

Hearing of the Senate Agriculture and Rural Affairs Committee

April 25, 2023

**Re: Over Order Premiums**

Chairman Vogel, Minority Chairman Schwank, and committee members, thank you for this opportunity to offer feedback on Pennsylvania's over order premium.

PFMA is a statewide trade association advocating the views of convenience stores, supermarkets, independent grocers, wholesalers and consumer product vendors operating in Pennsylvania. We represent more than 800 corporate members who operate more than 4,000 retail food stores and employ more than 250,000 Pennsylvanians. Virtually all of our retail members sell products under the purview of the Milk Marketing Law, and it is in this context we submit the following.

When assessing the state's milk market, it is important to reflect first on the broader, nationwide condition of the dairy industry. The fact is that in recent years fluid milk production facilities have been going out of business at a disturbing pace. Major milk producers and distributors have filed for bankruptcy, including Dean Foods and Borden Dairy, which was founded in 1856. Family dairy farms are also halting production. Nationwide, nearly six thousand dairy farms closed in 2019 and 2020. There are half as many dairy farms today as there were two decades ago.

**That is not the case in Pennsylvania.** While the industry no doubt has serious, weighty challenges, the catastrophic closures we see in the Midwest are not occurring here in the commonwealth.

Pennsylvania's system starts with the over order premium, and quite simply, it helps stabilize the market to the benefit of all involved. Paid at the retail level by consumers, and built in to the minimum wholesale price received by milk processors, OOP contributes to a more stable, robust supply of milk available to retailers and consumers. A stable, local supply of milk contributes to stable prices. That allows retailers to continue supporting local businesses and continue offering competitive, manageable prices – both customer priorities.

The system, as it is currently formulated, appears to be working for farmers, retailers and consumers.

Regards,



Alex Baloga  
President and CEO, PFMA



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*President and CEO*  
Alex Baloga

1029 Mumma Road | P.O. Box 870  
Camp Hill, PA 17001-0870  
P: 717.731.0600; 800.543.8207 E: [pfma@pfma.net](mailto:pfma@pfma.net)