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# **Maine Dairy Task Force On Milk Tier Pricing**

Pursuant to  
MRSA Chapter 67 – Resolves  
126<sup>th</sup> Maine Legislature  
H.P. 540 – L.D. 789

*Submitted to the  
Joint Standing Committee on  
Agriculture, Conservation & Forestry*

December 4, 2013



## Introduction

### (Process/Meeting Format & Schedule)

The Task Force met on four separate occasions to examine the current established Maine Dairy Stabilization Program, also known as the Tier Program. Recommendations would be provided from that work and submitted to the Legislature's Joint Standing Committee on Agriculture, Conservation & Forestry to determine the next steps that would be taken. The Task Force was asked to determine the efficiency and effectiveness of the program, along with any needed changes.

The Task Force scheduled regular meetings every two weeks to review the work. From the outset, the group was aligned in the ability of the program to help farms remain a viable option to the Maine landscape, keeping acreage open to support Maine's number one industry – tourism - by keeping land available for use while generating jobs and economic stability to the rural areas.

The Task Force found that we compete more in a global economy than ever before which increases the fluctuation of commodity prices for raw materials. This can be seen in the cost of key dairy inputs like corn, soybeans, utilities, etc. The growth of global competition has also put a strain on the local farms, partially due to the size of competing farms in other states.

The Task Force found that the Tier Program is necessary to maintain dairy farms in the State of Maine. The program is critical in bridging the gaps seen in fluctuating costs when cash flow is tight. The program goal is to maintain farms and not be a source of additional profit.

The Task Force voted to have the support mechanism of the tier system consistently set for long term benefit of planning and to bring stability to the four levels of tiered price supports.

The Task Force voted to add additional dairy items to a tax/fee schedule that would be dedicated to the farms to replace the handling fee but would also contribute enough funds to be self-sufficient and sustainable.



# Maine Dairy Task Force On Milk Tier Pricing

## Task Force Membership (as directed by the authorizing legislation)

<u>NAME</u>	<u>POSITION</u>
<b>Marc Lessard, Hannaford Bros.</b>	Retailer
<b>Eric Johnson, Sandy River Farm</b>	Small Organic Processor
<b>John Blake, H.P. Hood</b>	Maine Fluid Milk Processor
<b>Michele Bennett, Gold Star Feeds</b>	Feed supplier/dealer
<b>Richard Johnson, Johnson Farm, Inc.</b>	Farmer, Tier One size category
<b>Libby Bleakney, Highland Farms</b>	Farmer, Tier Two size category
<b>Dick Perkins, Alfaslopes Farm</b>	Farmer, Tier Three size category
<b>Betsy Bullard, Brigeen Farms</b>	Farmer, Tier Four size category
<b>Ron Price, Ingraham Equipment</b>	Farm equipment dealer
<b>Julie-Marie Bickford</b>	Executive Director, Maine Dairy Industry Association
<b>Tim Drake</b>	Executive Director, Maine Milk Commission

	<b>Findings</b>

The first mission of the Task Force was to determine whether the Maine Dairy Stabilization Program, also known as the “Tier” Program, was an effective means of stabilizing and sustaining the Maine dairy industry through direct financial assistance to the state’s dairy farmers. The group spent a significant amount of time discussing the issues that led to the creation of the Tier Program, as well as the concerns about the programs efficacy. The group also spent a great deal of time discussing the benchmarks that can be used to assess programmatic success.

1. Throughout the nine year history of the Tier Program, changes have been made to the program for only two reasons:
  - The costs of producing milk on Maine dairy farms changed; and/or
  - Decisions regarding state budget funding for the Tier Program hampered the program’s ability to operate without making modifications or limitations to its expenditures.
  
2. A matrix to determine effectiveness must be made up of several benchmarks in order to accurately reflect the program’s total impact. These factor should include, but are not limited to:
  - number of dairy farms operating in Maine;
  - the amount of milk being produced on Maine farms;
  - the number of processors and value-added dairy operations in Maine and the greater New England milkshed;
  - the availability and overall financial health of agri-businesses that support and depend on the Maine dairy industry;
  - the overall economic impact of the dairy industry on Maine’s economy and rural communities;
  - the amount of money being paid out of the Tier Program is commensurate with the amount of money raised from assessments on the dairy industry and dairy programs;
  - that new generations of dairy farmers are encouraged by future prospects for dairy farming in Maine and are entering the industry but taking over existing dairy farms or starting new farms;
  - that the statewide land-base for dairy farming (including crop land, pasture, woodland, and farm buildings) is being maintained or is growing;
  
3. Here are a sample of some of the comments from the group discussion:
  - “The program has been effective when fully funded and has operated as originally conceived. Using farm numbers and production for the past 5 years especially shows how effective the

program has been when compared to other NE states. There are many first-hand accounts from farmers on how helpful this program has been to them.”

- “The Tier program is effective, but maybe there is a better way to structure it - perhaps one tier with a target price of the average cost of production for all size farms. The program needs to be fully funded, maybe with a tax on all dairy products sold in the state.”
- “The program is effective but that politics need to be kept out of the process. Any reductions in the future need to be applied evenly across the board to all farms. Funding needs to be addressed.”
- “The program is effective as long as the program is fully funded. The program has helped all ag related businesses.”
- “The program is effective based on the payouts being roughly equal to amounts collected from milk produced and processed in Maine. Target prices should be tied to true costs using current soy, corn and fuel prices.”
- “The program is effective due to the fact that close to \$54 million has been paid to producers and that Maine’s farm losses have been less than that of other New England states. Farmers feel the program is effective and production has been stable.”
- “Paying out \$53 million has got to have had a positive effect on the industry, but it is difficult to show this through concrete data points other than farm numbers and production.”
- “At some point, the State needs to recognize that other industry could request the same type of support (Fishing, Lobster, Blueberry, and Potato). Where is the support to keep these industries viable?”
- “We now compete in a global economy and impact to the consumer needs to be understood before we price our product where it becomes uncompetitive.”

4. Since funding levels of the program are so closely tied to the time periods when the people have questioned the effectiveness of the program, any analysis must ask the question of whether or not the problems encountered would still have existed if the program had been funded to its optimal level.
5. The Task Force acknowledged that the recognition of over-order premiums and the adoption of a Maine Cost of Production Adjustment to the pricing formulas by the Maine Milk Commission have also been extremely helpful in providing financial assistance to Maine dairy farmers. (*see Appendix 8*) However, the group also recognized certain limitations on the extent that those mechanisms can reach due to their impact on other segments of the dairy industry beyond the producers.
6. As was the case when the Tier Program was created, the major problem continues to be the lack of connection between the cost of producing milk and the price that the farmers are paid for the milk. The USDA Federal Milk Marketing Order (FMMO) System sets the prices based on formulas that draw upon market conditions that are based on the movement of surplus long-term shelf-life dairy products (cheese, butter, powder) on the Chicago Mercantile Exchange (CME). This is a national pricing system that is failing U.S. farmers and puts Maine farmers at a disadvantage because of higher than average costs, due to Maine’s geographic location.



7. One of the major challenges with the Tier Program is the funding of the program, which is made more challenging because the programs yearly payouts rise and fall depending on the need to fill the gap between the federal order blend price paid to farmers for their milk and the cost of producing milk in Maine, as reflected in the Maine Dairy Cost of Production Studies that are conducted every three years by the Maine Milk Commission and adopted through legislation as the tier levels for the Tier Program. The Task Force spent quite a bit of time reviewing the current funding mechanism and comparing them to the total milk produced in Maine and the total dairy sales and consumption by Maine people.

- Currently, the Tier Program is funded through the State's General Fund and through a .5% share of the net slot receipts from the Oxford Casino, which is held in a dedicated account.
- When payments through the Tier Program are required, the funds in the dedicated account are drawn down first, and upon exhaustion, the remaining balance is provided by the General Fund.
- The General Fund receives revenue from the Milk Handling Fee, which is assessed on the first handler to touch any fluid milk<sup>1</sup>. This revenue is not dedicated.
- Currently, approximately 40% of the milk produced in Maine is subject to the Handling Fee.
- Fluid milk sales have been stagnant or trending down (nationally) over the last few years. However, overall sales and consumption of all dairy products has seen significant increases in the U.S.<sup>2</sup>, including Maine.<sup>3</sup> Internationally, demand for milk & dairy products is expected to grow 29% worldwide over the next decade.<sup>4</sup>
- Maine has 4 major fluid milk processors, and several small farm-based bottlers. "Maine now has more artisan cheese makers than any state except New York"<sup>5</sup> and boasts at least 2 companies that are producing cheese for regional/national markets. Maine has several nationally recognized ice cream manufacturers and there have been recent inquiries into starting Greek yogurt production using Maine milk.
- The current funding set-up forces the Tier Program to compete with all other state government services (education, Human Services, other sectors of agriculture) for shrinking state resources out of the General Fund.

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<sup>1</sup> The first handler could be an in-state milk processor, or a retailer or wholesale distributor receiving fluid milk that was packaged outside of Maine. Certain containers and purchasers are exempt from the Handling Fee, as is milk that is bottled in Maine, but sold outside of Maine.

<sup>2</sup> Hoard's Dairyman Sept 25, 2013 p. 597 "Cheese consumption remained near record pace as America ate 33.5 lbs. per person in 2012." "On a milk equivalent basis, each citizen consumed 612 lbs. of (dairy) products; the highest level since 2007."

<sup>3</sup> Data from Maine Revenue Services (fluid milk sales based on Handling Fee collections) & from Maine Dairy Promotion Council IRN consumption figures.

<sup>4</sup> Hoard's Dairyman Oct 10, 2013 p 633

<sup>5</sup> The Wall Street Journal Online, Oct 11, 2013

8. The greatest asset of the Tier Program is its predictability for producers. Under budget stress and limitations, the certainty of receiving a safety net minimum price for milk is removed, creating a new instability within a program whose goal is to limit price volatility.

	<b>Recommendations</b>

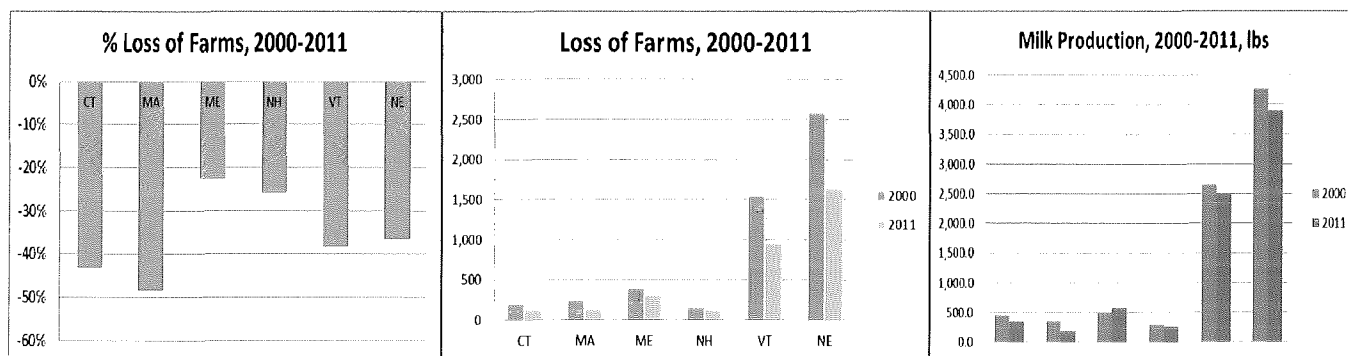
After reviewing the factors that challenge the Tier Program and determining a matrix to assess its effectiveness, the Task Force turned toward addressing the 2 major questions:

- Is the Tier Program an effective tool to stabilize and sustain the Maine Dairy Industry and the social, environmental and economic concerns associated with it?; and
- What could be done to strengthen the Tier Program and alleviate some of the challenges to its success?

### **Recommendation 1:**

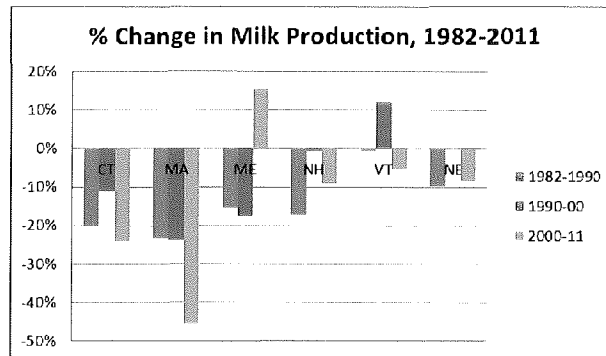
The tier system has proven effective in keeping Maine farms open and necessary to their future. The Task Force relied on a variety of factors to assess the effectiveness of the Tier Program.

Since the Tier Program was put in place, Maine has seen more stability in the number of farms and the amount of milk being produced when compared to other states in the greater New England area.<sup>6</sup>



In sum, in the past decade, New England lost almost forty percent of its dairy farms and ten percent of its milk production. Because of the Tier Program, Maine has been able to hold steady, not really gaining in farms or production, but minimizing any loss. When compared to the staggering losses in other states, it appears like a gain, as demonstrated in the following chart that looks all the way back to 1982.

<sup>6</sup> USDA / FMMO data



**The Tier Program, as currently constructed, has been and can continue to be an effective tool to help stabilize the Maine dairy industry. This Task Force recommends that it not be discontinued.**

***Vote: 9-0 in favor***

Since its inception, the program has paid out approximately \$53 million to Maine farm families, which has in turn been used to pay local grain dealers, equipment dealers, veterinarians, other dairy professionals and businesses. Dairy farms are a key contributor to local property taxes, utilities, as well as being good community citizens and employers. In that way, it has functioned as a targeted economic development program for rural Maine communities across the state.

When allowed to operate as created in statute, the program is an effective safety net for dairy producers that aids with sustainability, but is not a guarantee of profitability. When the program's tiers reflect the latest cost of production numbers, the system acts as a guard against catastrophic losses in real time which allows farmers to bounce back more quickly after periods of low milk prices. This, in turn, encourages investment in the farm, its infrastructure and equipment to increase efficiency. The ability to maximize those efficiencies is critical in the path to profitability and long-term sustainability.

Another benchmark for effectiveness is the amount of milk being produced in Maine today (*see Appendix 10 – page 73*). Maine has been able to remain fairly consistent in the amount of milk produced in the state, leading to increased stability for the in-state processing facilities.

## **Recommendation 2:**

Much of the controversy involving the Tier Program in the last few years has been connected with the review of the Maine Milk Commission's rulemaking process involving producer Cost of Production studies. The data from these studies has also been used to determine the tier levels for the Tier Program. Whether the issue is brought up in individual legislation or through the major-substantive review of the Maine Milk Commission rulemaking, either way, the debate has unfortunately resulted in adjustments to the Tier Program that prevent the program from providing a true safety net as intended. This unfortunately will pit farmer versus farmer in the scavenging for dollars.

Having up-to-date reflections of the cost of producing milk in Maine remains a critically important component of the Tier Program. The complicating factors seem to revolve around which set of numbers to adopt and how much will they cost. Both of these questions have stimulated extensive debate, but the Task Force recognized that if there was a way to streamline or establish a consistent expectation that a specific set of numbers would be appropriate, then the process could be much less contentious.

**The Task Force recommends that the levels for the Tier program be consistently set at either the short-run breakeven level (which includes labor and management costs for all farm sizes, but does not include depreciation) or the actual cash costs level (which does not include family labor or management costs or depreciation) as outlined in the Maine Dairy Cost of Production Studies that are contracted by the Maine Milk Commission.**

**The Task Force recommends that whichever safety net level is chosen should be written in statute so that the levels are automatically adopted as routine technical rules upon the completion of new cost of production studies and Maine Milk Commission Cost of Production rules every three years.**

***Vote: 9-0 in favor.***

### **Recommendation 3:**

Every discussion of the Tier Program circles round back to the same basic discussion of funding. The payments for the Tier Program are drawn from the General Fund as needed, pursuant to statute, and unless otherwise disregarded by using “Notwithstanding any other section of law” language. Consequently, the Task Force felt compelled to discuss funding alternatives and solutions as part of their duty to determine if any modifications are necessary to ensure the effectiveness of the Tier Program.

Since the Task Force already unanimously endorsed the conclusion that the Tier Program is an effective means of stabilizing and creating a pathway for future generations of Maine dairy farmers, the logical step was to discuss more thorough and consistent means of providing funding for the Tier Program.

One item of great concern was that currently the Milk Handling Fee is contributing revenue to the state’s General Fund, but there is no direct connection between those funds & the Tier Program. While the Task Force recognized that there are certain legal barriers that might prevent handling fee money from channeling directly to the Tier Program, the Task Force agreed that some system be allowed to dedicate funds (isolate from other budget demands & allow carry-over between fiscal years) would be far preferable to the current dynamic.

In addition, the Task Force raised great concern that the Handling Fee was only gathering revenue on 40% of the milk that was being produced in the state. In light of statistical trends that show stagnation or decline in the fluid milk business, while other dairy product sectors such as cheese and Greek yogurt and other new dairy products are showing exponential growth, many Task Force members questioned whether the Handling Fee was the best mechanism to generate revenue for the General Fund, thus making monies available to fully fund the Tier Program.

Several suggestions were discussed ranging from a broader handling fee to another fee/tax mechanism on all dairy products, or even an assessment on non-dairy related activities, such as the real estate transfer tax as is done in Connecticut. The discussion primarily reflected the point of view that the consumer was already under the assumption that they were supporting dairy farmers through their purchasing of dairy products, and so that was the logical way to approach alternative funding structures - by broadening beyond the fluid milk market to capture the growth in sales and consumption for manufactured dairy products, whether they are produced in Maine or elsewhere. The contrary view can argue that a tax/fee is being placed on product where the origination is from outside the State of Maine but is benefiting the Maine farms. Concern was also voiced on how the tax/fee would be established to ensure a proper level of income (not too big or too little).

**The Task Force recommends that a tax or fee schedule be devised that includes all dairy products as defined by the Federal Order system. These funds should be dedicated to the Tier Program and once this system is in place, the Milk Handling Fee should be discontinued.**

*Vote: 7-2 in favor.*

**Recommendation 4:**

In reviewing the history of the Tier Program (*see Appendix 3- pages 36-43*) the Task Force observed a pattern. The times when the Tier Program's effectiveness were called into questions correlated with the periods of time when the politics of the state budget set additional restrictions or parameters on the program. The conclusion was that measures such as capping or otherwise artificially limiting what producers could receive in a given time frame, favoring certain sizes of producers or limiting others, and/or suspending payments altogether resulted in additional price volatility that severely hampered the program's objectives by removing the number one advantage the program offers – its predictability.

