

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 1614

H.P. 1184 House of Representatives, May 18, 1987
Reference to the Committee on Agriculture suggested and
ordered printed.

EDWIN H. PERT, Clerk
Presented by Representative NUTTING of Leeds.
Cosponsored by Representatives BOUTILIER of Lewiston,
ALLEN of Washington and Senator MATTHEWS of Kennebec.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-SEVEN

AN ACT to Lower Milk Prices by
Regulating Maximum Retail Milk Pricing
Margins.

Be it enacted by the People of the State of Maine as
follows:

Sec. 1. 7 MRSA §2951, sub-§§1-A and 7-A are en-
acted to read:

1-A. Branded milk. "Branded milk" means pack-
aged milk identified by a mark, as defined in Title
10, section 1521, subsection 3, which is owned by or
licensed for use by a dealer and is not a mark used
to identify private-label milk.

7-A. Private-label milk. "Private-label milk"
means packaged milk identified by a mark, as defined

1 in Title 10, section 1521, subsection 3, which is le-
2 gally available for use only in connection with cer-
3 tain stores and the foods and other items sold in
4 those stores.

5 Sec. 2. 7 MRSA §2954-D is enacted to read:

6 §2954-D. Maximum milk pricing

7 No store which sells or offers to sell
8 private-label milk may sell or offer to sell any
9 milk, branded or private-label, for a price greater
10 than the sum of the following:

11 1. Price established by commission. The appli-
12 cable minimum retail price established by the commis-
13 sion; and

14 2. Difference tripled. The difference tripled
15 between the applicable minimum dealer price estab-
16 lished by the commission and any higher price paid by
17 the store, provided that this trebled difference does
18 not exceed 15¢ per gallon; 11¢ per 3 quart; 8¢ per
19 half-gallon; 4¢ per quart.

20 STATEMENT OF FACT

21 A 3-tiered milk pricing system currently exists
22 in Maine's 2 large supermarket chains. Private-label
23 milk is typically sold at or just slightly above the
24 minimum retail prices established by the Maine Milk
25 Commission. Branded milk from the dairy that sup-
26 plies a particular store's private-label milk is sold
27 at higher prices, while branded milk from any other
28 dairy carried by that store is priced even higher. A
29 very high percentage of these extra charges on brand-
30 ed milk sold in supermarkets is markup by the retail-
31 er.

32 Private-label milk first appeared in Maine
33 supermarkets during the 11-day period of price
34 decontrol that occurred in June 1981. Since then,
35 private-label milk has increasingly displaced branded
36 milk in retail milk sales.

37 The supermarket chains use private-label milk as
38 a promotional tool. As a consequence of the Maine

1 Milk Commission's recent dealer pricing order and de-
2 clining raw milk prices, minimum retail prices have
3 been steadily falling during 1987. The supermarkets
4 have been lowering the selling prices of their
5 private-label milk to almost the full extent of the
6 decrease in minimum retail prices, but they have re-
7 flected far less of these price decreases in their
8 selling prices of branded milk.

9 The result of this selective high retail markup
10 is that branded milk has become increasingly less at-
11 tractive to consumers. Currently, the price spread
12 between private-label and branded milk is as much as
13 28¢ for the whole-milk gallon and well over 30¢ in
14 the case of skim and low-fat milk. The result of
15 this differential is that dairies that have been un-
16 able to procure a private-label contract with a
17 supermarket chain or grocery wholesaler now face a
18 severe competitive disadvantage.

19 If this pattern of supermarket milk pricing con-
20 tinues, it will create tremendous instability in far-
21 mers' outlets for their milk. In the event that a
22 retail chain decides to change the supplier or sup-
23 pliers of its private-label milk, the discontinued
24 dairy may be unable to quickly find a market for the
25 milk of independent producers. In the case of far-
26 mers who belong to regional producer cooperatives,
27 alternate outlets may be available, but at a signifi-
28 cantly lower return to the farmer.

29 This bill, while recognizing that branded milk is
30 a premium product, prevents this type of disruption
31 in milk marketing by setting a ceiling on the retail
32 margin for branded milk. Because this ceiling ap-
33 plies only to retailers who sell both private-label
34 and branded milk, the effect of this bill would be a
35 maximum price spread of 15¢ per gallon, less for oth-
36 er container sizes, between the retail prices of the
37 2 types of milk in competition with each other.
38 The retail prices of branded milk would fall. Private-

1 label milk would still be available to those consumers
2 who desire to purchase milk at the lowest available
3 price. By regulating the maximum retail margin
4 on branded milk, it will be able to compete more fully
5 with private-label milk. The future result will
6 be lower prices to Maine consumers, more competitive
7 Maine dairies and a more stable market for Maine
8 dairy farmers.

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