



Commonwealth of Pennsylvania

Milk Board

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Official General
Order No. A-1021

Posted:
Effective

June 4, 2025
July 1, 2025

OVER-ORDER PREMIUM

NOW, this 4th day of June 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 July 1, 2025, and will expire at 12:00 midnight on December 31, 2025.

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 July 1, 2025, through midnight on December 31, 2025.

(b) 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.

(c) 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: June 4, 2025

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

FINDINGS OF FACT

1. On May 7, 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 2699 on April 5, 2025. Notice of the hearing was also mailed to those who have requested mailed notice of Board hearings by means of Bulletin No. 1654, dated April 2, 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 73 cows, with a 20,800 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 \$0.12 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 that, as of April 1, 2025, 55% of Pennsylvania was under drought conditions designated “abnormally dry” or worse. Seventeen counties in southeastern Pennsylvania is facing “severe drought” conditions. Mr. Espenshade testified that the rainfall deficit would impact yields of forages and alfalfa haylage.
6. Mr. Espenshade testified that the supply chain issues, high interest rates, and price increases that have impeded daily life for Americans have hit Pennsylvania’s dairy sector very hard. Mr. Espenshade testified that his farm has experienced significant disruption due to supply chain issues when ordering replacement parts and supplies. He testified that electricity costs have increased significantly since 2022. The increased

input costs and supply delays 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, 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 December 2025.
8. Mr. Hartman testified that he agreed with many of the points made by Mr. Espenshade. He testified that Berks County is under "severe drought" conditions and he is seeing lower small grain forages yields. Mr. Hartman also testified that the drought conditions in southcentral Pennsylvania were particularly notable given a substantial portion of Pennsylvania dairy farms are located there.
9. Mr. Hartman testified that milk income and prices have trended downward and that volume and quality premiums have eroded over the past few years. He testified that while expenses have trended downward in the aggregate, a few expenses are trending higher currently. Among the expenses trending higher are labor, animal care, and fertilizer.
10. Pennsylvania Department of Agriculture ("Department") Secretary Russell Redding testified. Secretary Redding testified that the Department did not oppose Grange's over-order premium proposal but reform was overdue. Secretary Redding testified that the supported a premium price above the federal minimum price if it was distributed uniformly among all Pennsylvania dairy farmers, did not charge consumers substantially more than what is paid to dairy farmers, and did not provide incentives for mechanisms that avoid premium payments to Pennsylvania dairy farmers.
11. Secretary Redding testified there is an urgent need to modernize how dairy premiums are assessed and collected. He testified that continued delay allows farms to decline, infrastructure to age, and Pennsylvania's dairy industry to struggle under an outdated and inequitable system. Secretary Redding testified that updating premium collection would ensure fairness and efficiency and open the door to reimagining how the funds are invested, strengthening Pennsylvania's dairy industry and building a more resilient, sustainable food system for the future.
12. Craig Marburger testified on behalf of Marburger Farm Dairy ("Marburger") and the Pennsylvania Association of Milk Dealers ("PAMD"). Mr. Marburger supported the Pennsylvania Grange request to set the over-order premium at \$1.00 per hundredweight through December 2025.
13. Marburger Farm Dairy is a family-owned fluid milk processing plant located in Evans City, Pennsylvania. Marburger was founded in 1938, employs 130 people, milks 40

cows, and receives milk from 57 independent dairy farmers. Marburger products are distributed across western Pennsylvania to food service, retailers, schools, medical facilities, and institutions. In addition, buttermilk is an important part of Marburger's product mix and is sold to large retailers from Missouri to New York and areas north and south. Mr. Marburger testified that PAMD members are also family-owned for multiple generations, supply packaged fluid milk, and support thousands of family-sustaining jobs while providing good local markets for many Pennsylvania dairy farm families.