**The Task Force recommends that the Legislature refrain from placing caps and other artificial restraints or limits on the Tier Program that impede the efficacy of the program.**

***Vote: 7-2 in favor.***

**Recommendation 5:**

The group acknowledged that previous Maine Dairy Task Force reports have listed recommendations that would help dairy farmers increase efficiency of operations, improve technical assistance provided by the State, USDA and University/Cooperative Extension. These recommendations should be reviewed and implemented to augment the Tier Program and maximize its benefit. (*See Appendix 6 – pages 51-61*)

**The Task Force affirms the work done by previous Dairy Task Force groups and recommends that those previous findings and recommendations should continue to be reviewed and implemented.**

***Vote: 9-0 in favor.***

## Appendix 1

### Authorizing Legislation

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

### **Resolve, To Establish the Task Force on Milk Tier Pricing**

**Sec. 1 Task force established. Resolved:** That the Task Force on Milk Tier Pricing, referred to in this resolve as "the task force," is established; and be it further

**Sec. 2 Task force membership. Resolved:** That the task force consists of 11 members, one of whom is the Executive Director of the Maine Milk Commission. The Executive Director of the Maine Milk Commission shall invite the following to participate as members of the task force:

1. The Executive Director of the Maine Dairy Industry Association;
2. One representative of a large milk processor;
3. One representative of a small milk processor, giving preference to an organic milk processor;
4. One representative of a Maine milk retailer;
5. One representative from each of the 4 milk pricing tiers;
6. One representative from the farm equipment industry; and
7. One representative from the grain industry; and be it further

**Sec. 3 Compensation. Resolved:** That members of the task force are not entitled to reimbursement for their expenses; and be it further

**Sec. 4 Convening of commission; chair. Resolved:** That all invitations to join the task force must be made to designated members no later than 30 days following the effective date of this resolve. The Executive Director of the Maine Milk Commission shall call and convene the first meeting of the task force, at which the members shall elect a chair from its members; and be it further

**Sec. 5 Staffing. Resolved:** That, within existing resources, the Department of Agriculture, Conservation and Forestry shall provide staffing to the task force; and be it further

**Sec. 6 Duties. Resolved:** That the task force shall study the current dairy stabilization tier program, established in the Maine Revised Statutes, Title 7, chapter 611, to determine if any modifications are necessary to ensure the effectiveness of the program; and be it further

**Sec. 7 Report. Resolved:** That, no later than December 4, 2013, the task force shall submit a report that includes its findings and recommendations, including suggested legislation, to the Joint Standing Committee on Agriculture, Conservation and Forestry. The committee is authorized to report out a bill to the Second Regular Session of the 126th Legislature based on the recommendations of the task force.



## Appendix 2

<b>Marc Lessard,</b> Hannaford Bros., <b>Chair</b>	<b>X</b>	<b>Dairy Task Force</b> September 11, 2013
<b>Eric Johnson</b> Small Processor, Organic	<b>X</b>	Interested Parties: Deb Hart (Hart Public Policy), Gary Anderson, Julia McGuire and Xuan Chen, (University of Maine), Chuck Farrand, (Dairy Farmer), Robert Tardy, (Somerset associates), Chris Spruce, (OPLA), Hilton Drake, (Farm Credit of Maine), Audrey Slattery and Clayton Davis, (DMS), Douglas Carr, (Carr Consulting), and Bill Randall, (AgriMark)
<b>John Blake</b> H.P. Hoods	<b>X</b>	
<b>Michele Bennett,</b> <b>Gold Star Feeds</b> Feed Dealer/Supplier	<b>X</b>	
<b>Richard Johnson</b> Dairy Tier 1		Meeting Start time: 1:17 p.m.
<b>Libby Bleakney</b> Dairy Tier 2	<b>X</b>	Tim Drake—Welcome everyone and thank you for agreeing to participate in this task. I think we should start with introductions, everyone please tell us your name and who you represent. Introductions followed.
<b>Dick Perkins</b> Dairy Tier 3	<b>X</b>	
<b>Betsy Bullard</b> Dairy Tier 4	<b>X</b>	Tim Drake—Thank you everyone, our first task is to select a Chairperson for the task Force and I will begin by saying that I wish not to have this duty.
<b>Julie-Marie Bickford</b> Exec. Dir. - MDIA	<b>X</b>	John Blake—I nominate Marc Lessard. Julie Marie Bickford—I second that nomination.
<b>Ron Price</b> Ingraham Equipment	<b>X</b>	Tim—Are there any other nominations? Seeing none, all those in favor of Marc Lessard as Chairperson please raise your hand. Marc was elected unanimously.
<b>Tim Drake</b> Exec Director - Maine Milk Commission	<b>X</b>	Marc—Thank you, all. We will try to stick to the prepared agenda today and get through today in a timely fashion. Next on the agenda is a discussion of duties, Tim could you help with that?

Tim- I have included in your packets a copy of the resolve that created this Task Force, he then read the section title duties in the resolve. Tim thought that it would be a good idea to discuss what the duties are with the entire membership to keep the focus on what the intent was.

Julie- Marie- I was there when this was discussed and believes we are trying to put some parameters on something that had broad guidelines. I think we need to have a discussion of the mechanics of the program and also the impacts of various political modifications that have been made to the program over the past years.

Marc- Does anyone else have anything else to add to this?

Marc-Tim, I have read the information that you provided to everyone but I was wondering if you could give us brief overview of the history of the tier program.

Tim-Yes. Tim then gave a brief overview of the history of the program and answered individual member questions about this.

Julie-Marie- In the past there has been only two reasons for changes to the program; a new cost of production study or budget concerns that led to some changes to address these concerns. If it will be helpful I can make a timeline of the program and the processes and have that affected it for our next meeting. I will work with Tim on that.

John- I have a question about the 17 recommendations that were in the report of the 2003 Task Force. Were they all implemented? I don't remember ever seeing anything on that.

Julie-Marie- There was a review of these in 2006 and a report out in January 2007. This report gave an in depth analysis of each recommendation and the progress made.

Tim- I do not have a copy of that report.

Julie-Marie- I will try to get a copy to you.

Tim- I will make sure everyone has a copy before our next meeting as soon as I receive a copy.

Some discussion followed about the effectiveness of the program and how to measure that.

John- Tim, have you done any new projections of what is needed based on new milk price forecasts?

Tim- Yes, however I do not publicize those as they are not official, the only numbers that can be used are the forecast given to the Revenue Forecast Committee. The last report was done in April of this year and will be updated in this upcoming November. I continually update my projections when a new forecast comes out to keep any eye on any potential problems in the future. I hesitate to hand those projections out as they change every month and are not "official".

Michele- Feed prices are up and soybeans are up tremendously contrary to what is believed, I think that this needs to be incorporated in any updates to the program.

Marc- Is there any provision for this currently?

Julie-Marie- Every time the Milk Commission conducts a new Cost of Production study feed and fuel costs are included in the analysis. However, when the issue got to the legislature for approval for the last study there was a great deal of debate over this issue and they decided not to use target prices that included the higher feed and fuel costs due to budget considerations.

Betsy- I am still stuck on how we determine the effectiveness of the program, what are the yardsticks that we can use? I think we are stuck until we can come up with some measurable for this.

Marc- That is job number one, we need to all think about this and get our ideas to Tim to compile. One way to look at this is to say that all or most of the funds collected are expended for the program, that is efficient and another way see if the number of farms is remaining stable.

Julie-Marie- We shouldn't use just one benchmark, number of farms, milk production and whether other segments of the industry are stable.

Tim- I agree with Julie-Marie, we need to use many benchmarks together, not just one or two.

Julie-Marie- I think we need to research what other states are doing. I would be willing to do some of the work.

Michele- I think it is hard to use other state's data to judge our program when their costs and conditions are not the same as ours. I think we need to focus on Maine.

Dick- That is a valid point, we are at the end of the supply line and everything costs more to get here. Our power costs are higher than other part of the country.

Michelle-Our fuel tax is a good example.

John-I don't believe this is true anymore, New Hampshire recently increased tier fuel tax and is more on a par with ours.

Marc- What happens outside of Maine is a factor here, we are in a world market, we need to know the differences and focus on what we can do to fix what is broken.

A general discussion of fuel, tax and fuel costs followed.

Ron- We are here to look at the tier program not analyze the costs of dairy in Maine. We need to focus on the tier program.

Betsy- I believe Ron said it well; our job is to determine if any changes are necessary to the program. A) Determine if the program is effective, B) develop a method of determining effectiveness going forward and what recommendations this Task Force thinks should be implemented (or not). Maybe at the end of the day we say no changes should be made, the program works well.

Marc- Betsy, do you have any ideas on how we determine the effectiveness of the program?

Betsy- I think some of the things Julie-Marie said are good, we need to have actual numbers, be it production, farm numbers or costs of production. We shouldn't need to reinvent the wheel here.

Julie-Marie- I will develop a timeline in terms of the history of the program with numbers of farms, production and processors included. Also other events and factors will be included. I will do a draft and send it to all members for contributions and edits. I think it is important that everybody has input.

Marc- we still need to determine the effectiveness of the program, what does everyone think? Maybe no changes are needed.

Libby- I think the basic premise works, but the funding side is where problems arise.

Marc- What is causing that?

Dick- My view is similar to Libby's; politics have caused most of the issues with the program. As a tier three producer I don't think the program has been all that effective in recent years.

Julie-Marie- Caps and limitation on payouts have caused a lot of issues and pitted on group of farms against another.

John-The mechanics of the program work well, there is no argument from anyone on that, it is the base or funding that is the issue and that is in the hand of politicians. We don't have a tier program problem, we have a political problem.

Marc-Does the Handling Fee go to the General Fund?

Tim- Yes, the casino funds go into a dedicated account administer by me expressly for tier payments.

Ron- How much milk escapes the handling fee?

A discussion followed about processing volumes, sales in Maine and milk leaving the state.

John- The heart of the problem is funding, we expect 50% of the milk produced in the state to fund a program that pays based on the total amount of milk produced in the state, which is unworkable. There needs to be income from other sources.

Dick- Do minimum retail prices include the handling fee? I don't think many retailers are selling milk at the minimum.

Tim- The minimum prices do include the handling fee and more milk is being sold at or near minimum now than in the past.

John- We can't control the maximum prices charged for milk.

Dick- To say the handling fee is causing higher milk prices when most milk is sold well above that is hard to understand.

Marc- Is there a way to collect a fee on every pound of milk produced to pay for the program?

Tim- That has been studied in the past and it was not pursued.

Julie-Marie- Broadening the handling fee to include other dairy products has been looked at by a previous study group.

A general discussion of a handling fee vs. a sales tax followed.

Eric- The program has helped us in the past.

Libby- I agree, it has helped our bottom line, just think of where we would be without this program.

Dick- I agree to a point, when they started putting limits on the payouts that changed the effectiveness for us.

Libby- It comes down to money, basic program is fine but money is the issue. Maybe we need to look into ways to raise more money.

Dick- I agree.

Tim- Any increase in funding needs to be tied to the program somehow, it is too easy for accounts to be raided or funds diverted to other needs if the funds go into the General Fund.

Ron- Can the handling fee be put into a dedicated account for the tier program?

Tim- No.

Libby- We need to collect on all dairy products sold in the state.

Dick- I agree, we need to expand the handling fee to other dairy products.

Libby- Fluid milk sales are declining while cheese, yogurt and other dairy products sales are increasing. All of these products are made from milk we produce.

Julie-Marie- Marc, this is where the discussion affects you.

Marc- Thank you, Julie-Marie. I try to facilitate the conversation when I chair a group like this and lead the group and not steer the conversation into one area or another. Taxing other dairy products can be difficult, especially when you have different size establishments competing with each other, a small convenience store may only sell 10 cases of milk and can afford to sell at minimum as a draw to customers where a large chain

sells thousands of cases a day and the margins are different. The larger chain will have to lower the price to compete and will lower their overall margin.

Julie-Marie- It would be helpful to talk about the breakdown of how retail prices are set, also the handling fee in Maine versus across border sales in New Hampshire.

Dick- I still do not understand Marc's explanation, the fee or tax is the same for everyone.

Eric- Being on both sides of the equation as a producer and a processor I can see some of this but it still remains that current retail prices translate to \$44 to \$48/cwt. while the producer only gets \$17 to \$18/cwt. Retail prices do not follow any downturns in producer prices for raw milk.

A short discussion followed with explanation of the Maine Milk Commission's duties and minimum prices setting.

Marc- Anyone else?

Julie-Marie- Everybody should come to the next meeting with ideas of how to determine the effectiveness of the tier program, then a matrix can be developed to help determine the effectiveness going forward.

Marc then summarized the meeting and asked each member to get information to Tim and Julie-Marie by the end of next week.

Marc- When should we schedule our next meeting? How often should we meet?

The next meeting was scheduled for Wednesday, September 25<sup>th</sup> at 10 a.m. The meeting will be held in the same room as this meeting. The next meeting was tentatively scheduled for October 9<sup>th</sup>, depending on room availability. Tim will make the arrangements.

Betsy Bullard made a motion to adjourn, John Blake seconded the motion. The motion passed unanimously. The meeting adjourned at 3 p.m.

<b>Marc Lessard,</b> Hannaford Bros., <b>Chair</b>	<b>X</b>
<b>Eric Johnson</b> Small Processor, Organic	<b>X</b>
<b>John Blake</b> H.P. Hoods	<b>X</b>
<b>Michele Bennett,</b> <b>Gold Star Feeds</b> Feed Dealer/Supplier	<b>X</b>
<b>Richard Johnson</b> Dairy Tier 1	<b>X</b>
<b>Libby Bleakney</b> Dairy Tier 2	<b>X</b>
<b>Dick Perkins</b> Dairy Tier 3	<b>X</b>
<b>Betsy Bullard</b> Dairy Tier 4	<b>X</b>
<b>Julie-Marie Bickford</b> Exec. Dir. - MDIA	<b>X</b>
<b>Ron Price</b> Ingraham Equipment	<b>X</b>
<b>Tim Drake</b> Exec Director - Maine Milk Commission	<b>X</b>

## Dairy Task Force

September 25, 2013

Interested Parties: Deb Hart (Hart Public Policy), Gary Anderson, (University of Maine), Chris Spruce, (OPLA), Hilton Drake, (Farm Credit of Maine), Audrey Slattery and Clayton Davis, (DMS), Douglas Carr, (Carr Consulting), Shelley Doak, (Maine Grocers Association) Rick Kersbergen, (UMCI) and Bill Randall, (AgriMark)

Meeting Start time: 10:12 a.m.

Introduction of all members, including Richard Johnson, who was unable to attend the first meeting.

Marc- Has everyone read the minutes of the September 11<sup>th</sup> meeting? Are there any questions or comments? Seeing none the chair will accept the minutes as printed.

Tim then went over a packet of handouts and answered questions relative to them. Julie-Marie then went over a summative history of the tier program that she had prepared for the group.

Marc-That is a lot of information for us to take in this morning. Going forward we could have information sent to us before a meeting and then base that meeting on that information or we could continue on the way we have to date. We were asked to provide Tim with comments on the effectiveness of the program and he has provided us with a summary of those comments electronically a few days ago. I would like to hear everyone's thoughts on these comments and perhaps we should go around the table to

hear those now.

Betsy-I think that the strength of the program has been as a planning tool to make management decisions. The problems started in 2009 when funding concerns caused caps on payments which made the program uncertain, it could no longer be used as a planning tool after that. This caused our farm to use different tools, which is unfortunate and a detriment to the program. I believe that somehow a scenario where the funding for this program is directly tied to the program is necessary to avoid competition from other program for available dollars in the future.

Richard-I wouldn't be here without this program, we would have had to throw in the towel and sold out, so the program is effective as it has saved 300 acres from being developed in Kittery.

Dick-That is the difference between a tier one farm and a tier three farm, since 2009 this program has been very uncertain for us and has caused a lot of second guessing of management decisions. The original program worked very well until politics changed the program and caused a lot of divisiveness and anxiety. I think all

cuts and or changes to the program in the future should be applied equally across the board, all farms should be treated equally regardless of size.

Michele-This program has helped a tremendous amount of farms pay their bills and should be funded fully at the true cost of production. Grain bills on our farms have been historically 30% of the milk check and it now 50% of the milk check if not more.

Ron- Capping does not work, funding the program at a level less than 100% does not work. All sized farms are important we are in the same boat here.

Libby-We need to find a funding source or mechanism that can fund the program at 100%.

Richard-The program has worked but it has not made anyone rich. Can the handling fee be raised to bring in more money?

Michele-The handling fee has averaged about \$0.15 per gallon maybe we should use that as the minimum and work up from there.

Marc-The same argument can be made that to balance the state budget we just need to raise the sales tax to bring in more money to pay for everything we want. I don't think it is a best solve for all of our issues in the state of Maine. Any recommendations we bring forward from this group will be looked at with different lenses to see if they are feasible and I just don't know if it can be done.

Betsy-I would just like to piggyback on that, I find myself very cynical of the process and do not believe any funding that is not directly tied to this program will not lead us back to this very same place. Any funding that is not directly dedicated to the program will be fair game anytime there is a need to fund other programs. The dairy industry has experienced some things that no one would have anticipated in their wildest dreams (or nightmares)

Marc-Tim, realistically is there a way for the funds to be tied to the program?

Tim-Well, this is an election year coming up so any new tax or fee will be problematic politically.

Eric- When we have 48% of the milk supporting a program that pays on 100% of the production, which is a recipe for disaster. Is there some way we can go after ice cream and some of the other value added dairy products?

Tim-There is always a way, the problem is that we do not have enough accurate data to know what rate to apply or how much is being sold in Maine. We are talking about unregulated product that comes into Maine, there is no requirement for anyone to give us that information and I don't believe it will be handed over voluntarily.

Julie-Marie-In 2010 there was a study group that looked at this subject at the request of the legislature. That study didn't get far as they was not enough data on other dairy product sales in Maine to make an intelligent

recommendation. A sales tax instead of the handling fee would circumvent the legal challenges to tying the funds to the program. Up to this point we have been working with a handling fee, a sales tax would use the taxing power of the state to tie the funds to the program.

Ron- We should keep it simple and find a way to apply a handling fee to all dairy products, I could never understand why a dairy farmer got paid less for milk that was made into ice cream, cheese and other dairy products. We can and have a mechanism to track all raw milk produced in Maine.

Eric-It is traceable?

Richard-Some of my milk stays in Maine and some does not.

Dick-Same for me.

Libby-Is there a way to track all milk produced in Maine?

Julie-Marie-The Market Administrator has this information and Tim has this also.

Tim-Yes, each month I do the Maine pool calculations and we know how much milk stays in Maine and how much leaves. For August 76% of the milk produced in Maine was processed in Maine. Some of the milk processed in Maine is sold outside of Maine.

John-Isn't it around 48% that stays in Maine to be sold?

Tim- Yes, but that varies from month to month by a few points.

John-It is impossible to tax all milk in Maine to fund this program, the state has decided that this is a worthwhile program and thusly it should be expected to fund some of it from the General Fund. Historically the state has funded the program but it is uncertain from year to year.

Julie-Marie-The state has the power to tax and dedicate the funds generated; the snack tax is an example of this and there a lot of dedicated taxes in Maine.

Marc-Ok, to do a little bit of summary of the conversation we have been having this morning; we need to maintain the viability of the dairy industry in Maine. Are there are any thoughts contrary to that? Should we continue this discussion of expanding the handling fee or a tax on other dairy products sold in Maine?

