

MAINE STATE LEGISLATURE

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M
H.S.

L.D. 1945

DATE: 4-12-04

(Filing No. H-883)

AGRICULTURE, CONSERVATION AND FORESTRY

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**STATE OF MAINE
HOUSE OF REPRESENTATIVES
121ST LEGISLATURE
SECOND SPECIAL SESSION**

COMMITTEE AMENDMENT "A" to H.P. 1445, L.D. 1945, Bill, "An Act To Encourage the Future of Maine's Dairy Industry"

Amend the bill by striking out everything after the title and before the summary and inserting in its place the following:

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, volatility of prices paid to milk producers jeopardizes the viability of the Maine dairy industry; and

Whereas, the Maine dairy industry is essential to the State's rural economy and communities and generates business activity and preserves open space; and

Whereas, the stabilization of the dairy industry during temporary price drops constitutes a public purpose and an appropriate expenditure of state revenues; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 7 MRSA §2953, 2nd ¶, as repealed and replaced by PL 1975, c. 517, §2, is amended to read:

COMMITTEE AMENDMENT

2 Not less than once every 3 years, the commission shall
3 conduct independent studies of the economics and practices of the
4 milk industry in order to assist the commission in establishing
5 minimum prices. The studies must include the compilation of cost
6 data for farms at 3 different levels of production.

8 Sec. 2. 7 MRSA §§3153-B and 3153-C are enacted to read:

10 §3153-B. Dairy stabilization

12 1. Definitions. As used in this section, unless the
13 context otherwise indicates, the following terms have the
14 following meanings.

16 A. "Annual production" means the total quantity of milk
17 produced in a 12-month period beginning June 1st and ending
18 May 31st of the next calendar year. Total quantity is
19 expressed in hundredweight.

20 B. "Base price" means the price of milk calculated each
21 month in accordance with subsection 2.

24 C. "Suffolk County price" means the Suffolk County,
25 Massachusetts statistical uniform price of milk as
26 determined for each month by the Northeast Market
27 Administrator of the United States Department of Agriculture
28 and expressed per hundredweight of milk.

30 D. "Target price" means the short-run break-even point for
31 each of 3 categories of annual production. Target prices are
32 determined in accordance with subsection 3.

34 2. Calculation of base price. Base price is calculated
35 each month by adding to the Suffolk County price:

36 A. The amount per hundredweight paid to milk producers in
37 the State as monthly premiums established by the Maine Milk
38 Commission under section 2954, subsection 1; and

39 B. The amount per hundredweight received by milk producers
40 as a monthly payment from the Federal Government due to low
41 milk prices.

42 Cost-of-production adjustments established under section 2954,
43 subsection 2, paragraph A are not considered premiums for the
44 purpose of calculating base price.

45 3. Determination of target prices. The Maine Milk
46 Commission shall establish 3 tiers of production, each

2 representing a range of annual production. The commission shall
3 use the most recent studies conducted in accordance with section
4 2953 to estimate the short-run break-even point within each tier.

6 4. Distribution of dairy stabilization support. Beginning
7 July 1, 2004 for each month that the base price is below the
8 target price, the administrator of the Maine Milk Pool shall
9 distribute to each milk producer in the State an amount of money
10 equal to the previous month's production in hundredweight
11 multiplied by the difference between the applicable target price
12 and the base price in the previous month.

14 §3153-C. Milk Income Loss Contract

16 1. Milk Income Loss Contract. For months in which payments
17 are made under the federal Milk Income Loss Contract authorized
18 by Section 1502 of the federal Farm Security and Rural Investment
19 Act of 2002, the administrator of the Maine Milk Pool shall make
20 payments to those milk producers in the State whose annual
21 production exceeds the cap under the federal Milk Income Loss
22 Contract. The administrator shall distribute an amount per
23 hundredweight equal to the federal Milk Income Loss Contract
24 payment for that month for production in excess of the federal
25 limit until that producer's annual production reaches 5,000,000
26 pounds. No payment is made under this section for annual
27 production in excess of 5,000,000 pounds. For purposes of this
28 section, "annual production" has the same meaning as in section
29 3153-B, subsection 1, paragraph A.