14. Mr. Marburger testified that Federal Milk Market Order regulations require producers be paid the same minimum price regardless where they ship their milk. Mr. Marburger testified that this is accomplished by requiring Class I plants to pay a portion of the Class I price to the manufacturing plants through the Producer Settlement Fund. He characterized this as Class I plants subsidizing other classes. Mr. Marburger testified that shipping to a Class I plant, like Marburger, as an independent producer comes with added risks and demands. Therefore, Class I plants pay premiums to incentivize producers to take on the added risks and demands.
15. Mr. Marburger testified that Marburger and other processors work with farmers to achieve top sanitary scores because top sanitary scores translate into longer shelf life and better tasting milk. He testified that it takes additional time, effort, and cost to achieve higher scores. Mr. Marburger testified that Marburger needs to pay premiums to compensate for the additional time, effort, and cost. Mr. Marburger acknowledged that manufacturing plants and cooperatives also work to achieve high sanitary scores. However, Mr. Marburger testified that Class I plants help the manufacturing plants with their costs by subsidizing them and Marburger needs help through the over-order premium to attract farmers. Mr. Marburger testified that the over-order premium ensures that he can attract milk to his plant while mitigating the risk of margin erosion.
16. Mr. Marburger testified that Federal Milk Market Order changes effective June 1, 2025, will cause Class I plants to pay even more to manufacturers as Marburger's Class I differential will nearly double, from \$2.10 per hundredweight to \$4.00 per hundredweight, while manufacturers see their Class II, III, and IV prices decrease. Mr. Marburger testified producers shipping to manufacturers will benefit due to the changes. He further testified that the potential benefit and tightening milk supplies as new plant capacity comes online around Pennsylvania would cause the over-order premium to likely become more important to Marburger.
17. The Board finds that the over-order premium should be fixed at \$1.00 per hundredweight for six months effective July 1, 2025.

In finding the over-order premium should be set at \$1.00 per hundredweight, 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 address the economic conditions expected to continue to confront Pennsylvania dairy farmers. We thank Mr. Marburger for testifying regarding the impact of the over-order premium on his and other Class I plants.

CONCLUSIONS OF LAW

1. The May 7, 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: June 4, 2025

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I disagree with the majority's decision and I would set the over-order premium at \$0.00.

This is the sixth 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 five succeeding hearings that any of my concerns with the over-order premium have been addressed.

As explained by the Board in Official General Order A-1014 (effective October 1, 2022) and reviewed in my subsequent five dissenting statements, the over-order premium is a component of minimum producer prices and is passed through, in its entirety, into the minimum retail price. Pennsylvania consumers pay the entire over-order premium, yet Pennsylvania producers do not receive the entire over-order premium. This is extremely troubling, given that both consumers and producers continue to face higher prices and expenses. The over-order premium, intended to be a component of the minimum producer price, increases the price consumers pay for milk, but that increased price is only partially passed through to producers. The current system establishes a producer price that is paid entirely by consumers but not entirely received by producers. That is not acceptable.

Many witnesses have testified that the over-order premium system as currently constituted is flawed and needs to be reformed. In December 2017 dairy farmer Nelson Troutman testified that the over-order premium should be set at \$0.00 because of the issues with it. (Official General Order A-1000) Those issues continued and by March 2022 Pennsylvania Farm Bureau testified that the over-order premium should be set at \$0.00 until a new system could be implemented. Beginning with that March 2022 hearing (Official General Order A-1013) and continuing through this hearing, dairy farmers Tim Wood, John Painter, Glenn Stoltzfus, David Graybill, Paul Hartman, Jim Harbach, and Joel Krall have testified that over-order premium reform is necessary. The Board has heard similar testimony from Secretary Redding, Deputy Secretary Greg Hostetter, Representative John Lawrence, and cooperative employees Troye Cooper, Britni Treichler-Harris, and Drew Frommelt. I thank all of these witnesses for raising the shortcomings of the over-order premium system.

I also thank the legislators who have introduced legislation to address issues with the over-order premium. Representative Lawrence introduced legislation in the House during the 2019-2020 and the 2021-2022 legislative sessions. Senators Vogel and Schwank introduced legislation in the Senate during the 2023-2024 legislative session and have introduced legislation in the current session. While legislation has been introduced in four consecutive legislative sessions, it has not passed. It is past time for this legislation to be enacted.

Reflecting on the testimony of the witnesses noted above, I agree with Secretary Redding that reform is overdue. I agree with Secretary Redding's observation that delaying reform only allows farm numbers to decline and infrastructure to age. We cannot just continue to approve a new over-order premium every six months knowing the adverse impact on consumers and dairy farmers. The over-order premium should be set at \$0.00.

James A. Van Blarcom, Member

June 4, 2025