Julie-Marie-I am going to address the political sensitivities head on, as much as we all acknowledge the difficulties they it is important that we try to figure out what is best for the entire dairy industry in Maine, as much as we focus on the producer side we are fortunate in having active processors and engaged retailers in Maine. I would not want us to ignore a discussion just because of the political ramifications; we need to have a pragmatic academic discussion here and that will prepare us to field the political discussions that come after.



Richard- I have a couple ideas that may or may not be viable, one is to some way to tap into ice cream sales.

Betsy-I would like to echo what Julie-Marie said earlier, taxing other dairy products sounds great but I agree that we need to have a frank and honest discussion here before making any recommendations. Thank god we do have retailers here to sell our products but I do not know much about how their business works, I look around the table and I see a lot of people who have knowledge about the producer side. Unless we have a honest discussion here about the totality of the subject I can see the time spent here as being wasted because the people who will make the decisions down the road will say it can't be done, it is not practical.

Marc-The grocery industry is a penny industry, which is how tight the margins are the customer will always go to the lower price. There is a lot of competition in the market. When you are dealing with other dairy products it is hard to tell where it all comes from and I don't have a lot of confidence in my competitors being able to track these items like I can. I would be very leery of the traceability of other dairy products and how we would know all other products were being collected on.

Julie-Marie-Would it make a difference with your ability to compete in Maine? Would there be a competitive difference between how a handling fee has been applied, which is generally collected by the processor, and a sales tax?

Marc-You would have a better ability to capture all the items at the checkout, but then the customer would see a sales tax line and all other line then add another line with another tax could open Pandora's box. Maine has a minimum price law and there has been a trend over the last six years where the retail prices have been closer to minimum than before.

Michele-I have a question, how much money is needed to fund the program each year? How much are we looking for?

Tim-that depends on the time frame you look at, over the entire history of the program it averages out to a little over \$5.3 million per year but that change from year to year and the problem comes when we narrow the time frame to a biennium the budget people see a need for more money during milk price downturns.

Julie-Marie-The question can be asked as to at what level; short run cash or short run break even prices or is it total operating costs, where is that amount? It depends on the federal class I price levels also.

Michele-Maybe I didn't ask the question properly; on one of these sheets it says the tier two price is \$26.49cwt. and the farms are not getting that. What is needed to fund at the full cost of production?

Tim-Two years ago it would have been \$48 to \$50 million which is why the lower price levels were implemented that are in use today.

Julie-Marie-That is part of the political discussion, during the first few years of the program the Milk Commission's cost of production prices were used automatically but in 2007 the Milk Commission Cost of

Production study results were made major substantive rules and had to be approved by the legislature. That is when the problems started with tier price levels.

Libby-Can someone refresh my memory of how the handling fee was set up regarding milk processed vs. milk sold?

Julie-Marie-I believe it mirrored how the previous vendor's fee was set up. It was set up to cover the first economic transaction that takes place in Maine and that is how the fee is calculated.

Marc-There is a couple of things I want to go over before planning our next meeting, do we want to have materials sent to us prior to our next meeting or is everyone satisfied with having materials provided at the meeting? How do we go forward?

Eric-I think we need to get direction on what we spend our time on. Most of the producers I have spoken to would like the program revert back to how it was before 2009. Insulate it from caps and go back to three tiers instead of four, which seems to be a point of contention between different size farms.

Ron-I would like to have the materials sent to me before the next meeting so that I have an opportunity to study them before the next meeting.

Tim-Administratively speaking that is extremely difficult on a two week time frame, especially when I have other duties that have to be done in a specific time frame. There is no one else to do these tasks and it becomes problematic to do all of them in a timely fashion.

Julie-Marie-If we keep this an academic discussion and go over all of the pros and cons it will be received much better. We need to start fleshing this out soon to get this done in a timely fashion.

Richard-I wouldn't want to be without this program.

Betsy-We continue to plan as though there will be no tier payments to us, it is the only way to sanely plan.

Libby-The program was designed to be a safety net only.

Betsy-The effectiveness has been diminished since 2009. We can do better than this.

Julie-Marie-The 2009 changes caused stress to the different sized farms, there are more tier one farms numerically so there is more political effort expended to ensure they continue. Any divisiveness is detrimental to all.

Betsy-We need all size farms in Maine.

Marc-I will take a swing at what our agenda will be at our next meeting. Before I start does anyone have any ideas?

Julie-Marie-I think as we come up with ideas we should send them to Tim and he can collect them and send them out to us. Is that OK with you, Tim?

Tim-Sure I will forward each idea on to the group as I receive them.

Marc-Please everyone please send something in to Tim by next Wednesday. On that note some of the topics I think are worth discussing are; 1) the program is not funded by all the milk that is produced. 2) 2009 the caps were introduced for larger farms 3) some of the milk sold circumvents the system 4) how do we continue to fund this program 5) collection on other dairy items, will this pay for the program. Please send any other thoughts you have to Tim.

John-Interesting to know what percentage of farms are satisfied with the program. Is our mission to come up with more funding for the program?

Julie-Marie-I'm not sure how we can look at the effectiveness of the program without looking at the funding side.

Eric-I think we need to capture revenue from the premium products like ice cream; we need to get funding from all milk.

Marc-Our next meeting is here?

Tim-No we need to discuss that, this room is taken for our next meeting date but Chris Spruce has offered the ACF meeting room for that meeting in the Cross building at 10 a.m.

Marc-Tim, can you send out the address to everyone before our next meeting so everyone can find it?

Tim-Yes

The next meeting was scheduled for Wednesday, October 9<sup>th</sup> at 10 a.m., the meeting will be held in the ACF Committee room in Burton Cross Building. Tim will supply maps and or directions to all members before the meeting date.

The meeting adjourned at 11:55 a.m.

<b>Marc Lessard,</b> Hannaford Bros., <b>Chair</b>	<b>X</b>
<b>Eric Johnson</b> Small Processor, Organic	<b>X</b>
<b>John Blake</b> H.P. Hoods	<b>X</b>
<b>Michele Bennett,</b> <b>Gold Star Feeds</b> Feed Dealer/Supplier	<b>X</b>
<b>Richard Johnson</b> Dairy Tier 1	
<b>Libby Bleakney</b> Dairy Tier 2	<b>X</b>
<b>Dick Perkins</b> Dairy Tier 3	<b>X</b>
<b>Betsy Bullard</b> Dairy Tier 4	<b>X</b>
<b>Julie-Marie Bickford</b> Exec. Dir. - MDIA	<b>X</b>
<b>Ron Price</b> Ingraham Equipment	
<b>Tim Drake</b> Exec Director - Maine Milk Commission	<b>X</b>

## Dairy Task Force

October 09, 2013

Interested Parties: Deb Hart (Hart Public Policy), Julia McGuire, (University of Maine), Chris Spruce, (OPLA), Hilton Drake, (Farm Credit of Maine), Audrey Slattery and Clayton Davis, (DMS), Douglas Carr, (Carr Consulting), Shelley Doak, (Maine Grocers Association), Walter Fletcher, (Dairy Farmer), Dale Cole, (MDIA) and Bill Randall, (AgriMark)

Meeting start time: 10:05 a.m.

Marc- Has everyone read the minutes of the September 25<sup>th</sup> meeting? Are there any questions or comments? Seeing none the chair will accept the minutes as printed.

Marc- I would like to start out by reviewing some points brought out in the various e-mails the past two weeks. My understanding is that we have this meeting and one other meeting to finish our business. I would start with an e-mail stream where I had put four bullet points out there for discussion. I am going to start with number four which was the possibility of capturing other dairy items sold in Maine. So that is on the table for discussion.

Betsy-To me it seems like the obvious way to go, it doesn't take high level math to see that a handling fee that captures income from 40% of our production is not viable, taxing all dairy seems a better and fairer way to go.

Michelle- I agree, we should be able to dedicate that income to the program easily. The snack tax was dedicated so it has been done.

Dick- I agree, that helps the overall program.

Libby- I agree we need the funding source to support the program.

Marc- Then I would ask why not tax all food items? Why limit this to just dairy items?

Julie-Marie- A tax on dairy items can be dedicated to a dairy program and is fairer, there is a logical connection there.

Marc- Are we talking about only taxing dairy items where the raw material comes from Maine? Most of the dairy items sold are made from raw product not from Maine, are we to tax dairy from nationwide sources to fund this program?

Dick- How many Frito-Lay or Hershey plants are there in the state of Maine? None, yet we tax the products from those plants. (It was pointed out that the snack tax is no longer in effect.)

Betsy- The transparency is extremely important to me, I have recently seen television ads that tout Maine produce and that tells me they have value so a tax on all dairy that the consumer knows will go to a program to help dairy farmers will be well received.

Eric- We are only collecting on 40% to 48% of all milk produced in Maine which tells me we need to capture the remaining 60% to 52%. I would like a clarification on the interstate commerce argument against collecting on product not sold in Maine.

Julie-Marie- As it is currently constructed the handling fee cannot be collected on milk sold outside the state due to interstate commerce reasons. A broader tax (sales tax) is not subject to those limitations.

Michele- Cheese and butter consumption is continuing to increase so we need to capture that in order to support Maine farms.

Marc- How would a system like this be policed? Would single serve sized sales at airports or convenience stores be subjected to this tax? Where do you draw the line?

Julie-Marie- the Maine Revenue Service already has a system for collecting taxes as they are already collecting sales taxes on many other products now. Maybe wholesale products can be exempted. Hoards Dairyman had some interesting facts in their last edition where it was noted that cheese consumption is at an all-time high of 33.5 lbs. per capita, this along with other dairy items constitutes an average yearly per capita consumption of 612 lbs. Overall dairy consumption is increasing, not fluid milk, only collecting on fluid milk is a losing proposition. There are also a lot of new dairy products being introduced all the time, worldwide demand is increasing.

Marc- If the intention is to protect Maine farms why tax products not from Maine?

Julie-Marie- Historically the amount of milk produced in Maine has roughly been equivalent to the amount of milk consumed in Maine.

Marc- That makes me question the economic viability if we have overproduction of milk for Maine plants.

Betsy- Julie-Marie brings up a great point. The product mix is changing and it is not realistic to expect new dairy product plants to be built in Maine with our small population. So I don't think it is a contradiction to expect other dairy products to pay for a program to help Maine farms. All dairy products start out as fluid milk.

Marc- What would be the definition of a dairy product? What products would be covered? Does anyone have a list of products that should be covered?

Eric- I pay a handling fee on what I process, this can be tracked and I believe Tim has those numbers.

Julie-Marie- Tim, how much milk is the handling fee collected on?

Tim- On average the handling fee collects on 40% of the milk produced in Maine; I want to point out that there are some exemptions for fluid milk, so it is not collected on all fluid milk sold in Maine.

Michele- I think it should include cheddar, butter, yogurt, when the primary ingredient is fluid milk the product should be included.

John- I gather you envision this as being a dedicated tax. Instead of creating a new system to collect a new tax why don't we ask the legislature to step up and fund this from the general fund when the handling fee isn't enough to keep up with the program?

Dick- I would like to respond to that, I believe we are trying to get a larger portion of the consumer dollar to Maine farmers, wild swings in prices and margins are happening on a more frequent basis and we need to develop a fairer system for all segments of the industry to fund the program. The retail and processing segments of the industry are guaranteed to recover their costs while the producer is not; I believe there is enough money being paid by the consumer to meet everyone's costs. I would like to see not only a tax be recommended but also an anti-gouging recommendation.

John- I understand that, but I don't see why we need to create a new system to get additional monies to fund this program, the Maine taxpayer is already paying enough. The State needs to make a commitment to continue funding this program if it is deemed necessary.

Betsy- That is a fantastic point, it has worked that way in the past, I think the fact that over \$53 million has been paid out to Maine dairy farmers is testament to that but I think it is naïve to expect that to continue; we need to insulate the program from the constant political battles surrounding the state budget.

Eric- I would second that, we can't trust whichever political agenda that happens to be pushed at any given time to do what is best for Maine's dairy farms.

Libby- I agree, capping is an example of that, it drove wedges between different sized farms. To make the program effective we need to find dedicated funds for the program.

John- Any pool of money will be subject to political maneuvering. I think we are creating more bureaucracy for the state by doing this.

Julie-Marie- If we tax all dairy products the handling fee will be discontinued, so we would not be creating a new bureaucracy, we would actually be simplifying the way funds are collected for the program. We have answered the question that the tier program has been effective when funded properly.

Marc- Do we include ice cream in this? What would the tax rate be? What size fund is needed to run the program? If more is collected than needed, how would that be handled? Would there be a review process?

And how will it be reviewed? Other Maine industries such as, potatoes, lobster and blueberries do not have any state help; why dairy?

John- Any recommendations we have will have to be passed by the legislature and I question if that can happen.

Julie-Marie- We are looking at a different budget climate than we have operated under in the past and I question whether we will continue to see the kind of support as we have had in the past. We need to find a system that will take some of the insecurity out of the equation. This Task Force is the opportunity to have an academic discussion about these issues outside of the political environment. We are not writing legislation here, only making recommendations and analysis for possible future legislation.

Marc- I will entertain a motion at this time if there are no more comments.

Betsy- I would like to make a motion that we recommend that a tax or fee schedule be devised that includes all dairy products as defined by the Federal Order system. These funds should be dedicated to the tier program and once this system is in place the handling fee should be discontinued.

Libby- I second that motion.

Marc- Any questions or debate on this before we go to a vote?

Eric- I would like some clarification. Are we now going to tax dairy products that originate from out of state? I question this. I think we only need to attach in state milk, this is something we can track.

Dick- Let me get this straight, do you want to only tax milk produced in Maine?

Eric- We don't have a spending problem, we have a collection problem. If we collect on 100% of the milk produced in Maine instead of only the 40% we now collect on.

John- I am not sure how that would work.

Eric- I am only after the raw product, not the finished product.

Julie-Marie- Keep in mind that the current handling fee does tax fluid milk that originates from outside of Maine and is sold here and is legal. We are trying to come up with a system that does not put Maine processors and retailers at a competitive disadvantage.

Marc- We already are at a disadvantage along the New Hampshire border.

Julie-Marie- I agree the handling fee does do this but a tax without the handling fee will level this out some, New Hampshire doesn't have a sales tax so it will always be unfair.

Marc- Are we ready to vote? Yes. The motion carried 7-2 (Marc and John against)

Marc- One of the other items I had on my list to cover was the capping of tier payments. Tim can you give us some background on that?

Tim explained how the caps had been introduced and implemented in 2009.

Betsy- I would like to ask at what level the tiers get funded, we need some guidance on that. Originally the Maine Milk commission numbers from their cost of production study were adopted and used as target levels for the tiers, then in 2007 this was made major substantive rulemaking and subject to approval and manipulation by the legislative process. This is where we lost focus of where the program should be to be effective.

Julie-Marie- Betsy brings up a good point, this is an important piece, and the debate over support levels has been complicated for farmers and for the Milk Commission. We need this to be made more consistent and predictable.

Tim then explained the rulemaking and study process for the Maine Milk Commission.

Betsy- I think we need the support levels be the Short Run Break Even prices, this program was intended to be a safety net only.

Julie-Marie- I think we need some clarification on what exactly SRBE is. Does it include labor?

Tim-No, depreciation or any return on investment. SRBE did include family labor and management costs.

Julie-Marie then explained the different cost factors and target prices that were included in the last cost of production study.

Marc- Is there motion?

Eric- I think this is a moot point with our prior vote.

Marc- Is there any other business to discuss today?

Julie-Marie- What is our timeline for our report process?

Tim explained the process and the due date for the report to the ACF.

Marc- Is there anything else in the way of suggestions before we move on to discussing a report and what it would look like?

Libby- We have only one suggestion now, don't we need some direction or clarification on how specifically to generate this money?



Tim- I hesitate to go down that road as we do not have the information or staff to flesh out the details of how this can be done. That is beyond our scope and capabilities as a Task Force and would take far more time than we have available to us.

Betsy- I think we need a more consistent approach to how the target prices from the cost of production studies are determined.

Libby- I think we need a more unified approach for this. We need to stop driving a wedge between different size farms.

Marc- Could you give us more clarity on that?

Betsy- We could recommend that the legislature designates a consistent number and approach, whether it is SRBE or cash costs.

Julie-Marie- We want the legislature to choose which set of number that are used each time a study is done.

Betsy- One set of numbers needs to be designated as the ones to determine and use.

Michele- I second that motion.

Marc- Could we have some clarification on what the motion is? We need a very clear description of what we want.

Julie-Marie- Have the legislature choose a consistent means of determining the appropriate and non-wavering level of support through cost of production studies for the tier levels, either SRBE or actual cash costs and that they be automatically applied to the tier program after adoption by the Maine Milk Commission.

Marc- Is that acceptable to Betsy and Michele?

Betsy and Michele-Yes

Dick- Consistency would be a really nice for Tim and for the farmers I have talked to.

Marc- Are we ready to vote on this motion? The motion passed unanimously. 9-0

Marc- We did have some conversation relative to the pre-2009 three tiers vs. the current four tier system and I think now is a good time to reopen that debate.

Julie-Marie- I think we need to address how the caps and other constraints have affected the effectiveness of the program. I don't think we necessarily have to address the three vs. four system specifically. When we structure this report are we going to have a finding section and a recommendations section?

Marc- I would like to finish with any other recommendation that may come forward.

Julie-Marie- I would ask that we recommend that in order for the program to continue to work effectively artificial constraints such as caps and other adjustment to tier number have proved detrimental to the program.

Tim-To me that should be in the findings section not as a recommendation.

Julie-Marie- then I want to make a motion that we recommend that the legislature refrain from placing caps and other artificial constraints on the program as a means of altering the program as the Task Force has found that those mechanisms greatly reduces the effectiveness of the program.

Betsy- I second that motion.

Marc- If the first motion is instituted we could be collection sums of money and that will have to be paid out through the program, if that amount is not enough to fund the program some caps will have used to ensure we don't spend more than we collect.

Julie-Marie- That only becomes a problem if the current wording in statute that requires the state controller to pay whatever amount needed for the program is repealed.

Eric- I believe our first recommendation makes this a moot point.

Julie-Marie- The first recommendation is only an alternative funding mechanism to solve the funding problems that have inhibited the effectiveness of the tier program and is separate from the tier program statute, it is only pertinent to the funding side.

Marc- Isn't your motion too broad? I am having difficulty with it.

Julie-Marie- No, it specifically addresses caps on the program.

Eric- Wouldn't going back to pre-2009 wording solve this? Every farmer I have spoken with has said that before 2009 they thought that the program worked better.

Julie-Marie- No, we are specifically objecting to future capping of the program payments. 2009 was the first year caps were used for the program, which is when the problems started.

Libby- Is there any capping wording in effect now?

Tim then gave a brief history of caps and how they have been used in the past.

Marc- Is there any other discussion? I will be voting against it as I think it is too broad. The motion passed 7-2. (John and Marc voted no)

Marc- Any other motions, if not we can talk about how a report can be generated and the process for that. Tim can you give us some background on that?

