



Purchase Order No: 4300762271

Valid From: 03/01/2023 To 11/26/2023

***** **Draft Copy - Not for Issue** *****

Your SAP Vendor #: 553536

Please Deliver To:

Supplier Name/Address:

KEN BAILEY DAIRY CONSULTING LLC
3020 ISSAQUAH PINE LAKE RD SE # 74
SAMMAMISH WA 98075-7253 USPLEASE CONTACT REQUESTOR
NO ADDRESS FOUND PA 17025 US

Supplier Phone Number: 425-281-9501

Please Bill To:

Save time, reduce cost, get paid faster:

Email PDF invoice to 69180@pa.gov

<https://www.budget.pa.gov/Programs/Pages/e-Invoicing.aspx>

Or mail paper invoice to:

Commonwealth of Pennsylvania

PO Box 69180, Harrisburg, PA 17106

Purchasing Agent

Purchase Order Description:

MMB_Research PA Min Milk Pricing System

This Purchase Order is comprised of: The above-referenced Solicitation, the Suppliers Bid or Proposal, and any documents attached to this Purchase Order or incorporated by reference.

Suppliers must provide four mandatory elements on PO invoices: PO Number, Invoice Date, Invoice Number, and Invoice Gross Amount. Failure to comply will result in the return of the invoice. Additional optional information such as supplier name, address, remit to information and PO Line Item information will improve invoice processing.

Item	Material/Service Desc	Qty	UOM	Delivery Date	Net Price	Price Unit	Total
1	Research Outline Study	1.000	Each	03/31/2023	25,000.00	1	25,000.00

Information:

Total Amount:

SEE LAST PAGE FOR TOTAL OF ALL ITEMS

Currency: USD

Supplier's Signature _____

Title _____

Printed Name _____

Date _____



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Supplier Name:
KEN BAILEY DAIRY CONSULTING LLC

Item	Material/Service Desc	Qty	UOM	Delivery Date	Net Price	Price Unit	Total
Item Text							
Expected to be 25% of the total dollar amount.							
1. Research outline/study design and timeline for each of the five research questions located in section D: Due on or before 30 days after execution of contract.							
a. Identification of population and/or sample to be utilized in response to the five research questions or combined questions where appropriate.							
i. Identification of data collection methodologies in response to the five research questions or for combined questions where appropriate.							
ii. Identification of appropriate data analysis techniques for each phase of data collection.							
b. Broad overview of sources for meta-analysis of existing literature in response to any of the five research questions where appropriate.							
2	Progress Report 1	1.000	Each	05/30/2023	25,000.00	1	25,000.00
Item Text							
Expected to be 25% of the total dollar amount.							
2. Progress report including any relevant initial data analysis (texts, tables, charts, diagrams, etc): On or before 90 days after execution of contract.							
3	Progress Report 2	1.000	Each	08/28/2023	25,000.00	1	25,000.00

Information:	Total Amount: SEE LAST PAGE FOR TOTAL OF ALL ITEMS
	Currency: USD



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KEN BAILEY DAIRY CONSULTING LLC

Item	Material/Service Desc	Qty	UOM	Delivery Date	Net Price	Price Unit	Total
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Item Text

Expected to be 25% of the total dollar amount.
3. Progress report including any relevant initial data analysis (texts, tables, charts, diagrams, etc): On or before 180 days after execution of contract.

4	Progress Report/Final	1.000	Each	11/26/2023	25,000.00	1	25,000.00
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Item Text

Expected to be 25% of the total dollar amount.
4. Final report or progress report to include any relevant initial data analysis (texts, tables, charts, diagrams, etc) Due on or before 270 days after execution of contract.

General Requirements for all Items:

Header Text

This Purchase Order is written with reference to RFX 6100057582 and QUOT-Supplier Price Request.

Sole Sorce Service Independant Agency procurement for research on impact of elimination of Pennsylvania's minimum milk pricing system.

Agency contact: Carol Hardbarger; chardbarge@pa.gov
Vendor Contact: Ken Bailey; KBAILEY.DAIRYCONSULTING@GMAIL.COM

Vendor Memo (General)

ALL INVOICES AGAINST THIS PO MUST BE SUBMITTED TO THE 'PLEASE BILL TO' ADDRESS ON PAGE ONE OF THIS PO TO AVOID DELAYS IN PAYMENT.
VENDOR INVOICE MUST REFERENCE PO NUMBER TO AVOID DELAYS IN PAYMENT. VENDOR INVOICE MUST MATCH PO LINE ITEMS IN ITEM DESCRIPTION, QUANTITIES, RATES, AND OVERALL AMOUNTS TO AVOID DELAYS IN PAYMENT.

For invoice requirements or to view the status of invoices submitted, please visit the following link.
<https://www.budget.pa.gov/Programs/Pages/e-Invoicing.aspx>

No further information for this PO.

