



Commonwealth of Pennsylvania
Milk Marketing Board

CHAIRMAN

2301 North Cameron Street
Harrisburg, Pennsylvania 17110-9408
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DATE: April 12, 2019

SUBJECT: Area 2 cost replacement hearing
1 Pa. Code sec. 35.111 conference

TO: Interested Parties

FROM: Robert N. Barley
Chairman

The Board will conduct an Area 2 cost replacement hearing conference on May 1, 2019, at 9:00 am in Room 309 of the Pennsylvania Department of Agriculture Building. The purpose of the conference is to discuss the Board's concerns regarding several aspects of the evidence presented by Board Staff and the Pennsylvania Association of Milk Dealers ("PAMD") at the April 3 hearing. We will also discuss scheduling an additional hearing day to allow the parties to present additional evidence to address the Board's concerns.

Board Staff and PAMD presented evidence of milk dealer costs that resulted in a proposed \$0.29 per gallon increase in the minimum retail price of a gallon of whole milk. Regardless whether we conclude the evidence presented was substantial and competent, it was not persuasive. The Board will not issue an order increasing minimum retail prices to this degree without a better understanding of how and why the increase is necessary.

For instance, the dealer cross section was changed from the prior Area 2 cost replacement hearing. There was very little explanation given regarding why the cross section was changed and very little analysis regarding the effects of the change.

Board Staff and PAMD presented evidence showing a 33% increase in the cross section's processing, packaging, and delivery costs from the costs included in the current order. The parties did not provide sufficient explanation or analysis of this significant change – \$0.2524 per gallon – for the Board to evaluate its cause nor to be persuaded that it should serve as a basis for fixing the minimum prices in Area 2.

We will discuss the issues above, as well as any others we identify as we further review the evidence we received. We will also discuss scheduling a date to continue the Area 2 hearing.