Tim- I was involved with the last Task Force report as I was assigned as staff, I was not a member of that Task Force as I am on this one. Ultimately it is the responsibility of the Chairperson to devise a report; the chair can assign the work to other members or take the responsibility for the report solely.

Marc- I wouldn't want to burden any one person with this, however I would rather not do this by myself.

Libby- I would recommend that Julie-Marie and Tim help Marc with the report.

Dick- I agree.

Marc- I will coordinate with Julie and Tim to chunk this out, maybe we will have several drafts before we have a finished product.

Is there any other business to consider today?

Tim- We do need to set a next meeting date.

The next meeting was scheduled for Wednesday, October 31<sup>st</sup> at 10 a.m., the meeting will be held in room 233 of the Deering Building or in the ACF Committee room in Burton Cross Building depending on room availability.

The meeting adjourned at 11:45 a.m.

## Oct 31, 2013 minutes

<b>Marc Lessard,</b> Hannaford Bros., <b>Chair</b>	<b>X</b>
<b>Eric Johnson</b> Small Processor, Organic	
<b>John Blake</b> H.P. Hoods	<b>X</b>
<b>Michele Bennett,</b> <b>Gold Star Feeds</b> Feed Dealer/Supplier	<b>X</b>
<b>Richard Johnson</b> Dairy Tier 1	<b>X</b>
<b>Libby Bleakney</b> Dairy Tier 2	<b>X</b>
<b>Dick Perkins</b> Dairy Tier 3	<b>X</b>
<b>Betsy Bullard</b> Dairy Tier 4	<b>X</b>
<b>Julie-Marie Bickford</b> Exec. Dir. - MDIA	<b>X</b>
<b>Ron Price</b> Ingraham Equipment	
<b>Tim Drake</b> Exec Director - Maine Milk Commission	<b>X</b>

### Dairy Task Force

October 31, 2013

Interested Parties: Deb Hart (Hart Public Policy), Gary Anderson, (Cooperative Extension), Julia McGuire, (University of Maine), Hilton Drake, (Farm Credit of Maine), Clayton Davis, (DMS), Douglas Carr, (Carr Consulting), Shelley Doak, (Maine Grocers Association) and John Piotti, (Maine Farmland Trust)

Meeting start time: 10:09 a.m.

Marc- Has everyone read the minutes of the October 9<sup>th</sup> meeting? Are there any questions or comments? Seeing none the chair will accept the minutes as printed.

Marc- I would like to start by noting that you all are despite staying up late to watch the Boston Red Sox win the World Series last night. Well done!

It has been three weeks since our last meeting, a time which has been spent writing a draft of our final report. I would like to take this time to applaud the work that Julie-Marie has done on this report! I have been traveling a lot during this time and worked on this report piecemeal separately from Julie-Marie and was pleased to see how much our separate versions were alike; so much so that I simply had to cut and paste a few things from my report and past them into hers. Again, thank you Julie-Marie. Does anyone have any comments?

Libby noted that the correct spelling of her first name has no "e".

Marc- Any comments on the substance of the report?

Julie-Marie- I would point out that on page 7 the bullet points are comments made by different members in discussion during this process, maybe they need to be in another section of the report, perhaps the Findings Section.

At this point the Chair recognized Doug Carr from the audience, he pointed out that in the Recommendations Section numbers 1 and 5 were not actually voted on but were part of the overall discussions. Shelley Doak also questioned this.

Marc- Due to the fact that no votes were taken on these should we move that to the findings section?

Betsy- There was unanimous consent on these points and I would like to keep them both in the recommendations section.

Julie-Marie- I would like to keep them there also.

Libby- I would also like to keep them in the recommendation section.

Marc- These seem to be more affirmations rather than recommendations.

Michele- I find the second bullet point confusing, particularly the mention of a one-tier system.

Julie-Marie-We could move that to the findings section, it was part of the discussion. These points were actual quotes of different members during the discussion and were taken from the minutes of the meetings.

Betsy- I would like to keep that in there.

Shelley Doak was recognized from the audience, she noted Appendix 1, section 6 and thought that the wording could be weaved into the report.

Julie-Marie- I think we can move the phrase ‘currently constructed’ to be just after “The Tier Program”.

Marc- I agree. Anyone else have any comments on recommendation 1?

Discussion followed about adding a phrase at the end of recommendation 1 that talked about not discontinuing or eliminating the program.

Marc- I think we should add a sentence at the end that reads; “This program should not be discontinued”.

John- Made the motion to add this sentence to the end of recommendation 1. The wording should be; **The Tier Program, as currently constructed, continues to be an effective tool to help stabilize the Maine dairy industry. This program should not be discontinued.**

Richard- Seconded the motion.

The motion passed unanimously.

Marc- Next we need to look at recommendation 5.

Discussion followed about the wording of this recommendation.

Betsy made a motion to have recommendation 5 read as follows; **This Task Force affirms the work of the prior Task Forces in 2003, 2007 and 2009 and recommends that their work should continue to be reviewed and implemented.**

Michele seconded the motion.

John- Should we add “where advantageous” to the very end?

Julie-Marie and Tim believed that this was not necessary as the word reviewing should cover that concern.

The motion passed unanimously.

Marc- Are there any more concerns or changes that anyone thinks necessary to this draft?

There were none.

Marc- Can we dispense with another meeting and review the changes electronically? If we have the changes to you by November 6<sup>th</sup> we should have all weighed in by November 15<sup>th</sup>.

Julie-Marie asked if anyone thought a conclusion section was needed.

No one did.

Betsy thanked Julie-Marie, Marc and Tim for their work organizing and running the meetings.

John Piotti was recognized from the audience, he applauded the members for doing a good job in a short time.

John Blake made a motion to adjourn.

Betsy seconded the motion.

The meeting adjourned at 10:58 a.m.

## Appendix 3

# A Summative History of the Maine Dairy Stabilization “Tier” Program As of September 2013

### 2000

- 466 Maine Dairy Farms produced 660,209,472 lbs. of milk.<sup>7</sup>
- USDA Federal Milk Marketing Order System adopts component pricing/end-product pricing mechanisms (January 2000) as directed by 1996 Farm Bill.
- Average Federal Order Blend Price for 2000 was \$13.03/cwt or \$1.12/gal.<sup>8</sup>
- Average annual corn price = \$1.85/bushel<sup>9</sup>
- Average annual retail diesel price (New England)<sup>10</sup> = \$1.614

### 2001

- 445 Maine Dairy Farms produced 645,014,133 lbs. of milk.
- Congress fails to renew the Northeast Dairy Compact, eliminating an effective price support system for the Northeast.
- USDA Federal Milk Marketing Order System reviews and amends component pricing/end-product pricing mechanisms with adjustments to product yield, butterfat, and make allowance calculations (effective January 2001). The lasting impact of this shift was to shorten the implementation of new pricing following reporting periods, resulting in increased price volatility, especially through the Class pricing formulas.
- Average Federal Order Blend Price for 2001 was \$15.66/cwt or \$1.35/gal.
- Economy severely shaken after 9-11-01 terrorist attacks. Consumer spending drops. Market demand drops. Greater emphasis placed on local food supplies and food security.
- In December 2001, Suiza Foods Corporation acquired Dean Foods Company and formed the "new" Dean Foods Corporation. The new Dean Foods Corporation became the nation's largest dairy processor and distributor.
- Average annual corn price = \$1.97/bushel
- Average annual retail diesel price (New England) = \$1.492

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<sup>7</sup> Maine Milk Commission

<sup>8</sup> Federal Milk Marketing Order Region One Monthly Press Releases for Producer Blend Prices

<sup>9</sup> Michele Bennett chart for Dairy Stabilization Task Force 2013 (2000-2010) / USDA ERS data (2011/2012)

<sup>10</sup> US Energy Information Administration

## 2002

- 417 Maine Dairy Farms produced 650,143,787 lbs. of milk.
- Average Federal Order Blend Price for 2002 was \$12.64/cwt or \$1.09/gal.
- Average annual corn price = \$2.32/bushel
- Average annual retail diesel price (New England) = \$1.403

## 2003

- 398 Maine Dairy Farms produced 617,316,748 lbs. of milk.
- USDA Federal Milk Marketing Order System again amends butterfat, protein, and make allowance calculations (effective April 2003) in response to court action from the 2001 changes.
- Average Federal Order Blend Price for 2003 was \$12.99/cwt or \$1.12/gal.
- \$3,925,000 in Dairy Relief payments.<sup>11</sup>
- Average annual corn price = \$2.42/bushel
- Average annual retail diesel price (New England) = \$1.643
- Results from the Maine Milk Commission's Cost of Production Study (based on 2002 data) are finalized and published (Dalton/Bragg).

*"Overall, when all factors of production are accounted for, including variable operating expenses, overhead, depreciation and interest, the long-run cost of producing milk is estimated at \$22.81 for Maine dairy producers. When depreciation and interest are omitted, the short-run cost of production is \$16.85."*

- MDIA files legislation to create a dairy safety net program and petitions Governor Baldacci for emergency assistance for Maine's dairy farmers. The Governor comes up with \$2.1 million in one-time, direct relief payments in FY 2004, based on a short-term cost of production safety net of \$16.94/cwt for all farms. The payments began on September 1, 2003 and were in effect until May 31, 2004. Payments were made on the difference between the Federal Order's statistical uniform blend price and the safety net price, but in order to stretch the limited dollars, producers were paid only 40% of the difference between the blend and safety net prices.
- Governor Baldacci convenes a task force to create a long-range plan of action to sustain the Maine dairy industry. The 20-member Task Force met throughout the fall of 2003, completing their work in November 2003 with a report outlining 17 action steps that could help the Maine dairy farmers.

## 2004

- 378 Maine Dairy Farms produced 606,439,704 lbs. of milk.
- Average Federal Order Blend Price for 2004 was \$16.49/cwt or \$1.42/gal.
- \$1,188,457 in Tier Program payments.
- Average annual corn price = \$2.06/bushel
- Average annual retail diesel price (New England) = \$1.924

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<sup>11</sup> Maine Milk Commission



- 121<sup>st</sup> Maine Legislature passes LD 1945, creating the Maine Dairy Stabilization “Tier” Program, which goes into effect July 1, 2004. The program sets up 3 tiers of production with all farmers starting in the first tier and progressing through the tiers in correlation with how much milk each farm produces. The Tier levels are based on the 2003 Cost of Production Study, using the Short-run breakeven numbers. The payments would come from the state’s General Fund and the program has no caps or limitations of funding.
- The Tier levels were 0-16,790 cwt = \$16.18; 16,790-26,050 cwt = \$15.59; Over 26,050 cwt = \$13.12.
- The Legislature also creates the Maine MILC program, which extends the benefits of the federal MILC program to Maine farms on production between 2.4 million and 5 million pounds.
- Attached to the Tier legislation is a provision that yearly updates on the program will be provided to the Governor, and a more thorough analysis of and update on the implementation of the 2003 Task Force recommendations will be completed in 2007.

## 2005

- 358 Maine Dairy Farms produced 589,967,703 lbs. of milk.
- Average Federal Order Blend Price for 2005 was \$15.64/cwt or \$1.35/gal.
- \$616,251 in Tier Program payments.
- Average annual corn price = \$2.00/bushel
- Average annual retail diesel price (New England) = \$2.511
- Results from the Maine Milk Commission’s Cost of Production Study (based on 2004 data) are finalized and published (Dalton/Bragg).

*“Overall, when all factors of production are accounted for, including variable operating expenses, overhead, depreciation and interest, the long-run cost of producing milk is estimated at \$22.81 for Maine dairy producers. When depreciation and interest are omitted, the short-run cost of production is \$16.85.”*

- LD 1070 changes the way Maine farmers receive payments under the ME-MILC program, allowing flexibility for farmers to choose participation month, just like the federal program. The bill was passed and signed into law.
- LD 1432 reinstated a state Handling Fee on fluid milk processed and sold in Maine. Initially proposed as a flat \$.05/quart, the bill was amended to include a limited sliding scale that was based on the Federal Order Class I price of milk. It passed and was signed by the Governor.
- LD 842 created a mechanism to identify price gouging at the retail level of milk, based on the price the farmer was receiving through the federal order system. While it generated a great deal of discussion, the bill did not pass.

## 2006

- 344 Maine Dairy Farms produced 582,265,486 lbs. of milk.
- Average Federal Order Blend Price for 2006 was \$13.53/cwt or \$1.17/gal.
- \$11,575,771 in Tier Program payments.

- Average annual corn price = \$3.04/bushel
- Average annual retail diesel price (New England) = \$2.804
- In January 2006, the Maine Milk Commission approved new tier levels, following the completion of the 2005 Cost of Production Study. The levels were adopted through rulemaking and automatically applied to the Tier Program. The Tier levels were 0-21,355 cwt = \$17.12; 21,355-49,079 cwt = \$14.97; Over 49,079 cwt = \$14.28.
- In August 2006, the Maine Milk Commission again revised the Cost of Production figures because of rising input costs. The new Tier levels (effective September 1, 2006) were 0-21,355 cwt = \$18.68; 21,355-49,079 cwt = \$16.23; Over 49,079 cwt = \$15.43.

## **2007**

- 331 Maine Dairy Farms produced 582,265,486 lbs. of milk.
- Average Federal Order Blend Price for 2007 was \$19.85/cwt or \$1.71/gal.
- \$1,969,511 in Tier Program payments.
- Average annual corn price = \$4.20/bushel
- Average annual retail diesel price (New England) = \$2.979
- On June 8, 2007 Governor Baldacci signed a new law again updating the tier levels and requiring that the Maine Milk Commission rulemaking on cost of production be subject to legislative review as a major substantive rule. The new levels, effective July 1, 2007 were 0-21,355 cwt. = \$20.70; 21,356-49,079 cwt = \$18.07; Over 49,079 cwt. = \$17.29.
- The Governor also signed a law amending the formula for the Handling Fee, expanding the sliding scale to recognize both higher and lower swings in the Class I milk price, and adjusting the amount of the fee per level on the scale.
- An update on the status of implementing the 17 recommendations of the 2003 Dairy Task Force was presented to the Governor.

## **2008**

- 327 Maine Dairy Farms produced 597,838,482 lbs. of milk.
- Average Federal Order Blend Price for 2008 was \$18.62/cwt. or \$1.61/gal.
- \$4,737,014 in Tier Program payments.
- Average annual corn price = \$4.06/bushel
- Average annual retail diesel price (New England) = \$4.021
- Budgetary pressures resulted in political pressure to limit the expenditures of the Tier program to match available funds. After intensive discussion in the Agriculture, Conservation & Forestry Committee about what and how the limits should be applied and to whom, and late night political negotiations in the

Appropriations Committee between the deeply divided parties, an 11<sup>th</sup> hour compromise was worked out with the context of the FY 2008 Supplemental Budget and the FY 2009-2010 Biennial Budget.

- FY 2008 payments would be capped at \$11,811,000. After the funding ran out, there would be no payments, even if the milk price was below the tier levels.
- FY 2009 funding would be limited.
- The Maine MILC Program payments were suspended, and ultimately the program was repealed in 2009.

## 2009

- 315 Maine Dairy Farms produced 591,318,896 lbs. of milk.
- Average Federal Order Blend Price for 2009 was \$13.01/cwt. or \$1.12/gal.
- \$16,931,855 in Tier Program payments.
- Average annual corn price = \$2.55/bushel
- Average annual retail diesel price (New England) = \$2.629
- The Legislature once again took up the discussion of the Tier Program because of a new Cost of Production Study that had been completed. However, the study itself was controversial in its focus on the Tier Program rather than on the accuracy of the cost structures. When those fiscal concerns became the primary focal point of the discussion, a small working group made up of representatives of the Governor, Legislators, farmers, and the Department of Agriculture negotiated a proposal to scale back tier payments to meet the revenue limitations. Once again, there were some significant differences of opinion in how things should be handled.
  - The plan that passed had farmers give up a payment on May 2009 milk, rather than take percentage cuts for all 4 spring months. This was the option chosen by a vote of the farmers at the MDIA Annual Meeting.
  - FY 2010 would be capped at \$13.3496 million.
  - On the first 5 months of production in FY 2010 or until the payout in those months exceeded \$9 million, farms would receive a regular payment. If the total cost exceeded \$9 million or passed the 5-month mark, the remaining funds (\$4,349,594) would be divided equally between the last 5 months of the fiscal year, requiring producers to receive a % less than the safety net, depending on the federal order price. There would be no payments between the first 5 months of the fiscal year and the last 5 months if the money was paid out faster. The administrator of the Maine Milk Pool was responsible for calculating the percentage reductions for each tier each month.
  - A Task Force on the Sustainability of the Dairy Industry in Maine was established to examine the current problems confronting the dairy industry and to develop recommendations on how to best reduce the vulnerability of the dairy industry to economic forces within and outside the state. Membership on the 16-member task force was clearly defined and the Agriculture, Conservation and Forestry Committee of the Legislation was given authority to submit legislation in the 2<sup>nd</sup> Regular Session based on the Task Force's findings.

- In November 2009 the Task Force submitted its divided report of suggested actions.
  - A majority of the group had endorsed adding a 4<sup>th</sup> tier to represent the largest farms because of the substantial amount of milk they produce. They recommended that the Milk Commission ensure that future cost of production studies included 4 tiers, but pending a future study, the group estimated a cost of production number to represent a new 4<sup>th</sup> tier level of \$16.51 that could be implemented immediately in January 2010 by the Legislature.
  - The Task Force also recommended changing the ranges for the tier levels, effectively shrinking the Tier One group. The new levels, were 0-16,790 cwt. = \$20.70; 16,791-49,079 cwt. = \$18.07; 49,080-76,803 = \$17.29; 76,804 cwt. and above = \$16.51.
  - The Task Force recommended not updating the cost of production numbers for the Tier Program at this time because of the increased cost. Those numbers would have to be updated in the future to reflect substantial changes in cost structures.
  - The Task Force also recommended revising the way the information for cost of production studies was gathered. (In-person interviews & first-hand analysis of documentation, rather than a survey system.)
  - The group strongly recommended pursuing action to amend the Federal Order system to create a more equitable and sustainable pricing system for farmers.
  - The Task Force recommended revising the Handling Fee Schedule, providing a minimum rate of 4-cents at all times, and a maximum rate of 84-cents/gallon.
  -

## **2010**

- 304 Maine Dairy Farms produced 582,809,903 lbs. of milk.
- Average Federal Order Blend Price for 2010 was \$16.92/cwt. or \$1.46/gal.
- \$8,094,621 in Tier Program payments.
- Average annual corn price = \$5.18/bushel
- Average annual retail diesel price (New England) = \$3.085
- The Legislature passed the changes to the Tier Program, such as adding a 4<sup>th</sup> tier, amending the Handling Fee Schedule, and not raising the safety net levels to match the latest cost of production numbers.
- The Legislature reviewed LD 1788 – a bill that was attempting to clarify the collection of the Milk Handling Fee on milk that was packaged for out of state sales. Because of some concerns about the proposed language, the ACF Committee recommended that the industry review the matter and return with cleaner, mutually agreed-upon language for the next legislative session.
- The Legislature also looked at a resolve to review the sales of all dairy products, with the possibility of broadening the Handling Fee so that it is not disproportionally placed on fluid milk, while supporting milk production that is used for other dairy products. The Legislature recommended a Task Force to look into the issues.

