

October 12, 2021

# Efforts to Stabilize the Maine Dairy Industry

*A Presentation to the Task Force to Revitalize the Vermont Dairy Industry*



**Julie-Marie R. Bickford**

*Executive Director*

MDIA

Maine Milk Commission



**Tim Drake**

*Executive Director*

Maine Milk Commission

# The Need for Regulation

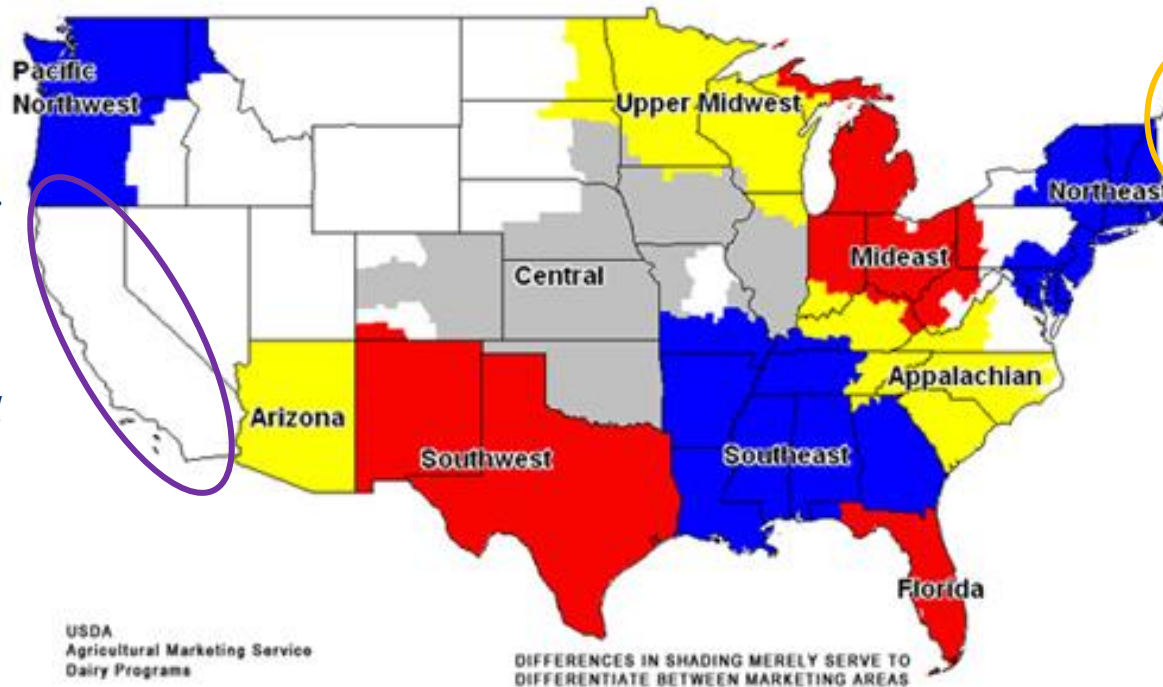


# Maine milk can only be shipped in one direction, or must stay within Maine



# Industry Consolidation has resulted in the majority of Maine Milk being pooled & priced into FMMO-1

## Federal Milk Marketing Order Areas



*A new CA federal order was recently approved to be included in the federal pricing system.*

ME is not officially in Federal Order One – but the 2 major fluid processing plants in ME **are** subject to federal order pricing because they sell < 25% of their product into states that **are** in the federal order – so ME dairy farmers are paid federal order pricing by those plants.



# Maine Milk Commission

## *(State Order Pricing)*

### History and Background

- A Maine Milk Control Law was enacted in **1935** by the 87th Legislature to eliminate a number of serious problems confronting the dairy industry and the consuming public. Glaring conditions necessitating this corrective action included price wars, farmers failing to receive payment for milk deliveries, dealer bankruptcies, consumers receiving low quality milk, etc.
- Under the law, a Maine Milk Commission was created to arbitrate differences, establish minimum prices in designated areas after proper hearings and exercise general supervision over the milk industry. Its basic function was, and still is, **to ensure that there will be a plentiful supply of pure, wholesome milk available at all times, in all places, at reasonable prices.**





# Maine Milk Commission

## *(State Order Pricing)*

- The Maine Milk Commission is comprised of five members, four of whom are appointed by the Governor and shall serve a term of 4 years. Within its membership shall be the Commissioner of Agriculture, Conservation and Forestry, ex-officio and the remaining four members shall have no official business or professional connection or relation with any segment of the dairy industry.
- The Maine Milk Commission is financed by a \$0.05 per hundredweight fee on milk paid by licensed dealers. The Commission receives no general fund tax monies.
- Among the specified powers granted by the Legislature, the Commission has the authority to set minimum prices paid to producers as well as minimum retail and wholesale milk prices. The Milk Commission is authorized to audit dealers' books and to determine the utilization of all milk purchased.



# Maine Milk Commission

## *(Studies to Determine Appropriate Minimum Pricing Levels)*

Studies conducted via RFP/contract on 3-year rotation.

- **Cost of Production (Producer Margin) – Ch. 26**

Last completed on 2017 calendar year.

Awaiting Legislative review/approval – Jan/Feb 2019

- **Cost of Processing (Dealer Margin) – Ch. 29**

Study complete on 2018 processing costs.

Public comment period closed Nov 5, 2018.

Decision anticipated at Nov 20, 2018 monthly price setting hearing.

- **Cost of Retailing (Retailer Margin) – Ch. 27**

(Herbein & Company contracted to conduct this study with a final report due by December 2019.)

