

PA Milk Marketing Board
Carol A. Hardbarger

How Minimum Wholesale Milk Prices Are Determined in Pennsylvania

Pennsylvania has the most unique, and some would say confusing, milk pricing system in the country. The system is three-tiered in that it builds on the Federal Milk Marketing Order (FMMO) minimum price for producers and also generates cost-based minimum wholesale and retail pricing.

Wholesale prices begin with what processors pay producers for their milk. Producers may be “independents,” individual family-owned farms or they may be a cooperative which is owned by its member farms. Producers are paid the minimum price established at the federal level with additional premiums that take state-related factors into consideration. Since Pennsylvania has six separate Milk Marketing Areas, the producer minimum price will often differ between them.

Once per year PMMB holds a Cost Replacement Hearing for each state milk marketing area, typically in the fall. At that time processors provide the past year’s costs for such items as cold storage, labor, transportation, field and lab studies, and ingredients to make flavored milk. These costs are audited by Board staff and plugged into formulas, verified by the processors’ accountants, and used to calculate new allowable price points for each of the cost categories. When new minimum producer prices are released each month, Board staff add the Board-approved processing costs to minimum producer prices in each area in which they sell to come up with the new monthly minimum wholesale price for milk (in each area).

PMMB publishes the figures on its website each month and they are available to the public. To view them, visit www.mmb.pa.gov and click “Pricing Information” then either “Wholesale/Retail” or “Producer.”

For any questions, please contact me at chardbarger@pa.gov.