- The Task Force on Dairy Product Sales faced many challenges in gathering necessary information. Ultimately, the group failed to make any recommendation regarding broadening the Handling Fee because of a lack of time and information.

## **2011**

- 304 Maine Dairy Farms produced 594,252,024 lbs. of milk.
- Average Federal Order Blend Price for 2011 was \$20.64/cwt. or \$1.78/gal.
- \$624,930 in Tier Program payments.
- Average annual corn price = \$6.70/bushel
- Average annual retail diesel price (New England) = \$3.978
- The Maine Milk Commission began a new Cost of Production study based on 2010 data, using the methods recommended in the 2009 Task Force Report.
- The Maine dairy industry stakeholders proposed LD 718 to deal with milk packaged for out of state sales and the Milk Handling Fee. The amended bill passed unanimously.
- Backers of a proposed casino in Oxford County included language in the referendum to allot 1% of the slot machine revenue to the Maine Dairy Stabilization Fund. The referendum was passed by the voters.

## **2012**

- 307 Maine Dairy Farms produced 609,439,245 lbs. of milk.
- Average Federal Order Blend Price for 2012 was \$18.63/cwt. or \$1.61/gal.
- \$3,987,088 in Tier Program payments.
- Average annual corn price = \$6.95/bushel
- Average annual retail diesel price (New England) = \$4.128
- LD 1869 was proposed to receive the money designated for dairy from the Oxford Casino. The goal of the Dairy Improvement Fund would be to help fill a financial and technical need for dairy farmers that wasn't being addressed elsewhere (i.e.: funds for upgrading to energy efficient equipment, new construction, expansion or upgrades, etc.). The bill passed, but pending creation of rules for the Dairy Improvement Fund, the money was designated to be used to cover expenses for the Tier Program. The Oxford money was non-lapsing, but must be drawn down in its entirety before the Tier Program could draw money from the General Fund.
- The new and improved Cost of Production study was completed and the major substantive rule was sent to the Legislature for review and a vote on how it would impact the Tier Program. Because of a fairly substantial increase in input costs, the numbers were significantly higher (thus more costly), however, the need for a more meaningful and fruitful safety net was significant. In the end, the Legislature adopted the short-run cash numbers from the new study with one adjustment – moving up Tier One slightly to accommodate concerns about making sure more money got out to more farms. Keeping the same ranges, the

new levels were 0-16,790 cwt. = \$21.00; 16,791-49,079 cwt. = \$20.36; 49,080-76,803 = \$18.01; 76,804 cwt. and above = \$17.83.

### **2013 (as of August 2013)**

- 304 Maine Dairy Farms produced 410,093,561 lbs. of milk (-5% compared to the previous year).
- Average Federal Order Blend Price for the first 8 months of 2013 was \$19.80/cwt. or \$1.71/gal.
- \$396,200 in Tier Program payments as of June 30, 2013
- \$3,000,000 in State Dairy Disaster payments (due to high feed/fuel costs) paid out in July 2013.
- Estimated Average corn price to date = \$4.80/bushel<sup>12</sup>
- On January 18, 2013 Dean Foods closes the Bangor milk processing plant (Garelick/Grants).
- The financial pressure on Maine dairy farms due to sustained increases in input costs prompts discussions with the Governor and the Legislature. A package of items is negotiated, which includes:
  - \$3 million in one-time disaster payments to offset high feed and fuel costs which amounted to a payment of \$5.99/cwt on 1-month's milk production to every dairy farm (based on a 3-month average of production);
  - LD 368, which simplified the formula for calculating the tier payments by removing deductions for the MILC payment (which is scheduled to expire with the 2008 Farm Bill) and over-order premiums, so that the Tier payment would be a simple difference between the blend price and the safety net price. LD 368 also transferred 100% of the Oxford Casino money to the Dairy Improvement Fund, instead of splitting it with .5% remaining to fund the Tier Program (to be used before accessing any General Fund dollars.). The bill passed both chambers of the Legislature, but failed to secure funding on the Appropriations Table. However, the Appropriations Committee opted to hold the bill over until January 2014 in the hopes that an improving economy would provide more revenue.

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<sup>12</sup> AgriNews, September 17, 2013

## Appendix 4

### 01 DEPARTMENT OF AGRICULTURE, FOOD AND RURAL RESOURCES

### 015 MAINE MILK COMMISSION

#### Chapter 26: PRODUCER MARGINS

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**SUMMARY:** This rule identifies the cost of producing milk in Maine based on a study of Maine conditions.

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1. **Farms at four different levels of production.** Based upon four different tiers of annual production by farms, there are four levels of target prices with respect to the cost of producing milk.
2. **Target prices.** The four short-run break-even target prices are set forth in the chart below. The average short-run break-even price for all farms is \$25.03/cwt.

Tier:	Annual Production Range:	Target Price:
Small Farm	0 – 16,790 hundredweight	\$28.14
Medium Farm	Over 16,790 to 49,079 hundredweight	\$24.09
Large Farm	Over 49,079 to 76,800 hundredweight	\$21.33
Very Large Farm	Over 76,800 hundredweight	\$20.96

Date of Adoption: December 2, 2011

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Tim Drake, Executive Director  
Maine Milk Commission

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STATUTORY AUTHORITY: 7 M.R.S.A., sections 2952-A(B), 2952-A(3)(A), 2954(12) and 3153-B

EFFECTIVE DATE (ELECTRONIC CONVERSION):  
May 4, 1996

REPEALED AND REPLACED:  
January 22, 2003, filing 2003-28 (filed with the Secretary of State on January 17, 2003)

REPEALED AND REPLACED:

February 17, 2006 – filing 2006-75  
September 1, 2006 – filing 2006-365

## **BASIS FOR ADOPTION STATEMENT**

The Commission met on December 7, 2011 to discuss the 2010 Cost of Production Study and proposed changes to Rule 26 on Producer Margins based on that study and testimony as presented at public hearings on September, 23, 2011 and an additional 30 day written comment period ending December 2, 2011.

A motion was made and seconded to accept the 2010 study and to use the target prices that included short-run break even costs plus unpaid family labor and management with increased feed and fuel costs. The motion was for the tier one level with a production range from 0 to 16,790 hundredweights of annual production to have a target price of \$28.14/cwt.; the tier two farm level with a production range over 16,790 hundredweights to 49,079 hundredweights of annual production to have a target price of \$24.09/cwt. and the tier three farm level over 49,079 hundredweights to 76,800 hundredweights of annual production to have a target price of \$21.33/cwt. and the tier four farm level of over 76,800 hundredweights of annual production to have a target price of \$20.96.

Motion passed 4-0. These revisions are set forth in Section III of this rule.

## **FOREWARD**

This report summarizes the results of the 2010 Dairy Cost of Production survey implemented by The University of Maine Cooperative Extension, the University of Maine's School of Economics and the Maine Milk Commission. This study summarizes data collected over the 2010 production year. Funding for this report was provided by the Maine Milk Commission.



## Appendix 5

### Legislative Study/Review Expanding the Milk Handling Fee to Sales of All Dairy Products

*LD 1755 (124<sup>th</sup> Legislature)*

#### *Draft Report Language*

*December 2, 2010*

There is a documented disconnect between the retail prices of milk and other dairy products, such as cheese, butter, yogurt, ice cream, sour cream and other products and the prices that are paid to the producers of that milk. The federal system used to calculate producer prices has not adequately reflected the full value of the products at a consumer level. In an effort to mitigate the negative impact of this situation, the State of Maine has instituted a series of measures to try to address the disparity between the two ends of the dairy food chain.

**This committee recognizes that the pricing system for milk in all its processed forms is not working at a sustainable level for all sectors of the dairy industry.**

Currently there is a state Handling Fee assessed on fluid milk that is applied evenly to all milk that is sold in Maine. However, only 40% of the milk produced in Maine goes directly to the fluid milk market within Maine. The other 60% is directed to processing plants outside the state or managed by cooperatives that juggle loads of milk to various processors throughout the region on an as-needed basis. A majority of the milk that is produced on Maine farms is not being impacted by the Handling Fee and is left uncorrected in the market.

**This committee acknowledges that less than half of the milk produced in this state is being subjected to the current Handling Fee.**

The challenge in reviewing this issue is that while there is adequate information to track production, sales and consumption of Class I fluid milk within Maine's borders (as a result of the authority of the Maine Milk Commission, who has the statutory authority to regulate the prices related to fluid milk sales in Maine), no such entity or mechanism exists for milk that enters to market to become Class II, III, or IV products, or milk that leaves the state.

**This committee finds just cause to continue to study and explore ways to track and assess all of the milk being produced in Maine to determine its path of final disposition.**

The study committee discovered that there is a significant gap in available information regarding sales of Class II, III and IV dairy products in the state of Maine. While some numbers are available on a regional or national level, very little public information was able to be gathered in the limited time available to the committee related to consumer level sales of these products. As a result, the committee does not have enough information at this time to make a recommendation regarding the placement of a Handling Fee or any other type of market-correction assessment on Class II, III, and IV products in the state. While the issue continues to be one of great concern to all sectors of the dairy industry, the absence of detailed data makes it difficult to fully assess the financial impact of any measure, both on the state and on the industry itself.

**This committee recognizes the need to gather more information regarding the sales and consumption of Class II, III, and IV dairy products in the state of Maine. Efforts to obtain such information would be beneficial for future policy discussions.**

At this time, the committee cannot make a recommendation regarding the placement of a handling fee or other mechanism on Class II, III and IV products at the wholesale or retail in the state of Maine. The committee recommends that this issue be reviewed periodically as new information becomes available and in conjunction with other discussions of dairy pricing policy.

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RESOLVE Chapter 192, LD 1755, 124th Maine State Legislature  
Resolve, To Review Sales of Dairy Products

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

### **Resolve, To Review Sales of Dairy Products**

**Sec. 1 Commissioner of Agriculture, Food and Rural Resources directed to examine sales of dairy products. Resolved:** That the Commissioner of Agriculture, Food and Rural Resources shall, within existing resources, convene a working group to study the feasibility of extending a handling fee to or initiating a sales tax on dairy products other than fluid milk. The commissioner shall invite dairy farmers, milk processors, retail grocers, an economist with expertise in marketing and a representative of the Department of Administrative and Financial Services, Bureau of Revenue Services to participate in the working group. The commissioner shall seek participation from other agencies and individuals as needed to assist in determining the products on which to impose a fee, the point of fee collection and an estimate of revenue generated.

The commissioner shall report to the joint standing committee of the Legislature having jurisdiction over agricultural matters and the joint standing committee of the Legislature having jurisdiction over taxation matters no later than January 15, 2011 with recommendations on how to increase revenue from the sales of dairy products.

## **Appendix 6**

### **Governor's Task Force on the Sustainability of the Dairy Industry in Maine November 2009**

On Tuesday, August 11, 2009, Maine Department of Agriculture Commissioner Seth Bradstreet assembled the 2009 Task Force on the Sustainability of the Dairy Industry in Maine in accordance with Sec. TTT-8 of 2009 legislation enacted by the Maine Legislature. The Task Force was established to examine the current problems confronting the dairy industry and develop recommendations on how best to reduce the vulnerability of the dairy industry to economic forces within and outside the state.

Duties included, as a starting point, that the task force review the Final Report of the Recommendations of the Governor's Task Force on the Sustainability of the Dairy Industry in Maine dated November 18, 2003 and the report of the ad hoc committee of dairy industry representatives assembled by Commissioner Bradstreet dated January 2007. The task force was directed to discuss the recommendations of the 2003 report, determine which recommendations have been implemented, evaluate success of the recommendations implemented in meeting goals stated in the 2003 report and decide if recommendations not implemented warrant further attention. (See Appendix) The task force was also directed to closely examine the following:

- The impact and cost of the tiered dairy stabilization program in the Maine Revised Statutes, Title 7, section 3153-B, enacted by the 121<sup>st</sup> Legislature with an effective date of April 16, 2004;
- Factors affecting the price of milk as it moves from the farm to the dairy processor to the retail seller; and
- Other focus areas as determined by the task force at its early meetings.

The task force was required to submit its report to the Governor and the Joint Standing Committee on Agriculture, Conservation and Forestry no later than November 27, 2009. The report needed to include recommendations for long term stability within the dairy industry and recommendations for immediate implementation as required to preserve the State's farms and local milk supply.

The Task Force met August 11 and 25; September 9, 16, and 23; October 14, 21, and 28; and November 17 and 24 for a total of 10 meetings. There were two sub-committee meetings, and another sub-committee meeting with Governor Baldacci on October 15 dealing with the dire economic situation facing the industry and possible emergency measures that might be implemented immediately.

The first three meetings were for information gathering. The Task Force heard from Bob Wellington, Sr. Vice President of Agrimark Cooperative, Ed Gallagher, Vice President of Economics and Risk Management for Dairy Lea Cooperative, Dr. George Criner, University of Maine economist, Marge Kilkelly, Deputy Director for The Council of State Governments and representatives from US Senator Snowe's, US Senator Collins', and US Representative Pingree's offices.

## **The Dairy Situation in Maine in 2009**

Maine currently has 315 dairy farms in 15 counties (There are sheep and goat dairies in Hancock County, but no cattle dairies). This represents a decline since 2004 of seventy-eight farms. In the period from 2000-2004, Maine had lost one hundred six dairy farms.

Currently there are close to 32,000 cows in Maine making 590 million pounds of milk per year (69 million gallons). This represents a decline of 1.4% since 2004.

Maine has dairy farms ranging in size from 10 cows to 1700 cows. The most common breed of dairy cow in Maine is the Holstein. Other popular breeds include Jersey and Guernsey.

Maine has over 60 processors. There are five processors who package fluid milk for drinking. They are H.P. Hood and Oakhurst Dairy, which are located in Portland, Garelick Farms/Dean Foods which is in Bangor, Houlton Farms Dairy in Houlton, and Smiling Hill in Westbrook. A dozen processors make ice cream and another thirty or so make specialty cheeses. A few dairy farmers take their milk and package it for drinking or process their own butter, cheese, and ice cream right on the farm for sale to the public.

The Maine dairy industry generates over \$570 million dollars annually for the state's economy and contributes over \$25 million dollars to the state and municipal government in taxes each year.

Maine dairy farms represent 700,000 acres of fields, pastures, crop lands, and small woodlots. All this open space is extremely important to the state's number one industry,--tourism. These lands are needed for hunting, fishing, snowmobiling, riding ATVs, horseback riding, and scenic vistas.

Maine dairy farms are small businesses that work closely with other businesses such as grain dealers, equipment dealers, milk truck haulers, veterinarians, cattle dealers, and other cattle and dairy specialists. When you add the processors and agri-businesses, Maine's dairy industry provides over 4000 jobs for Maine people.

Since the 2003 progress report, the U.S. dairy industry has been marked by two significant factors. The western United States has seen unimagined and unprecedented growth, not just in total milk production, but also in the average size of each dairy operation. This shift is the result of state and federal government policies that offer financial incentives in the form of tax breaks and subsidies to take unproductive land and convert it to animal agriculture, or convert land from one type of production to dairy production in an effort to diversify the agricultural economy of a region.

Secondly, the cyclical "boom-and-bust" dynamic of dairy pricing has continued on a national scale and has become more erratic and extreme. Coming off the historic low prices of 2002-2003, dairy prices to farmers rose significantly over 2004-2005, only to drastically drop to new historic sustained lows in 2006, 2008 and 2009.

Maine has continued to lose farms, but at a much slower rate than the rest of the Northeast. Some of these farms have gone out because of the age of the farmer or the fact there is no one to take over the farm. Some of these farms are still in business, just not as dairy operations. Most importantly, the economic impact of the remaining farms has not lost its influence on the state's economy. Many states have looked to Maine as an innovative leader in the dairy industry, first with the Northeast Dairy Compact and now with the Maine Dairy Stabilization "Tier" Program. The

“Tier” program has been extremely successful in providing a safety net during periods of historically low national milk prices.

Maine’s rural economy is invisible. For instance, Bath Ironworks represents 5,500 jobs and as such represents a major employer in the State. However, Maine’s Dairy Industry represents 4,000 direct jobs and little is noted in the media about the current emergency situation. Farms are businesses that are very important to rural and urban communities across the state. They represent the local tax base, employ local people, conserve land that is utilized for hunting, winter sports, tourism, and support local feed distributors, machinery sources, trucking business, and milk processors. Some say that the dairy industry is at a critical point with its infrastructure. When that point is breached, the support businesses needed to maintain the dairy industry will leave the state, which will negatively affect all of Maine agriculture.

### **Maine Dairy Stabilization Program History and Overview**

The Maine Dairy Relief Program commonly known as the “Tier program” was established in 2004, with the passage of LD 1945. In 2004, there were 393 dairy farms in Maine. Maine dairy farms were paid \$13.9 million from 2004 to June of 2007 under this program. In July 2007, the target prices and tier levels were changed to reflect higher costs of production. In 2007, Maine had 342 dairy farms. Since that time, \$24 million has been paid to dairy farms in the stabilization program.

This program has effectively slowed the loss of dairy farms in Maine. Farm numbers have declined, however the number of pounds of milk produced by Maine Dairy Farms has remained relatively stable. There is no doubt that the price stabilization program has helped secure a future for many dairy farm families. It has provided a safety net for many farmers on the verge of shutting their doors and has provided a window of opportunity for interested, younger farm families to begin dairy farming.

For FY 10 & 11, a cap of \$13.3496 million was put in place by the Legislature for the dairy stabilization program. \$9 million was earmarked for the first five months of FY 10 with the balance of \$4.3496 million reserved for February 2010 through May 2011 if milk prices do not increase. To date, \$9 million has been paid to farmers for June, July, August, and a small percentage of September milk.

Farm Credit of Maine and other farm suppliers and dealers have extended credit limits beyond normal limits for dairy farms this year based on expected stabilization program payments. These businesses cannot continue this practice without jeopardizing their own survival.

The Maine dairy farmer seeks a fair and predictable price for their milk. In the absence of an effective and equitable federal milk pricing formula, Maine’s dairy industry (which is composed of the producer, the supportive infrastructure, the processor, and the consumer, benefit from the support and collaboration of the Maine State Legislature, the University of Maine, the University of Maine Cooperative Extension, the Maine Dairy Industry Association, the US Department of Agriculture, the Maine Farm Bureau, Farm Credit, Maine Organic Farmers and Gardeners Association, and the Maine Department of Agriculture), must work together to ensure that a safe and steady supply of milk continues to be available for all Maine citizens.

### **Findings:**

The Task Force finds that the pressure on the stabilization fund cannot be relieved until the Federal Milk Orders are reformed.

The Task Force strongly recognizes that Maine's Dairy Stabilization Program has been effective and has been a model for other states. Maine's Dairy Stabilization Program has worked very well until just recently, when milk prices fell for an extended period of time. 2009 has been a unique year. This year, large payments were required in July and August. In the last five years it has been rare to have any significant payments made in these months.

