

PA Milk Marketing Board  
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*Pennsylvania Sets the Standard – A Supplemented OOP as COVID-19 Response*

There are no playbooks, historical records or checklists to follow. The dairy industry as well as other agriculture enterprises across the Commonwealth, indeed across the country, have been devastated by the COVID-19 outbreak and its economic and personal effects. In Pennsylvania, farmers have been asked to dump milk and processing plants are dealing with lack of available storage space and fewer customers in many cases.

The Board reacted to the situation as early as mid-March. Minimum price enforcement was relaxed on select products such as half-pints of milk for schools and manufactured products (e.g. sour cream) that could not be distributed to conventional markets due to closure of restaurants, colleges and universities. In addition, the March resale prices were extended by the Board through April 2020 to help with market stabilization.

On April 23, 2020, the Board took another unprecedented action by creating a “Market Relief Surcharge” to supplement the over-order premium (OOP) paid to farmers for milk that is produced, processed and sold in Pennsylvania. The surcharge will go into effect on May 1 and last through June 2020; the Board will revisit the market situation at that time to determine if an extension is needed.

*How is the surcharge calculated?*

The surcharge is based on a Class I mover floor of \$15.00. If the announced Class I mover is lower than \$15.00, the announced mover is subtracted from \$15.00 to find the amount of the surcharge. The surcharge is then added to the current Pennsylvania OOP to reflect the new, supplemented OOP.

The concept was brought to the Board’s attention by representatives of several cooperatives, who belong to associations that expressed interest in supplementing producer income and saw the surcharge as a reasonable solution. The surcharge also relies on a formula rather than any subjective interpretation of market forces.

As an example of how it works, let’s look at current figures:

The Class I mover for the Philadelphia area is \$12.95/cwt, as announced by FMMO 1 on April 22. When this is subtracted from the mover floor of \$15.00, it yields \$2.05/cwt. This amount is added to the current OOP of \$1.00/cwt + two surcharges to yield \$3.31/cwt.

The new OOP for May =  $(\$15.00 - \$12.95)/\text{cwt} + (\$1.00 + \$0.26 \text{ surcharges})/\text{cwt} = \$3.31$

Board staff will calculate a market relief surcharge for June 2020 as well, and the Board may extend the process based on market conditions at that time. Extending the process would require a hearing and an official order by the Board.

The associations representing cooperatives and their members in our area are in discussions with those in other regions to hopefully develop a national approach to producer pricing, which would supplement producer prices when the Class I prices decline. The PA Department of Agriculture is on record supporting the Board's recent action and has expressed willingness to discuss a possible coordinated effort with other states.

Communications have also begun with the US Department of Agriculture to promote the concept on a national level.

PMMB is always available to respond to questions and concerns. I can be reached at 717-210-8244 or by email at [chardbarge@pa.gov](mailto:chardbarge@pa.gov).