Information:	Total Amount: 100,000.00
	Currency: USD



SCOPE OF WORK AND SERVICES

PROJECT: RESEARCH ON IMPACT OF ELIMINATION OF PENNSYLVANIA'S MINIMUM MILK PRICING SYSTEM

A. BACKGROUND

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 1930s. During this time prices paid to milk producers fell to one dollar per hundredweight or lower. Home delivered milk was \$.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. In 1968 the Law was amended and re-named the Milk Marketing Law. In 1985 the General Assembly re-established the Milk Marketing Board (MMB) after conducting an extensive review of its 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 designated 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. Currently, there is more than \$3 million in the Security Fund and more than \$100 million in collateral or corporate surety bonds.

The Board administers a comprehensive milk pricing program that enhances the farm milk price while at the same time providing a fair and competitive price for consumers. 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.

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 in 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 840 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.

B. PURPOSE

Many voices over the past decades have called for the elimination of Pennsylvania's minimum pricing, believing that its elimination would result in more consumer milk consumption and higher milk prices for farmers.

However, others who advocate for the commonwealth's many independent and family-owned milk processing plants believe that the elimination of retail and wholesale minimum pricing would cause at least 50 percent of these processors to go out of business. They also believe that once the independent processors are no longer available to purchase farm milk supply, and if existing cooperatives cannot take on their farmers' milk supplies, the farmers would also go out of business.

Both of these groups believe strongly in their opinions about what would happen with the elimination of Pennsylvania's minimum milk pricing structure. Yet, none of their opinions are based on any empirical research or meta-analysis of existing literature.

Therefore, the purpose of this project is to determine the impact of elimination of the commonwealth's minimum milk pricing structure. We believe a well-conducted, rigorous research study will enable us to answer the questions surrounding this issue and make sound decisions for future benefit of Pennsylvania's dairy industry.

C. EXPERTISE REQUIRED

- PhD in Agricultural Economics and/or related field.
- In-depth knowledge of Pennsylvania's regulated milk pricing system, regulations and relevant portions of the Milk Marketing Law.

- Work history to demonstrate in-depth knowledge of Pennsylvania’s milk pricing system that includes
 - Classification as an expert witness on PA milk pricing for federal or state hearings on PA minimum milk pricing or other areas of the Milk Marketing Law.
 - Ability to articulate an understanding of PA milk pricing as evidenced by testimony in federal or state hearings on PA minimum milk pricing or other areas of the Milk Marketing Law.
- In-depth knowledge of Federal Milk Marketing Order (FMMO) system and its unique relationship to and interplay with Pennsylvania’s regulated milk pricing system.
- Demonstrated research and data analysis expertise as evidenced by publications history.

D. RESEARCH QUESTIONS

1. Would Pennsylvania consumers buy more milk if the state’s minimum milk pricing structure was eliminated?
2. Would Pennsylvania retail outlets engage in bidding wars with milk processors/dealers?
 - a. If so, would Pennsylvania milk processors go out of business as a result of these bidding wars?
3. Would the elimination of Pennsylvania’s minimum milk pricing structure have an impact on rural communities and businesses?
4. How would Pennsylvania’s dairy industry, as a whole, be impacted by elimination of the state’s minimum milk pricing structure?
5. How would the overall economy in Pennsylvania be impacted by elimination of its minimum milk pricing structure?

E. DELIVERABLES

1. Research outline/study design and timeline for each of the five research questions located in section D: Due on or before 30 days after execution of contract.
 - a. Identification of population and/or sample to be utilized in response to the five research questions or combined questions where appropriate.
 - i. Identification of data collection methodologies in response to the five research questions or for combined questions where appropriate.
 - ii. Identification of appropriate data analysis techniques for each phase of data collection.
 - b. Broad overview of sources for meta-analysis of existing literature in response to any of the five research questions where appropriate.

Installment #1: On or before 30 days after execution of contract.

2. Progress report including any relevant initial data analysis (texts, tables, charts, diagrams, etc): Due on or before 90 days after execution of contract.

Installment #2: On or before 90 days after execution of contract.

3. Progress report including any relevant initial data analysis (texts, tables, charts, diagrams, etc): Due on or before 180 days after execution of contract.

Installment #3: On or before 180 days after execution of contract.

4. Final report or progress report to include any relevant initial data analysis (texts, tables, charts, diagrams, etc). Due on or before 270 days after execution of contract.

Installment #4: On or before 270 days after execution of the contract.

Note: All reports including progress reports must contain suitable representation of data collection and analysis and follow agreed upon writing conventions (e.g. APA, Chicago style, etc.)

F. PERIOD OF PERFORMANCE

The period of performance for this contract shall be 270 days (9 months).

G. MILK MARKETING BOARD OBLIGATIONS

Milk Marketing Board project manager will meet on a weekly basis with contractor to answer questions, review progress and provide suggestions. In addition, contractor will be free to email, and call should any questions arise between scheduled meetings.