The Task Force recognizes the need to increase the awareness of consumers about the Quality Seal and the importance of dairy farms to the State's economy and the benefits of buying local. The Maine Quality Seal was enacted in Maine statutes as the Maine Quality Trademark regulated by a governmental entity, Maine Department of Agriculture, Food and Rural Resources, and used to distinguish milk produced and processed in Maine from milk produced/processed at another location.

The Task Force recognizes that there are compelling economic and environmental reasons for the State of Maine to support the Maine dairy industry. Farms that are hard pressed for money need to make difficult decisions. Maine has spent millions of dollars to assist farms with improving manure management procedures and structures and implementing best practices with crops. Now is the time to support those prior investments by strengthening the future health of the industry. The Task Force urges the Maine Department of Agriculture to continue to support the Nutrient Management Program and do all it can to maintain the viability of the program.

The Task Force recognizes that the 2009 crop year was disastrous for Maine Farmers. Forage quality and quantity has been adversely impacted and will result in lower milk production and higher input costs, which will only exacerbate the financial stress felt by Maine's dairy industry.

The Task Force supports the possibility of deriving revenue for the General Fund from dairy products, other than fluid milk. Approximately 40% of Maine's fluid milk stays in the State and is subject to the Milk Handling Fee.

### **Recommendations:**

- 1. The Task Force recommends that the Agriculture, Conservation and Forestry Committee make review of this report its first priority, with the goal of reporting out no later than January 20 any legislation requiring action of the 2<sup>nd</sup> Regular Session of the 124<sup>th</sup> Legislature. (Note: Recommended changes in the Milk Handling Fee and Maine Dairy Stabilization "Tier" Program will need to be enacted as emergency legislation before February 1, 2010 in order to have an effect in the 2010 fiscal year).**
- 2. The Task Force recommends that the support program that is implemented be completed by February 2 and that it consist of four tiers without silos and utilize the costs of production of \$20.70, \$18.07, \$17.29, and \$16.51 for tiers one through four, respectively. The break point of**

Tier 1 would be 16,790 CWT of milk and the break point for Tier 4 would be 76,803 CWT of milk. The Task Force voted to recommend adding a fourth tier of support for Maine's largest farms and voted to recommend reducing the production range in tier one to 16,790 CWT so that farmers move into tier 2 more quickly. The Task Force was not unanimous on these two points, but with the exception of one member, agreed to support them. This change to the program includes a range change and the addition of a fourth tier. This recommendation may require across the board reductions in payments to producers to accommodate current budget constraints. Payments from the "Tier" program must be a Department of Agriculture priority in order to get the Office of Information and Technology support necessary in order to make the payments as quickly as possible.

3. The Task Force recommends the use of the cost of production numbers and support levels currently in statute instead of higher ones from the 2007 Study as the basis for making recommendations. They recognized the need to review the cost of producing milk but given the bleak economic times decided not to recommend changes at this time that might increase the cost of the stabilization program. Maine's dairy farmer representatives on the Task Force were unanimous in this decision but recognized a need to update these numbers in the future to reflect the actual current needs of the dairy farms.
4. The Task Force strongly recommends that the Federal Milk Market Order be reviewed and revised and urges everyone in the milk industry and leaders in the State, including the Governor, Commissioner of Agriculture, the Legislature's Joint Standing Committee on Agricultural Conservation and Forestry, and the Legislative Council keep in touch with Maine's Congressional offices until such changes occur. Some concerns are set forth below:
  1. Maine is not included in the Federal Order System. A Maine milk plant should not have all its milk pooled in the Federal Order, only that portion that is sold outside the state. Under the current Federal Milk Order, when a Maine milk plant sells more than 25 % of its milk outside of Maine, the rest of the milk is pooled in that Federal Order.
  2. Ownership of milk, once co-mingled with milk from other farms is a key public policy issue and that stop and hauling charges are market distorting and stranded costs. Under the current Federal Milk order, the farmer pays all input costs to make milk, and pays to have milk picked up and shipped. The milk is co-mingled so farmers cannot dictate where milk goes, even though they pay for it.
  3. The Federal Order system fails to recognize regional differences when pricing milk. This policy assumes equal costs across the country when in fact there are many factors regionally that effect milk prices.
  4. The Task Force believes that without changes in the Federal Milk Orders, the wild swings in milk prices will continue and continue to disrupt dairy farms economically.
5. The Task Force recommends that the Maine Milk Commission develop a comprehensive data collection method that would make a strong effort to collect reliable and verifiable information

for cost of production for each tier. The data collection process and analysis should address the needs of both the “Tier” program and the Maine Milk Commission’s rule-making process.

6. The Task Force recommends that the Schedule of the Handling Fee Rates (Public Law chapter 269 2007) be revised in a manner that will result in an overall increase in rates and a significant increase in revenue generated. This revision would also provide for a minimum rate of 4 cents per gallon at all times and a maximum rate amount of 84 cents per gallon.
7. The Task Force recommends pursuing a voluntary reverse coupon that would be put on all milk products which would be credited at the grocery store at the time of purchase and be paid to the Maine Milk Commission for distribution to Maine dairy farmers. This may entail legislative action to create an escrow pool.
8. The Task Force recommends that the Maine Department of Agriculture continue to support the Nutrient Management Program and do all it can to maintain the viability of the program.
9. The Task Force recommends that the Commissioner of Agriculture share this report with Maine’s Congressional Delegation.
10. The Task Force recommends that the Commissioner of Agriculture explore any and all ways possible under existing law to provide some level of payment for November and/or December 2009 milk. (To be paid in January 2010).



## *2009 Dairy Task Force - Appendix 1*

In accordance with TTT -8 of the 2009 legislation enacted by the Maine Legislature, the following are the updates on the Recommendations from the Governor's Task Force on the Sustainability of the Dairy Industry in Maine Since November 2003 and January 2007

### **2003 goals and a progress update on each goal.**

**Goal One:** To maintain or increase the number of Maine dairy farms and the infrastructure that supports them.

**Goal Two:** To improve the cost competitiveness of the Maine dairy industry.

**Goal Three:** To maintain or increase the diversity of Maine's dairy industry.

**Goal Four:** To develop state policies that support dairy farmers and recognize their contribution to the economy and landscape of Maine.

**Goal Five:** To create price support mechanisms through which the State of Maine can insulate dairy farmers from the volatility of the milk market.

### *Recommendation 1: Recognize the economic importance of Maine's dairy industry*

1. The Maine dairy industry generates over \$570 million dollars a year to Maine's economy ("*Economic Impact on Maine of the State's Dairy Industry*")
2. The Maine dairy industry contributes over \$25 million per year to state and municipal governments in taxes.

**2009 Update:** The Task Force discussed at length the status of Maine's dairy farms and determined that all Maine farms are interdependent and that if one segment of farming suffers a set back, it has a ripple effect on all other farms, the home community, and farm businesses in the state.

3. Maine's rural economy is invisible. Bath Ironworks represents 5,500 jobs and as such represents a major employer in the State. However, Maine's Dairy Industry represents 4,000 direct jobs and little is noted in the media about the current emergency situation. Farms are businesses that are very important to the communities of the state. They represent the local tax base, employ local people, conserve land that is utilized for hunting, winter sports, and tourism, support local feed distributors, machinery sources, trucking business, and milk processors. Some say that the dairy industry is at a critical point with infrastructure. When that point is reached, the supports needed to maintain the industry will leave the state.

### *Recommendation 2: Assess the current status of Maine dairy farms*

**2009 Update:** In 2007, Maine had 342 dairy farms. Since that time, \$40 million has been paid to dairy farms in the "Tier program". As of October 2009, there were 315 dairy producers, which constitutes a net loss of 78 farms since the inception of the program in 2004. This program has slowed the loss of farms in Maine. There is no doubt that above all, the price stabilization program secured a future for many dairy farm families. It provided a safety net for many farmers on the verge of shutting their doors and it provided a window of opportunity for interested, younger farm families to begin dairy farming.

### *Recommendation 3: Encourage dairy producers to consider estate planning and generational transfer of farm assets*

**2009 Update:** The work with farm families relative to estate planning and generational transfer has continued in the past two years. These programs have worked with groups as well as individual families. The complexities of estate planning

and generational transfer are important to preserving wealth. Cooperative Extension has continued with the two stage educational programs mentioned in the first report of the dairy industry in 2007 on a New England wide basis. The first level called Transferring the Farm I is an introductory program encompassing a whole day of lectures by a farm management specialist, an estate planning attorney, and a farmer panel of participants whom have gone through or are going through a transfer. Additionally, presentations have been made about the FarmLink program at these sessions.

A second level estate transfer program utilizing a case study basis has been delivered by farm management specialists who are also attorneys that have come in from out of state to work with clients who would like to have a more in-depth coverage of asset transfer techniques.

Most recently, Cooperative Extension has used the program delivery strategy of a large group presentation followed by intensive work with individual families. Participating families are worked with intensively for several weekly meetings to develop a transfer plan. This has allowed a lot of discussion among participants and more specific treatment of their individual situation.

Resource material is available at a New England run website (webmaster at UMaine) at <http://www.farmtransfernewengland.net>.

While not strictly estate planning, Cooperative Extension has worked with individual families who are transitioning their farms to a new size, bringing in a new generation or both. These efforts are a combination of business management, business development and generational transfer.

*Recommendation 4: Encourage participation in the Farm Link Program as a means of matching prospective farm sellers with prospective buyers*

**2009 Update:** The Farm Link Advisory committee has had 50 successful links, including several matches that have supported the Maine dairy industry.

*Recommendation 5: Prepare future generations of Maine dairy farmers by encouraging young people to seek higher education and other training opportunities.*

**2009 Update:** Related issue: LD 352 was carried over to the Second Session of the 124<sup>th</sup> Legislature. It proposes to establish forgivable loans for veterinary students who practice in an area with insufficient services in a veterinary specialty related to livestock.

The University System continues to support undergraduate and graduate majors in the agricultural sciences. As more and more students come from non-farm backgrounds, the college has adapted programs and courses to provide these students with the applied knowledge and experiences necessary to enter today's agricultural workforce. The student-run dairy program within the Department of Animal and Veterinary Sciences is an excellent example of this hands-on teaching approach. Presently there are 194 undergraduate majors in the areas of animal science (175; 20 male/155 female), sustainable agriculture (15; 7 male/8 female), and resource economics and agribusiness management (63; 37 male/26 female). In addition, the university has several hundred students in agriculturally aligned majors such as biology (370; 168 male/202 female), food science and human nutrition (162; 26 male/136 female), ecology and environmental science (82; 54 male/28 female), soils and plant sciences and zoology (59; 16 male/43 female). Pre-veterinary majors at the University of Maine continue to gain acceptance to veterinary schools across the U.S. (mainly Penn, Cornell, Tennessee, Iowa, Tufts, Illinois, Ohio, Minnesota, VPI, North Carolina, Oklahoma, California, Colorado), and foreign schools (Canada (P.E.I.), Glasgow in Scotland, Ross in St. Kitts and Murdoch in Australia).

4-H livestock programs and projects have helped youth interested in agriculture develop their interests and even build equity in livestock and equipment in preparation for a career in agriculture. UMCE continues to provide and support 4-H livestock programs within the state, through a variety of youth activities designed to improve the knowledge and leadership skills of youth interested in livestock. In addition, the veterinary technician program, currently at the University of Maine, Augusta, Bangor campus continues to have a large veterinary technician class.

The University and UMCE support dairy research by operating a number of research farms and laboratories and by encouraging the work of individual researchers. The J.F. Witter Teaching and Research Center is the home to a 40-cow herd used exclusively for dairy research and the teaching of undergraduate students. The Rogers Farm is the site for a many forage and grain experiments. Individual research projects continue to include as they did at the writing of the last report:

- Improvement of forage quality and utilization with the use of biological additives
- Regulation of nutrient use in dairy cattle
- Identifying improved forage and crop varieties for Maine
- Ovarian function in dairy cattle

The staff at the University of Maine has put together displays and provided resource information to youth to help them plan their educational goals and the educational opportunities that might fulfill them most completely. These opportunities may be formal or informal and include formal study at Universities across the country that offer programs matched with the needs of individuals, short courses and internships.

*Recommendation 6: Create the Dairy Management Improvement Fund as a long term loan for dairy producers seeking to improve their dairy operation.*

To date this recommendation has not been addressed but the Dairy Task Force continues to support this recommendation.

*Recommendation 7: Provide cost-sharing for pasture and forage improvement.*

To date this recommendation has not been addressed but the Dairy Task Force continues to support this recommendation.

*Recommendation 8: Utilize the University of Maine AG Center as a clearinghouse for dairy farm management*

**2009 Update:** The 2007 Task Force report detailed that the Maine Agricultural and Forest Experiment Station (MAFES) and UMCE had joined together to form the Maine Agricultural Center (MAC). Although the MAC may be unfamiliar to many people in the dairy industry, it was formed to serve as a single source for all University information, research and programs. MAC is a connecting point between the dairy industry of the state and researchers and UMCE personnel within the state, regionally and nationwide.

UMCE provides much of its information electronically, including educational websites such as the Northeast Grazing Guide <http://www.umaine.edu/grazingguide/>, the "Cows and Crops" Email newsletter, PowerPoint and video presentations, interactive CD's and online courses such as the UMCE Pasture Management Home Study Course (<http://www.umaine.edu/umext/pasture/>). These have all continued to be available to producers across the state as well as many professionals across the country. NRCS utilizes this home study course for professional development of their staff.

The Maine Ag Center (MAC) has worked to advertise the capabilities of UMaine staff with their expertise directory that is widely distributed. The Maine Agricultural Center has an online, searchable directory of agricultural expertise available at the University of Maine. The Center brings together the agriculture-related programs of the College of Natural Sciences, Forestry, and Agriculture; the Maine Agricultural and Forest Experiment Station; and University of Maine Cooperative Extension. The directory provides contact information for UMaine faculty and staff that can help with questions. The directory of agricultural expertise is available at: [www.mac.umaine.edu](http://www.mac.umaine.edu).

In addition to online availability of the directory, the printed version and material from UMaine programs is made available at several events throughout the year. MAC participates in several annual events including the Agricultural Trades Show in the Augusta Civic Center and Agriculture Day in the Hall of Flags in the Maine State House. The MAC display includes material and bulletins relevant to the dairy industry--for example, the Maine Agricultural and Forest Experiment Station bulletin, "A Comparative Analysis of Organic Dairy Farms in Maine and Vermont: Farm Financial Information from 2004-2006".

One of the main functions of the Maine Ag Center is to administer the Board of Agriculture. The Board of Agriculture was established by the Maine Legislature in 1998 to advise the University of Maine on agricultural research and farm-based extension programs priorities. The Board meets two-three times annually and its membership includes a representative from the Maine Dairy Industry Association.

On behalf of the Board of Agriculture, MAC periodically conducts surveys of agricultural research and extension education needs. The most recent survey was conducted in March 2009. All known Maine agricultural organizations, including members of the Maine dairy industry, were asked to identify priority agricultural research and extension education needs. The Board will use the information acquired from the returned surveys to advise the University of Maine on future work to be done in support of Maine agriculture.

The Maine Ag Center has limited funding to support initial research efforts as university staff study industry issues. The Maine Agricultural Center is a joint undertaking of the Maine agricultural and Forest Experiment Station and University of Maine Cooperative Extension and is committed to serving the research and extension education needs of the agricultural community of Maine. Each year the MAC partnership funds research/extension projects that address priority issues facing Maine agriculture. The funding is intended to support one-time projects that can be accomplished in approximately one year. Priority is given to projects that have both a research and extension education component. The support of an agricultural industry is also required. Over the last nine years, MAC has supported a number of projects that address important issues facing the dairy industry.

MAC project related to dairy industry funded in 2008:

Alternative Susceptibility Trends for Microbial Isolates from Organic Dairy Herds with Mastitis in the Northeast

Project descriptions and summary reports for this and other projects related to the dairy industry are available on the MAC web site at [www.mac.umaine.edu](http://www.mac.umaine.edu).

The Maine Agricultural Center serves as a portal for inquiries related to University of Maine research and education programs related to agriculture. All inquiries MAC receives are directed to the appropriate University research and extension resources.

Inquiries from dairy producers are numerous and varied. The exact number of inquiries would be difficult to quantify. Some inquiries are general in nature, i.e. What research is being done at UMaine related to the dairy industry? Others are more specific. Examples of topics include:

- Dairy farm management
- Dairy policies and procedures
- Using dairy land for cover crops
- Forage production
- Artificial insemination, breeding
- Alternative cropping systems for organic dairy producers
- Information about short courses being offered to aid local dairy farmers
- Contacts in the dairy industry

*Recommendation 9: Publicize and continue to support programs designed to help Maine dairy farmers develop sound business plans*

**2009 Update:** Farms for the Future update, other business assistance opportunities.

Cooperative Extension continues to recommend and encourage that Maine dairy producers enroll in the Cornell Dairy Farm Business Summary. This summary is an extensive analysis of a dairy business and is reasonably priced. Data is input from a farm's recordkeeping program through an online template. For the last update report, Cooperative Extension completely redid an electronic version of the New England Farm Account book to be more in line with the requirements for data entry into the business summary and has made an electronic chart of accounts available for those producers using either Quicken or QuickBooks for their on-farm accounting.

Over 100 dairy farms are now enrolled in the Maine Cattle Health Assurance Program (MeCHAP), a collaborative program of the University of Maine, Maine Dept of Agriculture, agribusiness, dairy producers and veterinarians. Through federal and foundation funding, the program offers on farm risk assessments and testing for certain diseases. Producers learn how to minimize risks as a means to lower production costs and improve quality. This program in the past two years has centered on milk quality tests. Cooperative Extension has offered detailed culturing of organisms causing high preliminary incubation counts as a way of troubleshooting milking systems and milk handling. They have also continued to provide bulk tank screening for contagious and environmental organisms. Most recently, MeCHAP has offered bulk tank testing for the DNA from the organism causing Johnes disease and is developing testing protocols for other pathogens. The toolbox of diagnostics available at UMaine is impressive.

Several UMCE and Department staff are actively involved in management teams for participants in the Farms for the Future program. This program offers intensive business plan development to participating farms.

The Task Force recommends that the Department of Agriculture and Cooperative Extension hold educational seminars on Risk Management tools, including forward contracting on milk sales, feed purchases, and crop insurance.

*Recommendation 10: Support the value-added processing efforts of Maine dairy farmers*

**2009 Update:** PL 2009, c. 414, Part B proposes issuing \$1 million in bonds to provide grants for food processing for fishing, agricultural, dairy and lumbering industries within the State. The 1 million is part of a \$25 million bond issue that

will go to the voters in June 2010 for ratification. If ratified, the Finance Authority of Maine (FAME) is directed to adopt rules for administering funds and awarding grants for food processing for fishing and agricultural industries.