# Chapter 3 Rule: Monthly Schedule of Minimum Prices

Minimum Wholesale & Retail Prices,  
by size of container  
(Based on Chapter 27 & 29 Studies)

Class I Federal Order Announced Price

Federal & State Promotion Fee

Producer Margin (Cost of Production  
Adjustment, based on Ch 26 studies)

Over-Order Premium (Set by Co-ops) - %  
of Class I sales = pd to farmers

Federal Components Pricing

Breakdown of Federal Order Pricing  
**Statistical Uniform Blend**  
(retroactive 2-months)

THE MAINE MILK COMMISSION SCHEDULE OF MINIMUM WHOLESALE AND RETAIL						
	EFFECTIVE	DATE:	October 28, 2018	ORDER NO:	11-18	
			MINIMUM	HANDLER	MINIMUM	
			WHOLESALE	FEE	RETAIL	
<b>GALLON:</b>	Whole Milk		\$3.36	\$0.20	\$3.74	
	Lowfat	2.0%	\$3.14	\$0.20	\$3.52	
	Lowfat	1.5%	\$3.06	\$0.20	\$3.44	
	Lowfat	1.0%	\$2.98	\$0.20	\$3.36	
	Skim		\$2.89	\$0.20	\$3.27	
<b>1/4 OUNCE</b>	Whole Milk		\$3.36	\$0.20	\$3.74	
	Lowfat	2.0%	\$3.14	\$0.20	\$3.52	
	Lowfat	1.5%	\$3.06	\$0.20	\$3.44	
	Lowfat	1.0%	\$2.98	\$0.20	\$3.36	
	Skim		\$2.89	\$0.20	\$3.27	
<b>3 QUART</b>	Whole Milk		\$2.82	\$0.15	\$3.12	
	Lowfat	2.0%	\$2.65	\$0.15	\$2.95	
	Lowfat	1.5%	\$2.59	\$0.15	\$2.89	
	Lowfat	1.0%	\$2.53	\$0.15	\$2.83	
	Skim		\$2.47	\$0.15	\$2.77	
<b>1/2 GALLON:</b>	Whole Milk		\$1.72	\$0.10	\$1.95	
	Lowfat	2.0%	\$1.61	\$0.10	\$1.84	
	Lowfat	1.5%	\$1.57	\$0.10	\$1.80	
	Lowfat	1.0%	\$1.53	\$0.10	\$1.76	
	Skim		\$1.49	\$0.10	\$1.72	
<b>57 OUNCE:</b>	Whole Milk		\$1.72	\$0.10	\$1.95	
	Lowfat	2.0%	\$1.61	\$0.10	\$1.84	
	Lowfat	1.5%	\$1.57	\$0.10	\$1.80	
	Lowfat	1.0%	\$1.53	\$0.10	\$1.76	
	Skim		\$1.49	\$0.10	\$1.72	
<b>QUART:</b>	Whole Milk		\$0.96	\$0.05	\$1.11	
	Lowfat	2.0%	\$0.90	\$0.05	\$1.05	
	Lowfat	1.5%	\$0.88	\$0.05	\$1.03	
	Lowfat	1.0%	\$0.86	\$0.05	\$1.01	
	Skim		\$0.84	\$0.05	\$0.99	
<b>10 QUART:</b>	Whole Milk		\$9.81	\$0.50	\$10.28	
	Lowfat	2.0%	\$9.25	\$0.50	\$9.72	
	Lowfat	1.5%	\$9.06	\$0.50	\$9.53	
	Lowfat	1.0%	\$8.86	\$0.50	\$9.33	
	Skim		\$8.65	\$0.50	\$9.12	
<b>20 QUART:</b>	Whole Milk		\$18.84	\$1.00	\$18.84	
	Lowfat	2.0%	\$17.73	\$1.00	\$17.73	
	Lowfat	1.5%	\$17.33	\$1.00	\$17.33	
	Lowfat	1.0%	\$16.93	\$1.00	\$16.93	
	Skim		\$16.51	\$1.00	\$16.51	
<b>Class I Price</b>	<i>Actual</i>	Nov-18	\$18.770	Per CWT	Protein Price Per Pound	Sep-18 \$2.0029
<b>Milk Commission Premium</b>		Nov-18	\$1.040	Per CWT	Butterfat Price Per Pound	Sep-18 \$2.5442
<b>Producer Margin</b>		Nov-18	\$1.630	Per CWT	Other Solids Per Pound	Sep-18 \$0.2098
<b>Total Class I Producer Price</b>		Nov-18	\$21.44	Per CWT	Nonfat Solids Per Pound	Sep-18 \$0.6801
<b>Federal Promotion Fee</b>		Nov-18	\$0.200	Per CWT		
<b>Handling Fee</b>		Nov-18	\$2.33	Per CWT		
<b>Total Class I Dealer Cost</b>		Nov-18	\$23.97	Per CWT		
<b>Basic Price of Milk</b>		Nov-18	\$18.770	Per CWT		
<b>Class II Price &amp; Margin</b>		Sep-18	\$15.280	Per CWT		
<b>Class III for</b>		Sep-18	\$16.090	Per CWT		
<b>Class IV for</b>		Sep-18	\$14.810	Per CWT		
<b>Producer Price Differential</b>		Sep-18	\$0.620	Per CWT		
<b>Statistical Uniform Blend</b>		Sep-18	\$16.710	Per CWT		
<b>Butterfat price per lb. Suffolk County, MA</b>		October-18	\$2.5718			
<b>Chicago AA Butter Price Announced</b>		October 12, 2018	2.2500			







