801 of the Milk Marketing Law (31 P.S. § 700j-801) requires the Board to set minimum prices, including 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 has chosen to attempt to meet that requirement. The over-order premium is intended as a mechanism to provide all producers a minimum producer price that attempts to meet Section 801's requirement that producers recover their cost of production plus a reasonable profit. The over-order premium is not intended to meet Section 801's requirement only as to the Class I market. It is intended to meet Section 801's requirement as to all Pennsylvania producers.

Why, then, is the over-order premium only paid by Class I consumers? 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.

Section 801 also 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. We are concerned with the impact of the over-order premium on all segments of Pennsylvania's dairy industry and whether the current over-order premium system gives equal consideration to those three segments.

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. We question how well this gives equal consideration to consumers. Therefore, we find that the over-order premium should be set at \$0.50 per hundredweight effective April 1, 2026, through June 30, 2026.

DISCUSSION

The over-order premium is intended to establish a producer price to benefit all Pennsylvania producers. The cost of the over-order premium is borne by Pennsylvania milk consumers. The entire over-order premium paid by consumers is not distributed to

Pennsylvania producers. Pennsylvania producers do not benefit equally. Despite widespread recognition that change is needed, the current system remains in place.

Why does the current system remain in place? Because the Board has not changed it. Because, despite the current efforts of Senators Vogel and Schwank, the legislature has not changed it. This despite the Board and the legislature having ample opportunity to address the situation.

Knowing the adverse impact on consumers in the form of higher prices, and the adverse impact on producers in the form of an incomplete and inequitable pass through of the over-order premium, we approve yet another six-month over-order premium order, while the legislature continues to not act. In the meantime, Pennsylvania's 13 million consumers will continue to pay higher prices, farm numbers will continue to decline, and Pennsylvania's dairy infrastructure will continue to age. There may come a time when either the Board or the legislature will take steps to make necessary adjustments.

CONCLUSIONS OF LAW

1. The December 3, 2025, 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. All parts of Official General Order No. A-893 not inconsistent with the attached order will continue in effect.
4. In accordance with Official General Order No. 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 Pennsylvania Milk Board's over-order premium being paid.
5. In accordance with Official General Order No. 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 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.
7. 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: December 17, 2025

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I disagree with the majority's decision, and I would set the over-order premium at \$0.00. I do appreciate, though, the Board using parts of my dissent, as well as adopting the concepts and affirming the issues I have had with the over-order premium for the past several years.

This is the seventh consecutive order in which I've disagreed with the majority's decision to establish an over-order premium at a level other than \$0.00. My first dissent was in Official General Order A-1015 (effective January 1, 2023). No evidence has been presented at any of the six subsequent hearings that any of my concerns with the over-order premium have been addressed.

There are 13 million consumers in Pennsylvania. To repeat, yet again, the over-order premium is a component of the minimum producer price and is passed through, in its entirety, into the minimum retail price paid by those Pennsylvania consumers. As we all know, 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. Secretary Redding was absolutely correct when he testified that every consumer is asked to pay the premium and every farmer should benefit. It really is that simple. The system must change, and it is wrong to continue that system knowing it is unfair to both consumers and producers.

Since March 2022 over a dozen witnesses have testified that the current over-order premium system should be reformed. Legislation has been introduced in each of the past four legislative sessions that would reform the over-order premium system. Yet, despite widespread recognition that change is needed, the current system remains in place.

Why does the current system remain in place? Because the Board has failed to change it. Because the legislature has failed to change it. It really is that simple.

Knowing the adverse impact on consumers in the form of higher prices, and the adverse impact on producers in the form of an incomplete and inequitable pass through of the over-order premium, the Board will approve yet another six-month over-order premium order, while the legislature continues to not act. In the meantime, Pennsylvania's 13 million consumers will continue to pay higher prices, farm numbers will continue to decline, and Pennsylvania's dairy infrastructure will continue to age.

The system is so flawed that I cannot approve it continuing, even in the modified fashion approved by the majority. The over-order premium should be set at \$0.00 immediately.

James A. Van Blarcom, Member

December 17, 2025