Cooperative Extension continues to work with dairy value-added processors throughout the state, mainly cheese producers. UMaine has a pilot plant in the Dept of Food Science as well as a commercial kitchen. The pilot plant includes a 60 gallon cheese vat and a stainless steel cheese press as well as draining tables, etc. UMaine has been the site of several cheese making schools over the past two years. While much of the support is in the biology of cheese production, there is quite a bit of support in packaging, labeling and marketing. This past spring there was a very well attended daylong seminar on cheese production sanitation. The reviews were excellent and cheese producers across the state would like to make this seminar a regular offering.

In 2008, Cooperative Extension developed an educational program whereby cheese producers learned how to do milk quality tests on milk they purchased/produced for cheese production. The goal of this project was to evaluate milk quality before labor and significant expense was expended. Based on milk quality, should the milk be used for a raw milk product, used for a pasteurized milk product or discarded. Seven laboratories were setup so that producers could test their own milk. Producers expanded the use by using the laboratories to troubleshoot production issues.

*Recommendation 11: Promote farm asset management as a diversification strategy*

**2009 Update:** The Task Force recognizes the importance of diversification strategies for farm survival. Information about issues, programs and supports for this should be available to farmers on the Department of Agriculture web site.

*Recommendation 12: Create Maine Farm Zones as a vehicle for delivering state tax relief to qualifying farms.*

**2009 Update:** PL 2009, c. 356, An Act to Implement the Recommendations of the Commission to Study the Protection of Farms and Farmland, authorizes the Commissioner of Agriculture, Food, and Rural Resources “to develop and initiate a pilot program to examine the effectiveness of agricultural districts in maintaining a land base for farming and enhancing the profitability of farms.” It allows 3 or more farms to request designation as an agricultural district if the farms are located in geographic proximity, produce similar types of agricultural products or share common marketing interests.

*Recommendation 13: Amend the State Constitution to direct that farmland, as defined under the Farm and Open Space Tax law, be assessed and taxed at current use value.*

**2009 Update:** The constitution has not been amended.

Related issue: The Final Report of the Commission to Study the Protection of Farms and Farmland (November 2008) recommended reimbursing municipalities for tax losses attributable to farmland taxed under the Farm and Open Space Tax Law (FOS). Other revisions to the FOS were recommended in the report but not included in the legislation submitted by the Joint Standing Committee on Agriculture, Conservation, and Forestry after reviewing the report.

*Recommendation 14: Exempt all tangible personal property, including vehicles that qualify for farm registration, and farm buildings from municipal property and excise taxes.*

**2009 Update:** Related Issue: Resolve 2009, c. 25, directs the Department of Agriculture, Food, and Rural Resources and the Bureau of Revenue Services to review rules and bulletins related to sales tax exemptions for commercial agricultural crops and animal production, and sales tax refunds for determining if the appropriate products are included and recommending changes if needed. The bureau is directed to submit its response and draft rules to make agreed upon revisions to both the Joint Standing Committee on Agriculture, Conservation, and Forestry and the Joint Standing

Committee on Taxation. Each committee is authorized to report out legislation to the Second Regular Session of the 124<sup>th</sup> Legislature.

*Recommendation 15: Earmark at least 10% of the Land for Maine's Future program for the preservation of Farmland, and consider term easements or leased development rights as an additional tool to maintain the state's agricultural land base.*

**2009 Update:** P.L. 2009, c 414, Part E proposes a bond issue of \$9.5 million for preservation of land and working waterfront through the Land for Maine's Future (LMF) program. That total includes a standard LMF allocation of \$6.5 million plus two special, additional allocations: \$2 million for working waterfront and \$1 million for farmland. In addition, 10% the \$6.5 million (or \$0.65 million) is set aside for farmland. Thus, a total of \$1.65 million of the \$9.5 million in LMF bond funds (or 17.4%) will flow to farmland preservation.

*Recommendation 16: Increase the cap level of Milk Income Loss Contract payments to create a supplemental program referred to as Maine MILC*

**2009 Update:** The Task Force recognizes that piggybacking on the federal Milk Income Loss Control program (MILC) by creating the Maine MILC program was beneficial at its inception, but because of changes in Federal Law, it has become unwieldy. The federal MILC program has increased their cap, so roughly 40% of the milk previously covered by ME-MILC is now covered by the revised federal program.

Update: PL 2003, c. 648, An Act to Encourage the Future of Maine's Dairy Industry, was enacted during the Second Special Session of the 121<sup>st</sup> Legislature with an effective date of April 16, 2004. The Maine Milk Income Loss Contract was established with farmers receiving payments on milk produced in excess of the federal cap and below or equally to an annual production of 5,000,000 pounds.

PL 2009, c. 213, part TTT, Sec. TTT-6 suspends payments under the Maine Milk Income Loss Contract in fiscal years 2009-10 and 2010-2012.

*Recommendation 17: Develop a tiered price support mechanism with declining price support levels to reflect declining marginal cost of production with greater input.*

Update: PL 2003, c. 648, An Act to Encourage the Future of Maine's Dairy Industry, was enacted during the Second Special Session of the 121<sup>st</sup> Legislature with an effective date of April 16, 2004. Maine's tiered dairy stabilization program originated in this legislation. Sec. 3 of c. 648 established target prices in unallocated language. These prices were to be in effect for "the fiscal year beginning July 1, 2004 and until the Maine Milk Commission updates the Maine producer cost-of production data and calculates new target prices."

PL 2007, c. 240, part OOO authorized the Maine Milk Commission to establish and revise target prices through major substantive rulemaking. Sec. 000-2 establishes interim target prices in unallocated law to be used until the Maine Milk commission updates the Maine producer cost-of-productions and calculates new target prices. The target prices established in Sec. 000-2 became effective July 1, 2007.

**2009 Update:** The Summary report of the 2007 Maine Dairy Cost of Production Study was presented to the Maine Milk Commission January 23, 2009 and to the Joint Standing committee on Agriculture, conservation, and Forestry by Dr. George Criner on April 14, 2009. The report contains short-run break even costs for 4 herd sizes.



## *2009 Dairy Task Force - Appendix 2*

**A brief review of the discussions and deliberations of the Task Force regarding recommendations as they relate to the policies and functions of the Dairy Stabilization “Tier” Program.**

### **Background**

The Task Force spent considerable time on two issues regarding the tier support program: the number of tiers that should exist in the program and the level of payments to farms in each tier.

### **Discussion**

The Maine Dairy Stabilization “Tier” program was created with the goal to provide support to the entire Maine dairy industry by ensuring that otherwise viable farms could survive periods of low milk prices. This is achieved by providing payments to dairy farms during those periods that will create a minimum safety net that aligns with the relative short-run-break-even (SRBE) cost associated with each category of farms. The categories have historically been created by creating clusters of like-farms based on 9 unique characteristics ranging from amount of milk produced, to the method of feeding, housing, and milking the herd. This analysis resulted in identifying 3 distinct categories that were used to define the 3 tiers within the Tier program.

Since the dairy industry is constantly changing, so the data about the industry has also been changing. One of the drawbacks of a cluster-model analysis is that certain farms whose data does not align with the majority of survey respondents would fall outside of the three-cluster model. The Task Force spent a great deal of time discussing ways that the Tier program could more closely reflect some of the newer demographics of the Maine dairy industry. When looking at the impact that the very small farms and the very large farms had on the data when they were included in the total analysis, it appeared that the larger farms impacted the data more than the very small farms, primarily because of the large volumes of milk they were producing. This led to a discussion of creating a fourth tier to reflect the SRBE of those farms who had previously fallen beyond the scope of the cluster model.

This change elicited concern that despite the significant volume of milk production represented by those farms in a newly-created 4<sup>th</sup> tier, their individual farm demographics covered a very broad spectrum, ranging from 400 cows to upwards of 1700 cows and reflecting a wide variety of management practices with disparate rates of efficiency. Ultimately, the Task Force decided that it was important to acknowledge that there is an ability to gain cost savings through higher volume production, and that while a number for a 4<sup>th</sup> tier could be recommended for immediate implementation, a new analysis of the whole Maine dairy industry is urgently needed to better reflect the actual SRBE figures and to make a more scientific determination of where the dividing lines should be placed between the tier levels.

The other policy issue that received significant discussion involved the process by which farms move through the tier levels over the course of the fiscal year. As a farm reached the production threshold that defines a tier level, it then moves into the next tier level until its production reaches the next threshold. The original objective of this process was to allow all farms an equal chance to access the tier level amounts for those stages of production. Depending on the amount of milk produced by a farm in a given year, that farm may remain in Tier One for an entire year, or may move through it and into the subsequent tiers in a matter of weeks or months.

Over the life of the Tier Program, payments have rarely been made in the early months of the fiscal year. Only twice in the program's history have larger farmers ever received payments at the 1st tier rate. These occurred during aberrant periods of dramatically low milk prices in 2007 and 2009.

Because of the extreme budget pressure that currently exists, the Task Force discussed the pros and cons of limiting farmers to the tier level that most directly reflected their total year's production. This process has often been referred to as "siloing". This would effectively prevent larger farms from participating in the beginning tiers of the program and limit their payment rate to the lowest possible rate for their level of annual production.

One problem with silo payment system is that farms on the lower end of a larger tier would receive a lower support payment but would not achieve the commensurate economies of scale. This would be especially telling when farms expanded from the large end of a smaller tier to the small end of a larger tier. The Task Force discussed several options for eliminating this "cliff" problem, but was unable to overcome the limitations and difficulties of administering the changes.

While expressing a need to be mindful and responsive to current budget challenges, the Task Force also felt that any policy changes in the program should be geared to the long-term functionality of the program, rather than as a response to immediate financial shortfalls. If the dairy industry is truly to be sustained through times of low milk prices, the program must be able to balance the need to protect the number of farms with the need to protect the amount of milk produced by those farms. Ultimately the majority of the Task Force rejected "siloing" as a policy change for the Tier Program.

## *2009 Dairy Task Force - Appendix 3*

### **A further discussion of tier numbers and silo payments deliberations of the Task Force.**

The Task Force spent considerable time on two contentious issues regarding the tier support program, the appropriate number of tiers and the level of payments to farms in each tier. Since these issues can be somewhat obscure, the Task Force deliberations are reviewed here to provide the reader a context for the Task Force recommendations.

**Background.** The tier support program was designed to provide support to all dairy farms such that otherwise viable farms could survive periods of low prices. This is achieved by providing payments to dairy farms in periods of low milk prices so that short-run break-even costs (SRBE) for “typical” farms can be recovered. The program recognizes that Maine dairy farms are of different sizes and types and economies of scale are the major driver of milk production costs. Consequently, smaller farms generally have higher costs than larger farms and would need higher per unit payments to endure periods of low market prices. This is achieved by segregating farms into tiers according to the amount of their production, calculating the SRBE for typical farms in each tier, and calculating a tier payment as the difference between the tier SRBE and the price farms receive from the market place.

Three tiers representing three different farm size ranges were initially established where tier 1 represented the smaller farms, tier 2 midsize farms and tier 3 larger farms. It was also determined through a deliberative process that a “pass-through” would be established whereby each farm would receive the higher tier one payments until the full volume of tier one production was achieved for that farm. A farm with greater production would receive the tier 2 payment rate until that production volume was met. Any further production would receive a tier 3 payment rate. These higher payments represented an opportunity for larger farms to cover some of their capital costs not include in the SRBE costs.

**The issues.** Two issues that had been raised earlier in legislative and MMC discussions confronted the Task Force. First, should the number of tiers be increased from three to four? The most recent cost study revealed that an increasing number of the largest farms were not being included in the cost estimates, and the volume of milk represented by those omissions now totaled over 25% of total production. Inclusion of those farms as a fourth tier would more accurately reflect the costs differences of existing milk production in the State.

The arguments for maintaining three tiers were basically two:

1. The program has worked well in the past with three tiers. There is little advantage to changing.
2. Especially the largest of the farms in Maine may be outliers in terms of costs and are not representative of an identified tier.

The arguments for including a fourth tier:

1. A substantial amount of milk is produced by farms with lower costs than those representing tier three farms, resulting in payments in excess of SRBE costs, especially when considering the pass-through provisions, to a substantial volume of milk.
2. A fourth tier more adequately represents the Maine milk industry.

As noted in the report, by majority vote the Task Force recommended a fourth tier.

The second issue was whether the “pass-through” payments should be continued; should be replaced by pay “silos” whereby each farm would receive a consistent payment rate that represented the SRBE for the tier that farm was in; or should be replaced by some modification of silo payments. One problem with silo payments is that farms on the lower end of a larger tier would receive a lower support payment but would not achieve the commensurate economies of scale.

This would be especially telling when farms expanded from the large end of a smaller tier to the small end of a larger tier. The Task Force discussed two options for eliminating this “cliff” problem. One solution is to allow a farm to remain in the smaller tier until its production gets large enough that moving to a larger tier would be beneficial. This was referred to as a producer’s option, and generally would result in producers remaining in the lower tier until they had moved to the midpoint of the next tier. An alternative solution is to set the payment based on the marginal cost with respect to output that is determined in the cost study. Either option results in payment rates that more closely represent SRBE costs for different size farms without creating a “cliff” problem.

**Arguments for maintaining the pass-through.**

1. The pass through has worked well in the past; there is no need to change it.
2. A large majority of dairy farmers favor it.
3. Silo payments create the cliff problem noted above.
4. Modified silo payments, while addressing the cliff problem, will result in farmers responding to the program rather than the market place.

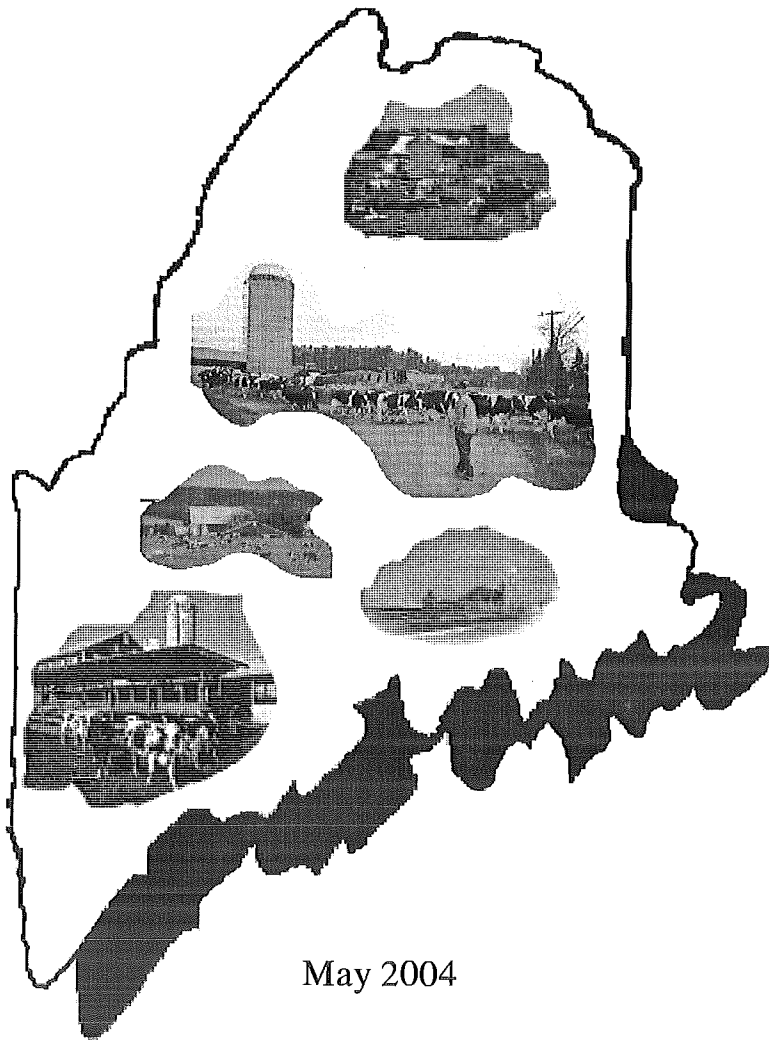
**Arguments for silo or modified silo payments.**

1. Pass-through payments violate the principle that the program helps all farms equally through periods of low prices; some farms receive only SRBE prices, others receive more.
2. Especially when program funds are limited, pass through payments result in a shift of payments from tier 1 farms to larger farms. Some estimates reviewed by the Task Force suggest that under certain programmatic and market conditions, as much as 40% of FY11 payments to tier 1 farms could be transferred to larger farms through the pass-through payments.

**By a majority vote, the Task Force recommended continuing the pass-through payments.**

## Executive Summary

### *The Impact of the State's Dairy Industry on the Economy of Maine*



May 2004



This report was prepared for the

## Maine Dairy Industry Association

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### Introduction

For over three hundred years, Maine's dairy industry has been a keystone for the state's economic health. This fact is well known but has never accurately been measured. The Governor's Task Force on the Sustainability of the Dairy Industry in Maine acknowledged this fact, saying, "the dairy industry is a major contributor to Maine's economy and agricultural infrastructure, although its impact has not been quantified."<sup>13</sup> For this reason, the Task Force's Final Report as part of Recommendation 1 stated that "the economic importance of the Maine dairy industry should be quantified and documented...."<sup>14</sup>

The purpose of this report is to fulfill that recommendation.

### *What is Maine's Dairy Industry?*

Dairy farming has been woven into the fabric of life in Maine for over three centuries. Keeping cows and producing milk, butter and cheese was an integral part of the state's first colonial communities. The modern versions of those activities remain a central element of the state's character today.

Because of this longevity, Maine's dairy industry has spread its roots deep and wide into the state's soil, its economy and its social fabric. Dairy farms have remained in families for generations. Their sales support not just the families who own and operate them, but also an intricate web of neighboring feed suppliers, equipment dealers, veterinarians, bankers, insurance agents, construction contractors, repair shops and many other distinct businesses. Looking forward in the flow of production, the milk sold from Maine's dairy farms supports a series of milk, butter, cheese and ice cream producers, who, in turn, spread their own economic ripples of sales, employment and tax revenues throughout Maine's economy.

Finally, but certainly not least, Maine's dairy farms, by their very existence, make an essential and unpaid contribution to the character of life in Maine. The fields that provide forage for the state's dairy cattle also provide open vistas for Maine's commuters and tourists, countless opportunities for hiking, hunting, fishing, snowmobiling, cross country skiing and other outdoor recreation activities. In the parlance of modern economic development theory, Maine's dairy industry constitutes a significant economic cluster.

In recent years, production of milk on Maine's 400 dairy farms has amounted to approximately 650 million pounds which—depending on the market price—has generated sales of between \$86 million and \$110 million. This activity provides \$40 million of income to over 1,300 farmers, farm employees and their families.

The sale of milk by dairy *farmers*, however, is merely a portion of Maine's total dairy *industry*. Maine's dairy *industry* includes not just farmers, but also fluid milk processors, ice-cream, cheese and butter manufacturers who add value to the basic milk product and, finally, the retailers who transport and distribute the final product to Maine consumers, both residents and visitors. These businesses provide an additional \$225 million in sales and nearly 900 jobs to the Maine economy.

Figure 1 presents a schematic representation of Maine's dairy industry.