# Maine Milk Commission

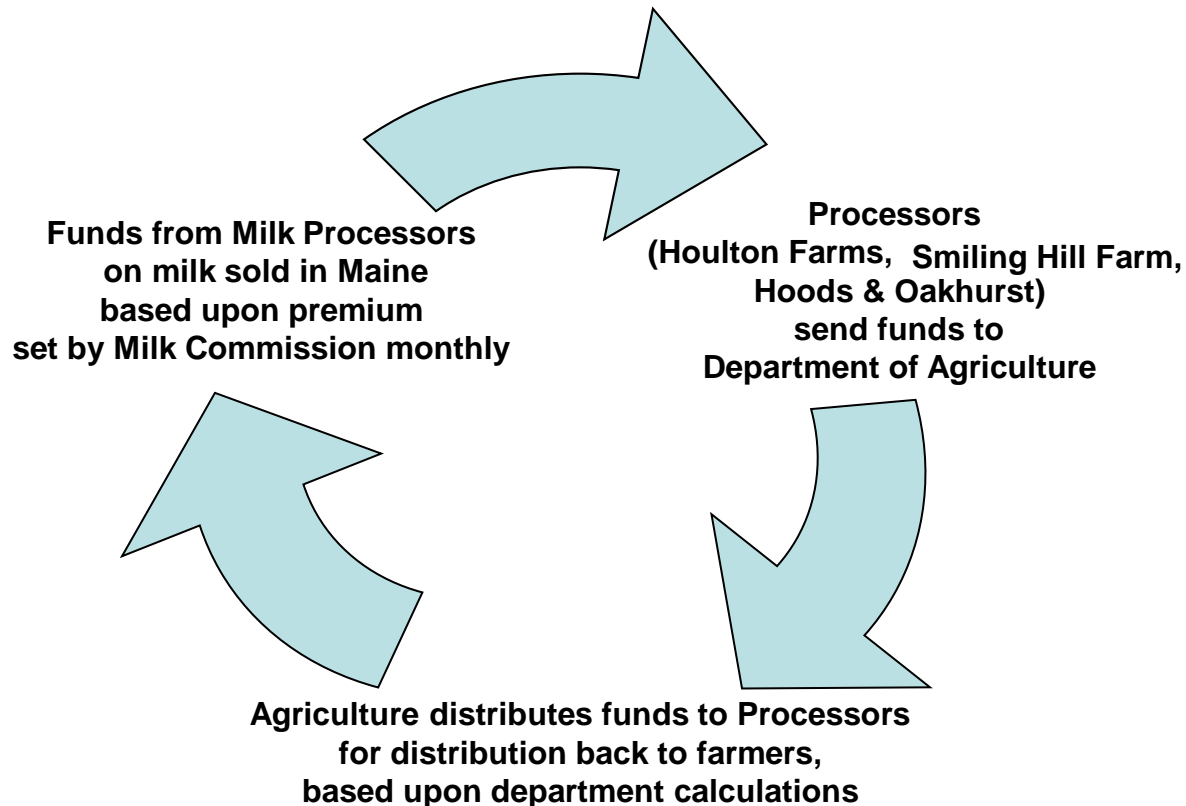
## *(Maine Milk Pool)*

- The Maine Milk Pool was created by state statute in 1983, to allow the Commission to assess a Producer Margin (also known as a “Cost of Production adjustment”, or “an Adjustment for Maine conditions”) as needed through the Maine Minimum Price setting system.
- Established as a set amount, but calculated using the each milk dealer’s Class I utilization rate, the amount is collected each month from each milk handler/dealer, pooled together, and equally distributed to Maine dairy farms.
- Initially limited to 15-cents/cwt, the Producer Margin is established each month through rulemaking, after a public hearing during which testimony can be offered to update the Commission on the financial conditions of Maine farms. In later years, the Producer Margin has risen as high as \$1.68/cwt, however, declines in Class I sales have also lead to smaller percentages of the set amount being collected and distributed.



# Maine Milk Pool Program

## Flow of funding





# Maine Milk Commission

## *Chapter 14 Rule: 30 Days Notice*

01 DEPARTMENT OF AGRICULTURE, CONSERVATION AND FORESTRY  
015 MAINE MILK COMMISSION

**SUMMARY:** Notice requirement adopted by the Maine Milk Commission for distributors to give before terminating milk deliveries to a customer.

Distributors must give 30 days written notice by registered or certified letter before terminating delivery to any customer in their delivery area or in the traditional delivery areas of a distributor they have purchased. The 30 days notice requirement does not apply to cancellations resulting from failure to pay bills.