Milk Marketing Board Point of contact: Dr. Carol Hardbarger; chardbarga@pa.gov

The contractor will have the opportunity to request milk pricing and other related data from staff at any point during the duration of the contract. Staff will prioritize and respond to data requests in a timely manner.

Commonwealth of Pennsylvania
PA Milk Marketing Board

Source Justification – 50439

SECTION A

1. Agency: Milk Marketing Board
2. Procurement Description: Research on the Impact of Elimination of Pennsylvania Milk Minimum Pricing Structure

<u>Services Description</u> : Design, implementation and reporting on research as outlined in the accompanying SOW.	<u>Estimated Cost</u> : \$50,000 - \$100 K <u>Initial Contract Term</u> : 270 days <u>Renewals</u> : 0
SPR # 6100057582	
3. <u>Supplier Name</u> : K. Bailey Dairy Consulting <u>Full Address</u> : 2419 196 th Ave. SE, Sammamish, WA 98075 <u>Contact Name</u> : Kenneth W. Bailey, PhD <u>Telephone</u> : 425-281-9501 <u>Email</u> : kbailey.dairyconsulting@gmail.com <u>SRM Supplier #</u> : 553536	
4. <u>Delivery location</u> : 2301 N. Cameron St., Harrisburg, PA 17110	

SECTION B

Source Justification: Professional Expert (Described in Section C)

SECTION C

1. Description: Unique features of this procurement that prohibits a competitive environment. (SOW attached)

Conducting the identified study requires an individual with in-depth knowledge of both the federal and PA milk pricing systems. The individual should be considered an expert in both, as evidenced by publications and certification as a witness in federal or state hearings on milk minimum pricing, particularly in Pennsylvania. He worked at Penn State for 20 years, producing many publications related to dairy economics and milk pricing. Ken Bailey is the only individual in the US with the unique background in both federal and state milk pricing required for this project. The attached SOW outlines the qualifications necessary for the individual who would conduct this research.

2. Documentation of Research: To document that supplier is only known source.

Ken Bailey's list of publications is attached. In addition to this list of key publications, he regularly published articles on dairy marketing and pricing through Penn State Extension service, one of which is attached to illustrate his expertise with both federal and PA's pricing systems and the intersection of the two. Pennsylvania's minimum milk pricing system is comprehensive from cow to consumer and is unique, with Maine being the only other state with a system that approaches the comprehensive pricing system used in Pennsylvania. He is the only individual who has qualified as an expert to testify in a federal court case related to PA minimum milk pricing in Pennsylvania. The field is narrow and there is not a lot of call for research on the subject.

3. Does the supplier utilize distributors, dealers, resellers, etc.?

NO

4. Are there compatibility requirements or compliance requirements with a warranty or service agreement?

NO

5. How has the material or serve been procured in the past?

N/A

6. If procured through the IT ITQ process, please provide original \$ amount and contract period of order. Is this the final phase of the project?

N/A

7. If this is an update, addition, alteration, etc., to an earlier procurement, please describe in detail.

N/A

8. What are the consequences of not approving this procurement?

Because Pennsylvania's minimum mandated milk pricing system is unique, the research cannot be conducted in a timely fashion or for reasonable cost as another individual would not have sufficient background knowledge of federal and PA milk pricing to design a study, collect data and do an analysis. Dr. Bailey has already studied Pennsylvania's minimum milk pricing system and has testified as an expert in the US District Court for the Middle District of Pennsylvania regarding Pennsylvania's minimum prices.

9. If timing is a factor, what is the time factor and why?

Timing is a factor in the sense that it relates to cost. We cannot afford to train someone on the economics of PA milk pricing prior to research being conducted. Milk pricing structure is extremely complex and takes years to fully comprehend.

- 10. List any other information relevant to the acquisition of this procurement here or as an attachment.

We cannot emphasize enough that our research will not be possible with another individual.

- 11. For requests > \$100,000, has the supplier signed cost or pricing data certification and is the price breakdown attached?

N/A

SECTION D

IMPORTANT*: The printed names on this form shall constitute the signatures of these individuals. Agencies must insure that these individuals review the completed form and give their consent to apply their printed name on this form. No handwritten signatures shall be required in order for the form to be considered "signed" by those individuals whose names appear in the signature section of the form.

Shopping Cart Contact Person		
Name: Carol A. Hardbarger	Title: Agency Secretary	Date: 01-10-23
E-mail: chardbarga@pa.gov	P-group: FG0	
Agency Contact Person		
Name: Carol A. Hardbarger	Title: Secretary	Date: 01-10-23
Email: chardbarga@pa.gov		
Approving Authority		
Name: Robert Barley	Title: Chair, MMB	Date: 01-10-23
		Email: rbarley@pa.gov