

PA Milk Marketing Board  
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*The Ongoing Questions about PA's Minimum Retail Price for Milk*

There isn't a staff or Board member at PMMB who is not frequently asked about the minimum retail price of milk in Pennsylvania. It is a particularly "sore spot" for individuals who live close to our border as vocalized by someone recently on our Facebook page. This gentleman couldn't understand why he pays so much for milk in Chester County, but can drive a few miles into Delaware and pay much less.

The Milk Marketing Law mandates that the Board set minimum wholesale and retail prices. Minimum wholesale prices are based on the average costs to purchase, process, package, and deliver the milk to stores. Minimum retail price is based on the wholesale milk price plus what it costs to handle and sell the milk in stores.

You may see retail prices for milk a lot lower in states that do not establish minimum wholesale and retail prices. In those situations, we know that someone is losing money, most likely the retailer, using a practice known as "loss leader pricing." This form of pricing is used to attract customers into a store with a hope that they will buy other products that have much higher profit margins. On average, the customer will often pay similar total amounts for the overall purchases regardless of the price paid for milk.

Through producer, wholesale, and retail minimum pricing, the Board supports all levels of the dairy industry. Currently Pennsylvania ranks 4<sup>th</sup> in the nation in the number of dairy processing plants, which provide efficient local markets for our dairy farmers. If the Milk Marketing Law didn't require minimum pricing, the result would be price wars that could put 50% of Pennsylvania's processors out of business, an idea recently confirmed by Vice President of a grocery store chain in the Harrisburg area. This retailer is glad to have minimum retail pricing as it does prevent price wars which ultimately hurt someone in the farmer-processor-retailer industry chain.

We also know that our many local (and many family-owned) milk processors in the state have high levels of quality control and care about delivering a wholesome, healthy product.

PMMB is always available to answer any questions you may have. I can be reached at 717-210-8244 or by email at [chardbarga@pa.gov](mailto:chardbarga@pa.gov).