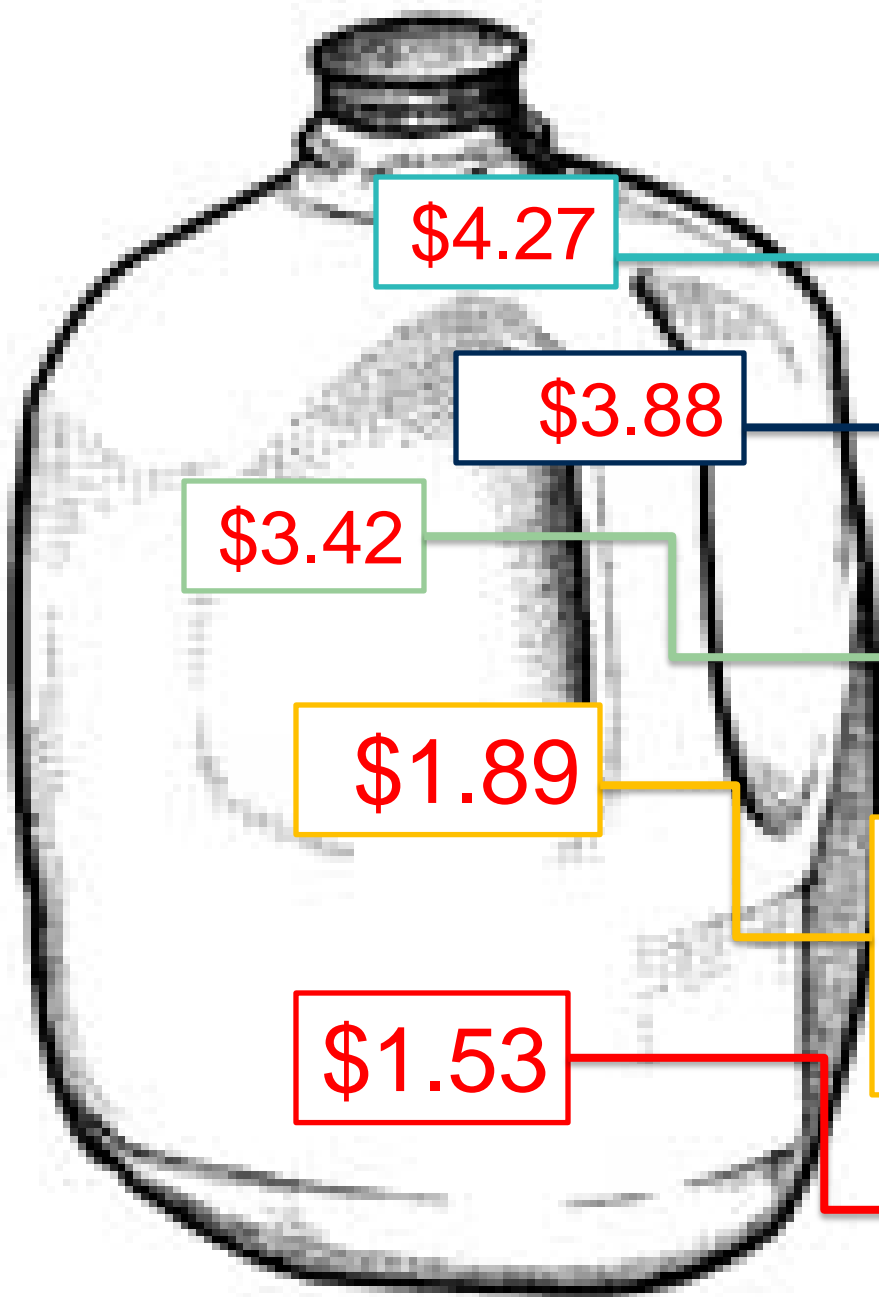
2. The notice will identify the closest delivery point where the distributor's product will be available for pickup by the affected customer.
3. The distributor will identify other distributors, if any, by name and address who are servicing the area and from whom a replacement supply may be available.
4. A copy of the notice dated and signed by an official of the distributor will be sent to the Maine Milk Commission identifying the customer by name and address, within the same 30 days requirement.

*STATUTORY AUTHORITY: 7 M.R.S.A. §2953 (PL 1975, c. 5A Section 2, May 11, 1989).*

*EFFECTIVE DATE: January 1, 1990*

- August 2021 Prices
- Based on information from the Maine Milk Commission

# Milk Money



**\$4.27**

**Average Price Paid by Maine Consumer<sup>†</sup>**  
 (\$49.53/cwt)

**\$3.88**

**Maine Retail Minimum Price<sup>†</sup>**

**\$3.42**

**Minimum Price Paid to Maine Processor<sup>†</sup>**  
 (\$39.67/cwt)

**\$1.89**

<sup>†</sup> Prices per 1 gallon whole milk

**Maine Farmer Short-run Breakeven Cost of Production\***

(\$21.95/cwt) \*2020 Maine Cost of Production Study, adopted by the Maine Milk Commission, pending Legislative approval of major substantive rule & incorporation into the Maine Dairy Stabilization "Tier" Program.

**\$1.53**

**Minimum Price Paid to Farmer**  
 (\$17.69/cwt)  
 (Federal Order Statistical Uniform Blend Price)





# What goes in the Milk Check?

- + Blend Price
- + Over-order premium
- + Quality or Volume premiums
- + Components (protein, butterfat, other solids)
- + **State Premiums**



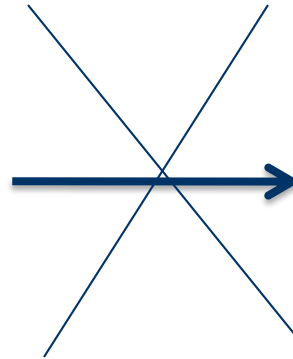
# What comes out of the Farmer's Milk Check?

- Transportation (Stop & Hauling / Fuel Adjustment)
- Promotion (15¢ / cwt)
- Maine Milk Commission (2.5¢ / cwt)
- MDIA (1¢ / cwt {mandatory})
- Co-operative dues & equity share payments
- Marketing Charges (often charged by the Co-op)
- CWT Program (2¢ / cwt)
- Other designated payments
  - \*Loan payments
  - \*Monthly Bills

# MODERN DAIRY FARMING



# The Pricing Disconnect....







# Early Maine State Efforts

1984 – Maine dairy farmers created a volunteer group to talk about industry challenges & find ways to work together to solve them. (Creation of Maine Dairy Industry Association)

1991 – Created the Maine Dairy Farm Stabilization Act & Vendor Fee (*MRSA Title 36; Part 7; Ch. 708-A* - Collected 5-cent/gal on milk processed in Maine and paid \$ from dedicated account back to Maine dairy farmers.)

1994 – Massachusetts enacted similar legislation, which was struck down by the courts (*West Lynn Creamery, Inc. v. Healy* 512 US 186 - 1994)

1994 – Maine revised its program in response to the court case.