30 **Sec. 3. Target prices.** Notwithstanding the Maine Revised
31 Statutes, Title 7, section 3153-B, subsection 3, for the fiscal
32 year beginning July 1, 2004 and until the Maine Milk Commission
33 updates the Maine producer cost-of-production data and calculates
34 new target prices, the target prices for Maine milk producers are
35 as follows:

36
37 1. For the first 16,790 hundredweight produced per year by
38 each producer, the target price is \$16.18 per hundredweight;

39
40 2. For production between 16,790 hundredweight and 26,050
41 hundredweight per year, the target price is \$15.59 per
42 hundredweight; and

43
44 3. For production in excess of 26,050 hundredweight per
45 year, the target price is \$13.12 per hundredweight.

46
47 **Sec. 4. Ad hoc committee.** The Department of Agriculture, Food
48 and Rural Resources shall develop a course of action for
49 implementing the recommendations of the Governor's Task Force on
50 the Sustainability of the Dairy Industry in Maine as presented in

the final report and recommendations of that task force dated November 18, 2003. The commissioner shall assemble an ad hoc committee of industry representatives to make specific task assignments, establish benchmarks and issue a progress report to the Governor each year no later than October 15th beginning in 2004, with a final report and analysis due in 2007. The Governor shall consider the findings of the report in making funding recommendations to support the dairy industry.

Sec. 5. Use of previously transferred funds. Notwithstanding any other provision of law, funds allocated to the Maine Milk Commission by Public Law 2003, chapter 120 for distribution to Maine dairy farmers in accordance with the Maine Revised Statutes, Title 7, section 3153-A remain in the Maine Milk Commission's Milk Pool account. The administrator of the Maine Milk Pool may use these and other unexpended funds for distribution to Maine milk producers in accordance with Title 7, sections 3153-B and 3153-C.

Sec. 6. Review by legislative committee; dairy stabilization. The joint standing committee of the Legislature having jurisdiction over agricultural matters shall review the tiered price support established under the Maine Revised Statutes, Title 7, section 3153-B and present its recommendations regarding that section to the Legislature no later than March 1, 2007. The joint standing committee of the Legislature having jurisdiction over agricultural matters may report out a bill to the First Regular Session of the 123rd Legislature to implement the committee's recommendations.

Sec. 7. Review by legislative committee; Milk Income Loss Contract. The joint standing committee of the Legislature having jurisdiction over agricultural matters shall review the Maine Revised Statutes, Title 7, section 3153-C and make recommendations regarding that section to the Legislature no later than March 1, 2007. The joint standing committee of the Legislature having jurisdiction over agricultural matters may report out a bill to the First Regular Session of the 123rd Legislature to implement the committee's recommendations.

Sec. 8. Appropriations and allocations. The following appropriations and allocations are made.

**AGRICULTURE, FOOD AND RURAL RESOURCES,
DEPARTMENT OF**

Maine Milk Pool

Initiative: Provides funds to carry out the provisions of the Maine Revised Statutes, Title 7, sections 3153-B and 3153-C.

**121st Maine Legislature
Office of Fiscal and Program Review**



LD 1945

An Act to Encourage the Future of Maine's Dairy Industry

LR 2824(02)

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Agriculture, Conservation and Forestry

Fiscal Note Required: Yes

Fiscal Note

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
Appropriations/Allocations				
Other Special Revenue Funds	\$0	\$1,000,000	\$0	\$0

Fiscal Detail and Notes

The bill includes an Other Special Revenue Funds allocation of \$1,000,000 in fiscal year 2004-05 for the Maine Milk Commission within the Department of Agriculture, Food and Rural Resources for the costs of implementing certain dairy support programs. The commission has adequate dedicated revenues to cover the increased allocation.