# Maine Dairy Industry Association

- In 2000-2001, **Maine Dairy farmers got state legislation passed**, changing MDIA from a voluntary interest group, to a **mandatory trade guild, charged with representing ALL Maine dairy farmers shipping milk into commercial markets** (conventional & organic). Funded by 1-cent/cwt monthly fee.
- 2001 – Hired part-time (10-15 hrs/month) consultant to staff group.
- 2004 – Consultant time increased to 60+ hrs/month.
- 2008 – Converted consultant position to full-time salaried Executive Director staff position.



*The eyes and ears and voice  
of the Maine dairy farmer*



# Regional & Federal Changes

1997 – Northeast Dairy Compact was ratified by NE states and approved by Congress.

Maine repealed its Dairy Farm Stabilization / Vendor Program.

2000 – Federal Order System implemented component based pricing (instead of the Minnesota-Wisconsin price discovery system).

2001 – Northeast Dairy Compact failed to be re-authorized by Congress.

# And the price Rollercoaster took off!





# The Impacts are **HUGE!**

Milk Haulers



Fuel Dealers



Feed & Fertilizer Dealers



Equipment Dealers & Mechanics



Professional Services  
– Banks, Insurance,  
CPAs, Attorneys ...



Veterinarians & Other  
Ag/Livestock Specialists

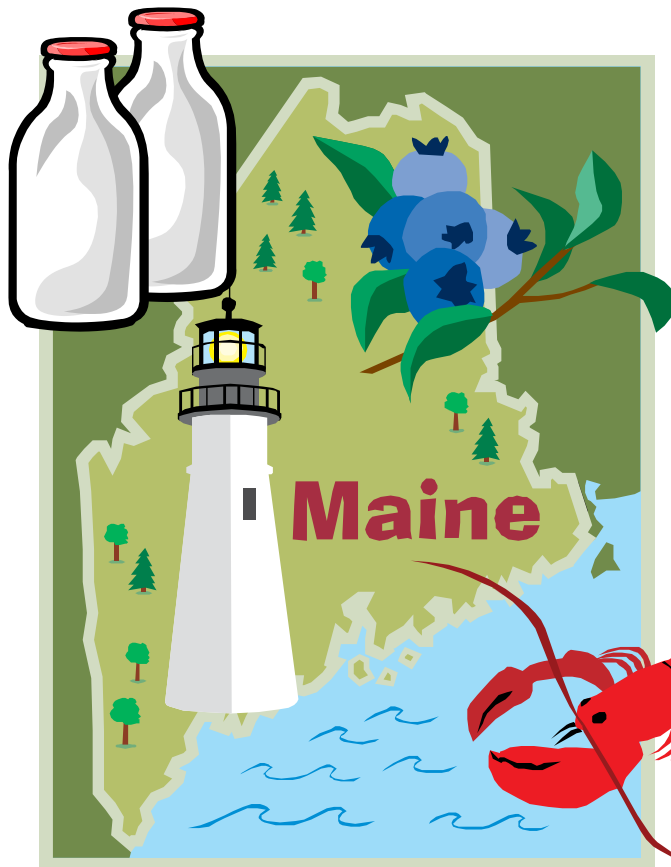


Maine's Rural Communities

# A Maine way to deal with the problem...

*Letters to the Editor*

Commissioned a Public Opinion Poll – asking Maine consumers questions about how much they wanted/supported dairy farms in Maine – and would they pay more to keep them.



*Inviting Legislators to tour farms & meet with farmers*

Getting the local media to cover stories about struggling farms – putting a face to the problem

# Cows at the Capitol

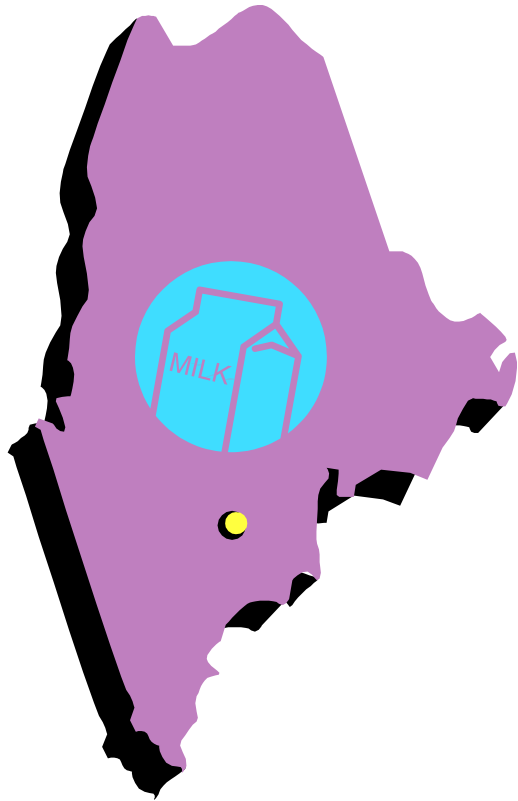




# Rallies at High Profile Events

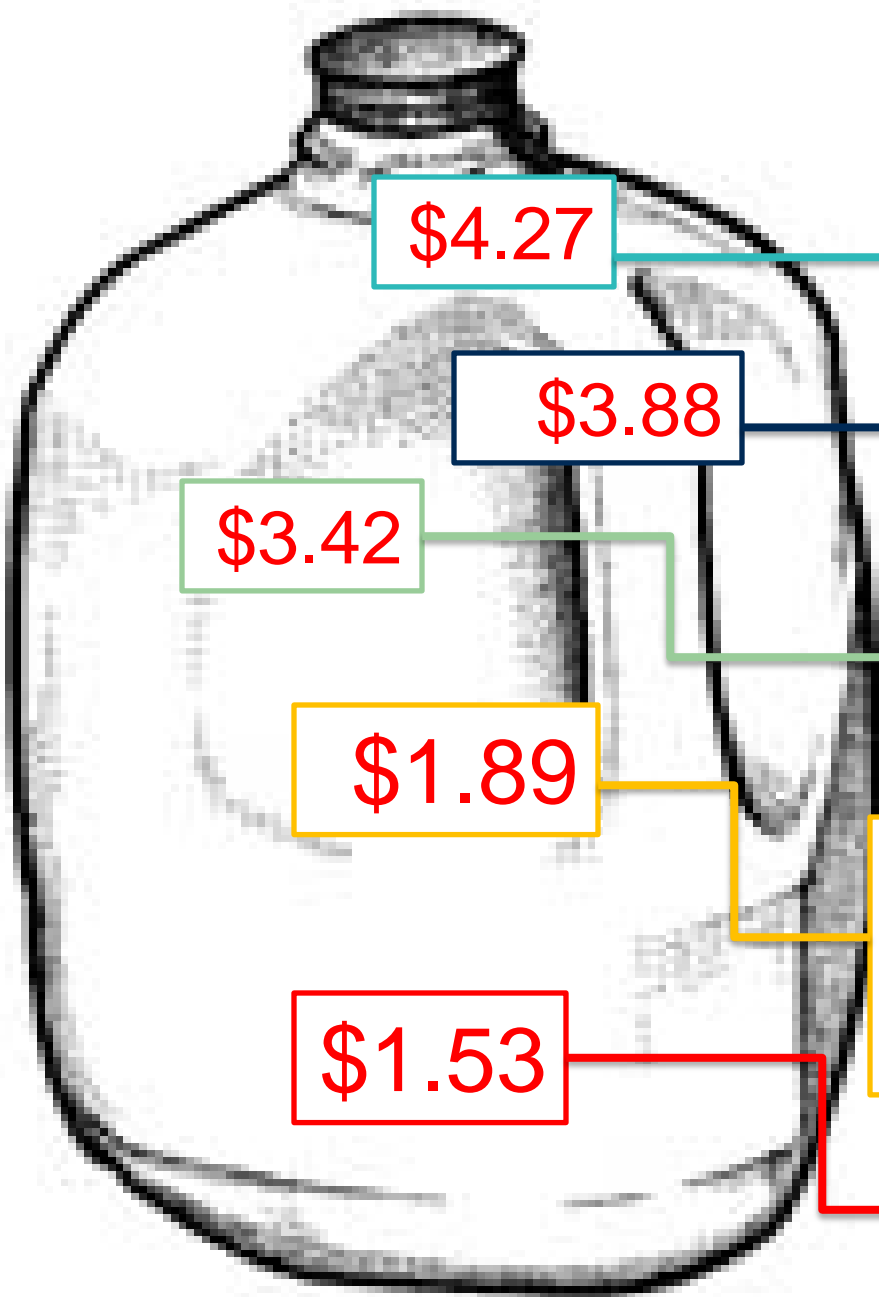


# Press Conferences in the State House



- August 2021 Prices
- Based on information from the Maine Milk Commission

# Milk Money



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**Maine Farmer Short-run Breakeven Cost of Production\***

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**Minimum Price Paid to Farmer**  
 (\$17.69/cwt)  
 (Federal Order Statistical Uniform Blend Price)





# The Tier Program Concept

Fill the gap between the price farmers are paid and their cost of production





# Current Maine Dairy Stabilization Program Tier Levels

(Effective 7-1-2012)

<b>Tier Level:</b>	<b>Annual Production Range:</b>	<b>Target Price:</b>
<b>Tier 1</b>	<b>0 – 16,790 CWT</b>	<b>\$21.00</b>
<b>Tier 2</b>	<b>16,791 to 49,079 CWT</b>	<b>\$20.36</b>
<b>Tier 3</b>	<b>49,080 to 76,803 CWT</b>	<b>\$18.01</b>
<b>Tier 4</b>	<b>Over 76,803 CWT</b>	<b>\$17.83</b>



# Traveling through the Tiers

June – Everyone's production starts at 0 pounds = Tier 1

Move through the Tiers

More cows = move faster



# Understanding How to Calculate the Tier Payments

(August 2021 prices)

Basic Price for Milk (Statistical Blend)	\$17.69
Over Order Premium for ( average / 33% Class I utilization of \$1.04)	+ \$ .34
	<b>= \$ 18.03</b>



# Traveling through the Tiers

Each farm's production is individually tracked each month

Each farm's Tier Payment is individually calculated for each month



# Understanding How to Calculate the Tier Payments

(August 2021 prices)

	<u>Support Level</u>	<u>Minimum Price</u>	<u>Tier Payment</u>
Tier 1	\$21.00	\$18.03	= <b>\$2.97 / cwt</b>
Tier 2	\$20.36	\$18.03	= <b>\$2.33 / cwt</b>
Tier 3	\$18.01	\$18.03	= no payment (-\$ .02)
Tier 4	\$17.83	\$18.03	= no payment (-\$ .20)





# 2016 Cost of Production Study

## Tier levels

<b>Tier Level:</b>	<b>Annual Production Range:</b>	<b>Cash Operating Costs / Average Short-run Breakeven Costs:</b>
<b>Tier 1</b>	<b>0 – 16,790 CWT</b>	<b>\$21.64</b>
<b>Tier 2</b>	<b>16,791 to 49,079 CWT</b>	<b>\$21.86</b>
<b>Tier 3</b>	<b>49,080 to 76,803 CWT</b>	<b>\$17.19</b>
<b>Tier 4</b>	<b>Over 76,803 CWT</b>	<b>\$20.06</b>



# 2019 Cost of Production Study

## Tier levels

<b>Tier Level:</b>	<b>Annual Production Range:</b>	<b>Cash Operating Costs / Average Short-run Breakeven Costs:</b>
<b>Tier 1</b>	<b>0 – 16,790 CWT</b>	<b>\$23.05</b>
<b>Tier 2</b>	<b>16,791 to 49,079 CWT</b>	<b>\$21.44</b>
<b>Tier 3</b>	<b>49,080 to 76,803 CWT</b>	<b>\$20.93</b>
<b>Tier 4</b>	<b>Over 76,803 CWT</b>	<b>\$20.21</b>

These numbers have been approved by the Maine Milk Commission, but have not been reviewed by the Maine Legislature or adopted for use in the Maine Dairy Stabilization “Tier” Program. (Est. dates of review: January-March 2022)

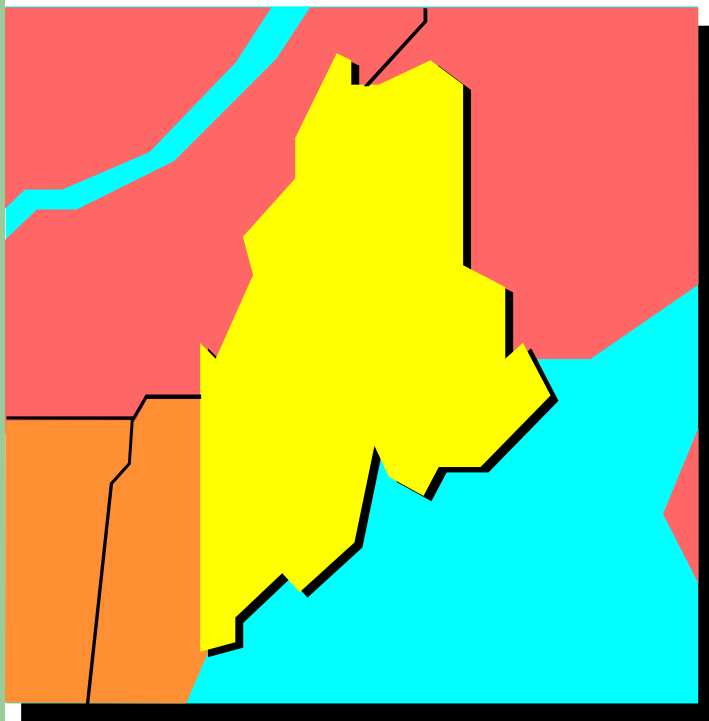
# Maine's Organic Dairy Farmers also Feel the Pinch – but slightly differently



Maine organic dairy farmers can benefit from the predictability of contract pricing, but are subject to significantly higher input costs & compliance requirements for certification.

*Increasing competition from milk-alternative beverages and slower-than-anticipated growth in organic milk sales have created slack in the supply-and-demand balance of organic milk, leading to an erosion of premiums, addition of marketing/transportation charges, implementation of quota limitations on production, and reduction in contract prices.*

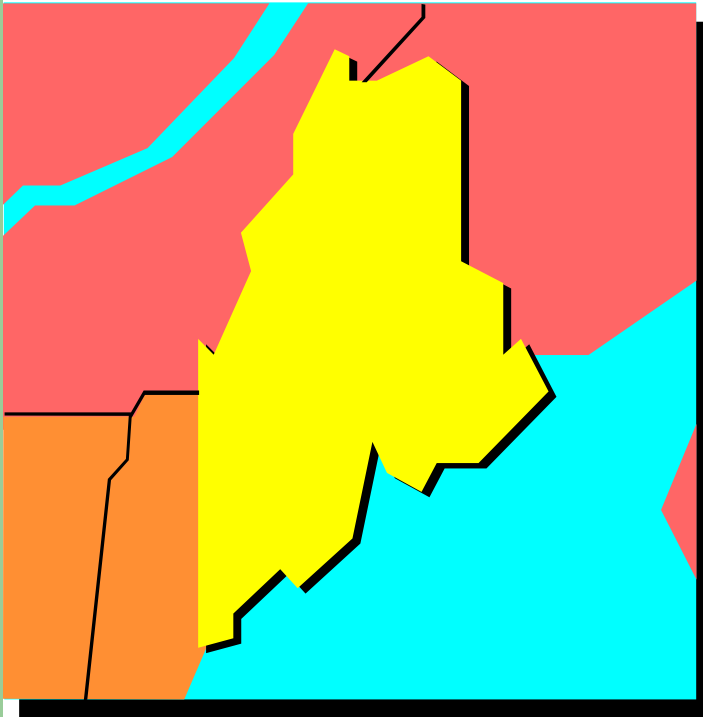
# Govt Solution to Govt Failure



Dairy Farmers want  
to be paid a fair  
value for their milk.

The money should  
come from the  
marketplace

# Milk Money – Part 2



## Milk Handling Fee

First entity to touch milk, pays fee to state of Maine

# Milk Tier Program Flow of funding

Money *In* is NOT Money *Out*

Funds from Milk  
Distributors or Retailers  
(Handling fee)  
i.e. Hood, Oakhurst  
based upon rate set  
monthly  
by Federal Market Order 1

Distributors  
or Retailers send  
these funds to  
Maine Revenue  
Services

Agriculture requests  
general fund transfers  
(if necessary) based  
upon calculations  
& distributes funds to  
200 farmers







# Current Handling Fee Schedule

Effective March 2010

Class I Price of Milk		Class I of Milk	Per Gallon Fee
\$21.00	and over		\$ 0.04
\$20.00	to	\$20.99	\$ 0.08
\$19.50	to	\$19.99	\$ 0.12
\$19.00	to	\$19.49	\$ 0.16
\$18.50	to	\$18.99	\$ 0.20
\$18.00	to	\$18.49	\$0.24

Handling Fee increases incrementally by \$.04 every \$.50 of Class I price

Maximum Fee Rate = \$0.84 / gal

(reached when Class I price falls below \$10.99/cwt)

# Disclaimer



## The Tier Program IS Unique to Maine



=



Amount of Milk Produced on Farm

=

Amount of Total Dairy Products Maine People Consume

# Low milk prices impact every state, not just Maine



# The Federal Pricing System continues to FAIL Maine Farms, so...





# If you see an opening, drive a milk truck through it!

*Tax rebates*

*Employer  
credits*

*Lower  
interest rates*



*Property Tax  
exemptions*

*Insurance  
premium  
reductions*

*Reduced cost  
purchasing  
programs*

# The right place at the right time + luck + helping dairy farmers creates the “Cause Celeb”







# Maine Dairy Improvement Fund

**Designed to address gaps in other development programs available to dairy farmers**

- USDA EQIP
- ME Nutrient Management Loan Program
- ME Farms for the Future
- ME Agricultural Development Grant
- ME Agricultural Water Source Development Cost Share Program



# Maine Dairy Improvement Fund

## Modeled after the highly successful

- Maine Potato Marketing Improvement Fund
- Maine Agricultural Marketing Loan Fund

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### MDIF:

- Direct loans up to \$250,000 at 1% interest
- Must be an existing dairy farm and/or processor
- Using dairy livestock (cows, goats, & sheep)
- Expansion/investment must be in the State of Maine

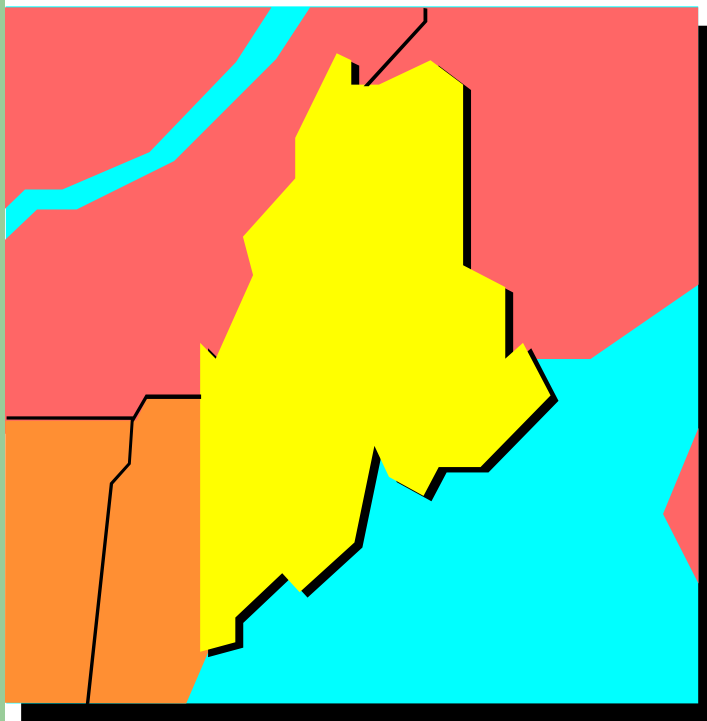
Cannot be used as working capital or to refinance projects begun prior to DIF application

# Federal Legislative Issues



Since 2005  
MDIA has been working  
to find a national  
solution that would  
restore balance between  
dairy farmers,  
processors, & retailers.

## Price Supports are NOT the long-term answer!



Dairy Farmers want  
to be paid a fair  
value for their milk.

The money should  
come from the  
marketplace



# MDIA – Created by Public Law (1999)



## Membership and Funding

- All farmers shipping milk are automatically members.
- Raw milk producers and producer-dealers can voluntarily join.
- 1-cent / cwt mandatory deduction to fund organization (set in state statute).
- Voluntary contribution program (historic range of 1-13 additional cents to support special projects, like federal order research and policies).



# MDIA – Framework



- ❖ 1 full-time staff (Executive Director) – salary & benefits
- ❖ Honoraria for serving on MDIA Board – based on participation (attendance at meetings & events)
- ❖ Mileage reimbursement for travel expenses
- ❖ Meals (at working meetings & events)
- ❖ Stipend for executive officers to offset misc. costs (phone, additional mileage, hotels and other travel expenses)

# MDIA - Activities



- Representation before regulatory Boards, Commissions, Legislature, Congress, Agencies & Departments.
- Public Relations – Internal communication of information to dairy farmers
- Public Relations – Media contact for issues facing Maine dairy farmers
- Annual meetings and issue meeting throughout the years
- Policy development, research & analysis on issues to encourage long-term sustainability of dairy industry

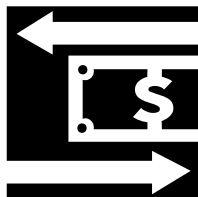


# Maine Dairy – By the Numbers



- 192 Maine Dairy Farms
- 15 out of 16 counties of Maine
- 700,000 acres of dairy-related land
- 580-615 million pounds of milk/year  
(67-71 million gallons)
- 55 organic dairy farms (29%)
  - 14 Horizon Farms
- Over 150 dairy processors (4 major fluid processors, plus cheese, yogurt, ice cream, fluid producer-dealers, butter, & other specialty products)

# Maine Dairy – By the Numbers



- \$570 million in annual economic impact to Maine
- \$25 million in state and local taxes
- 4000 Maine jobs
  - 1300 on the farms
  - + 2700 in dairy-dependent businesses
- \$150 million payroll employing Maine people

October 12, 2021

Questions?

# Efforts to Stabilize the Maine Dairy Industry

*A Presentation to the Task Force to Revitalize the Vermont Dairy Industry*



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