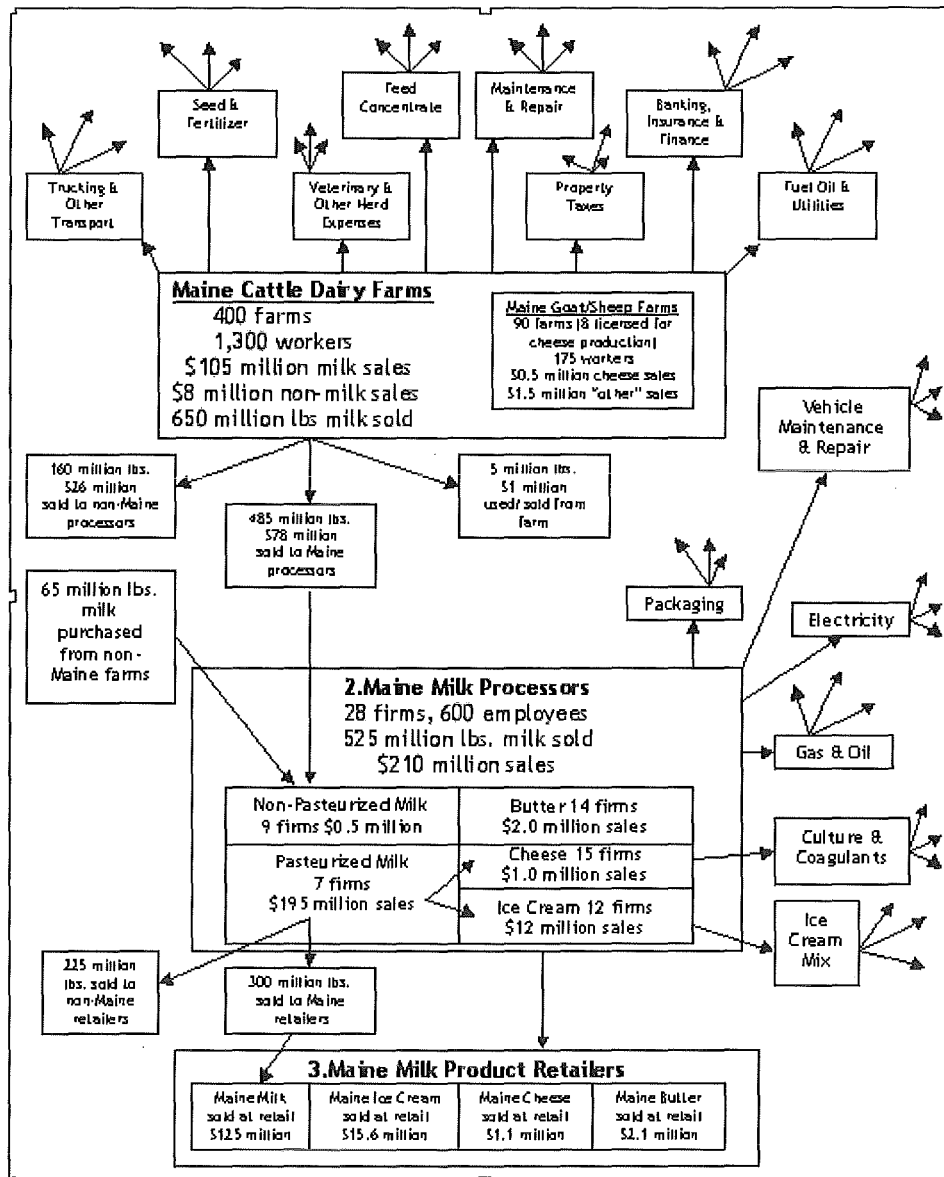
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<sup>13</sup> Governor's Task Force on the Sustainability of the Dairy Industry in Maine Dairy Task Force Minutes, October 1, 2003, Management, Business Planning and Technical Assistance Sub-Committee. <http://www.state.me.us/agriculture/co/dtfrepmeet.html>

<sup>14</sup> Governor's Task Force on the Sustainability of the Dairy Industry in Maine Final Report and Recommendations, November 18, 2003, p. 7.

Figure 1

## The Elements of Maine's Dairy Industry



### What is the Dairy Industry's Economic Impact on the State of Maine?

Producing fresh milk lies at the center of a complex network of business inter-connections stretching back through a chain of suppliers, forward through a chain of value added processors and indirectly to many other businesses across the state through the consumer spending of those employed on these farms and in these suppliers and processors. All



of these activities, in turn, provide significant tax revenues to both local and state government.

The *total* economic impact of the dairy industry on the state of Maine can be seen in three components: the direct effects; the indirect effects; and the induced effects.

The *direct* effects are the sales of those industries that make up the dairy industry itself, the farms, the milk processors and milk retailers. The *indirect* effects are the purchases made by industries down the supply chain that can be attributed to the direct sales of the dairy industry—dairy payments for feed, fertilizer and repair that become the purchases of the grain mill, of the repair shop, of the insurance agent and on and on in the flow of expenditures. Finally, the *induced* effects are the household consumption expenditures that can be attributed to the direct *and* indirect effects. This is the money spent by the farm worker at the local grocery, the electric bill paid by the worker at the grain mill, the college loan paid by the worker at the ice cream plant who is helping his daughter through college, and on and on.

The total economic impact of the dairy industry on the State of Maine is the sum of these three components. **This total amounts to approximately \$570 million in business sales, approximately 4,000 jobs generating nearly \$150 million of earnings for Maine citizens.**

***What is Its Fiscal Impact on the State of Maine?***

Together, the businesses and individuals included in this total impact pay nearly \$25 million in state and local taxes. This includes nearly \$7.5 million in sales taxes, nearly \$7 million in income taxes and over \$10 million in local property and excise taxes.

***What is the Dairy Industry's Non-Market Impact on the State of Maine?***

Maine's dairy farms, by their very existence, make an essential but unpaid contribution to the character of life in Maine. The fields that provide forage for the state's dairy cattle also provide open vistas for Maine's commuters and tourists, countless opportunities for hiking, hunting, fishing, snowmobiling, cross country skiing and other outdoor recreation activities. Altogether, Maine dairy farmers are stewards of over 700,000 acres of land, most of which is open for public recreational use at no cost.

The primary impact of the open space provided by Maine's dairy farms is on the gas stations, restaurants and motels that serve tourists coming to dairy farm areas. If these tourists, snowmobilers, hunters, hikers or visitors just passing through, went elsewhere businesses serving them in central would lose sales, but businesses in other areas would gain, so the issue is one of geographic distribution rather than overall impact.

The impact of Maine's dairy farms on "rural character," however, is less ambiguous. To the extent that homeowners prefer to live in areas with the amenities generally called "rural character" which are clearly attributable to the existence of dairy farms, then the value of that preference will be embodied in the price of their land and home. In short, **all else equal, people should be willing to pay more for housing with "rural character."**

A preliminary analysis of land values in Kennebec County indicates that such a "milk country" premium does in fact exist. Using values *per housing unit per acre* as a measure, the average value for Kennebec County as a whole is \$29,901. **For the eleven towns with more than 1% of their land formally "declared" as farmland, the average value is \$39,858. For the ten towns with no land formally "declared" as farmland, the average value is \$28,008.**

In short, it is reasonable to conclude that the economic impact of Maine's dairy industry does exceed, in a clearly measurable way, the \$570 million in business sales indicated by analysis of the inter-industry multiplier effects. Exactly what this additional amount may be cannot be known without considerable additional analysis. What is clear, however, is this amount (whatever precise number it may have) is embodied in the property values of those residents living in relatively close proximity to Maine's dairy farms. In effect, the value of "rural character" is reflected to some, as yet unmeasured, degree in the residential assets held and property taxes paid by the neighbors of the state's dairy farmers.

## Appendix 8

Calendar Year	Total Pounds	Average Premium/CWT	Premium Paid	Tier Payment	Average Tier Payment/CWT	Pool Rate Average/CWT	Pool Payments
2003	617,569,578	\$0.44	\$3,056,482	\$3,925,000	\$0.63	\$0.42	\$2,594,565
2004	606,549,336	\$0.49	\$3,387,182	\$1,188,457	\$0.20	\$0.33	\$1,955,313
2005	589,967,703	\$0.51	\$3,426,261	\$616,251	\$0.10	\$0.39	\$2,311,513
2006	569,458,944	\$0.53	\$3,434,082	\$11,575,771	\$2.02	\$0.57	\$3,265,405
2007	582,265,486	\$0.84	\$5,544,677	\$1,696,511	\$0.30	\$0.51	\$2,990,397
2008	597,848,421	\$0.89	\$5,316,945	\$4,737,014	\$0.79	\$0.59	\$3,557,665
2009	591,095,182	\$0.77	\$4,571,020	\$16,931,855	\$2.86	\$0.70	\$4,151,306
2010	582,803,383	\$0.75	\$4,348,992	\$8,094,621	\$1.39	\$0.69	\$3,999,316
2011	593,593,059	\$0.72	\$4,245,233	\$624,930	\$0.11	\$0.59	\$3,465,814
2012	609,358,911	\$0.69	\$4,216,532	\$3,987,088	\$0.64	\$0.60	\$3,628,548
2013*	458,350,556	\$0.60	\$2,733,796	\$447,291	\$0.10	\$0.50	\$2,307,787
	6,398,860,559	\$0.52	\$33,085,642	\$53,824,790	\$0.84	\$0.53	\$34,227,629
*	Through September 2013						

# Appendix 9

## U.S. Dairy Industry Statistic

Total U.S. milk production (billions of pounds)								Total cows (thousands of head)							
2007	2008	2009	2010	2011	2012	1-year change	5-year change	2007	2008	2009	2010	2011	2012	1-year change	5-year change
188,604	189,982	189,334	192,848	190,245	200,324	2.1%	7.9%	9,160	9,315	9,203	9,219	9,194	9,283	0.6%	0.6%
West								West							
Alaska	4.5	7.2	6.0	7.1	6.9	5.7	-17.4%	0.0	0.0	0.6	0.8	0.5	0.4	-20.0%	-33.3%
Arizona	4,210	4,349	4,076	4,149	4,412	4,588	2.2%	161	160	177	177	188	188	0.0%	3.8%
California	40,603	41,903	39,612	40,365	41,402	41,801	0.6%	1,813	1,844	1,786	1,764	1,769	1,782	0.7%	-1.7%
Colorado	2,706	2,655	2,639	2,616	2,690	2,713	7.1%	116	120	123	119	128	134	4.7%	19.0%
Idaho	38.5	18.6	21.3	25.3	27.4	28.4	3.6%	2.9	1.7	1.5	1.9	1.0	2.0	5.3%	-31.0%
Montana	11,540	12,515	12,150	12,779	13,286	13,886	2.3%	513	540	550	504	576	580	0.5%	13.1%
Nevada	2,187	2,415	2,488	2,460	2,585	2,731	5.5%	110	117	119	119	129	138	2.4%	14.5%
Oklahoma	393	313	289	289	269	269	3.8%	18	17	15	14	14	14	0.0%	-22.2%
Utah	1,076	1,083	1,200	1,165	1,173	1,186	1.1%	59	58	61	69	67	68	-1.8%	-6.1%
Wyoming	593	559	611	658	671	686	0.7%	27	27	28	28	29	29	0.0%	7.4%
New Mexico	7,280	7,555	7,604	7,831	8,177	8,149	-0.3%	332	338	325	321	328	330	0.3%	-0.6%
North Dakota	444	410	385	384	345	347	0.6%	20	26	23	21	10	18	-21.3%	-37.0%
South Dakota	1,144	1,091	1,002	959	823	846	-8.0%	69	64	60	55	53	48	-9.4%	-30.4%
Nebraska	2,233	2,254	2,246	2,399	2,479	2,523	1.4%	110	114	114	119	121	123	1.7%	7.0%
South Dakota	1,041	1,798	1,802	1,894	1,873	1,806	-3.1%	65	60	64	62	61	59	-1.1%	8.2%
Nebraska	7,364	6,416	6,440	6,828	6,882	6,880	0.1%	389	418	423	413	431	430	-0.2%	12.1%
Idaho	1,732	1,776	1,707	1,619	1,654	1,651	-0.2%	86	85	84	85	86	86	0.0%	5.9%
Washington	6,831	6,690	5,501	5,901	6,189	6,234	1.1%	239	244	240	261	260	302	0.5%	10.1%
Wyoming	134	130	105	120.4	123.1	124.9	1.5%	7.1	7.0	6.5	6.0	6.0	6.0	0.0%	-16.8%
TOTAL	90,873	94,616	92,006	94,946	98,406	99,726	1.3%	4,182	4,314	4,298	4,289	4,286	4,316	0.7%	3.0%
U.S. share	49.94%	49.80%	49.07%	49.23%	50.14%	49.78%		15.82%	16.32%	16.05%	16.05%	16.02%	16.75%		
Midwest								Midwest							
Illinois	1,917	1,894	1,925	1,917	1,897	1,891	2.6%	103	102	102	100	98	100	2.0%	-2.0%
Indiana	3,371	3,297	3,383	3,416	3,593	3,739	5.2%	169	167	168	170	172	175	1.7%	5.4%
Iowa	4,278	4,310	4,379	4,352	4,347	4,433	2.0%	219	216	216	210	204	204	0.0%	-4.2%
Michigan	7,820	7,783	7,908	8,333	8,478	8,809	4.8%	335	330	350	368	386	375	-2.5%	11.9%
Minnesota	6,656	6,782	6,809	6,802	6,860	6,971	2.0%	460	464	469	470	468	465	-0.6%	1.1%
Nebraska	1,578	1,615	1,606	1,445	1,388	1,404	1.2%	112	110	107	99	98	94	-1.1%	-10.1%
Ohio	4,980	5,130	5,192	5,270	5,144	5,315	4.1%	275	277	271	271	268	270	0.7%	-1.8%
Wisconsin	24,080	24,472	25,230	25,035	26,088	27,224	4.5%	1,247	1,282	1,287	1,262	1,265	1,270	0.4%	1.6%
TOTAL	83,888	87,952	88,473	89,880	93,168	92,088	3.9%	3,911	3,941	3,960	3,940	3,980	3,963	0.6%	1.4%
U.S. share	30.48%	30.34%	30.69%	31.03%	32.45%	30.89%		31.68%	31.67%	32.05%	32.24%	31.93%	31.98%		
Northeast								Northeast							
Connecticut	365	364	353	354	351	358	-0.8%	19	19	19	19	19	18	-5.3%	-0.3%
Delaware	113	110	102	90	92	94	2.5%	6.6	6.6	6.0	6.3	5.0	4.9	-2.0%	-27.0%
Maine	587	603	595	587	598	583	-2.5%	33	33	33	32	32	33	3.1%	0.0%
Maryland	1,081	1,029	1,004	1,001	970	979	0.9%	58	56	56	54	52	51	-1.9%	-12.1%
Massachusetts	285	254	249	242	220	210	-9.5%	16	15	14	14	13	12	-7.7%	-20.6%
New Hampshire	290	299	293	294	298	275	-3.9%	15	16	15	15	14	14	0.0%	-6.7%
New Jersey	168	169	161	140	130	130	-3.7%	10	10	9	9	8	7	-32.5%	-30.0%
New York	12,103	12,432	12,424	12,713	12,838	13,106	2.8%	627	626	618	611	610	610	0.0%	-2.7%
Pennsylvania	10,582	10,675	10,581	10,737	10,547	10,492	-0.5%	550	549	540	541	541	536	-0.9%	-2.5%
Rhode Island	18.1	19.0	19.8	19.5	19.7	18.3	-7.1%	1.1	1.1	1.1	1.1	1.1	1.0	-9.1%	-9.1%
Vermont	2,531	2,578	2,469	2,521	2,539	2,580	1.9%	140	140	138	136	134	133	-0.7%	-5.0%
West Virginia	195	191	192	157	160	168	1.9%	13	12	11	10	10	10	0.0%	-33.1%
TOTAL	28,386	28,632	28,381	28,868	28,760	29,102	1.2%	1,488	1,483	1,462	1,440	1,436	1,430	-0.6%	-3.5%
U.S. share	16.77%	16.05%	14.89%	14.97%	14.66%	14.53%		16.16%	16.32%	15.69%	15.56%	15.55%	15.49%		
Southeast								Southeast							
Alabama	107	184	164	169	145	132	-9.0%	13	12	11	11	10	9	-9.1%	-23.1%
Arkansas	220	180	168	139	142	133	-6.3%	17	16	13	12	12	10	-18.7%	-41.2%
Florida	2,104	2,060	2,078	2,127	2,269	2,338	3.0%	125	120	110	114	119	123	3.4%	-1.6%
Georgia	1,399	1,305	1,400	1,396	1,450	1,530	5.5%	77	76	75	79	79	80	1.3%	3.9%
Kentucky	1,290	1,250	1,102	1,152	1,080	1,120	2.8%	60	60	64	78	70	74	-2.6%	-17.6%
Louisiana	849	818	773	736	732	724	-0.4%	29	26	23	20	18	17	-6.5%	-41.4%
Mississippi	324	291	260	223	204	201	-1.6%	21	20	18	17	14	14	0.0%	-33.3%
North Carolina	621	602	584	584	584	580	-0.7%	48	47	45	44	45	46	2.2%	-1.1%
South Carolina	622	622	623	623	620	620	0.0%	18	18	17	16	16	16	0.0%	-1.1%
Tennessee	598	598	600	650	650	600	-9.5%	63	60	56	52	50	50	0.0%	-20.6%
Virginia	1,758	1,726	1,738	1,738	1,727	1,727	0.0%	100	98	90	85	86	86	0.0%	-10.0%
TOTAL	9,898	9,493	9,274	9,164	9,244	9,287	2.6%	681	681	683	688	686	688	0.0%	-10.0%
U.S. share	6.50%	6.00%	4.95%	4.75%	4.71%	4.73%		6.84%	6.24%	6.01%	5.90%	5.83%	5.82%		

All data used to generate this table was provided by the U.S. Department of Agriculture National Agricultural Statistics Service. Some data for 2014 has been revised.

March 2015, 2015

# Appendix 10

## Maine milk production figures

	2009	Year to Date	Farms	2009	Year to Date	Farms	2010	Year to Date	Farms	2011	Year to Date	Farms	2012	Year to Date	Farms	2013	Year to Date	Farms	2012 to 2013	Per Cent	Per Cent
																			Yr-To-Date Difference	By Month	By Year
Jan Prod/Drs	177,189	177,189		140,693	140,693		116,992	116,992		80,636	80,636		56,335	56,335		54,918	54,918				
Jan Maine	23,951,893	23,951,893		24,261,359	24,261,359		23,687,320	23,687,320		23,616,700	23,616,700		23,136,800	23,136,800		22,978,627	22,978,627				
Jan Boston	25,639,942	25,639,942		25,929,601	25,929,601		26,367,497	26,367,497		26,776,091	26,776,091		26,241,617	26,241,617		26,022,551	26,022,551				
Jan Total	49,591,835	49,591,835	331	50,190,960	50,190,960	334	49,954,817	49,954,817	309	50,392,791	50,392,791	307	51,478,417	51,478,417	303	51,001,179	51,001,179	302	621,888	1.0%	2.0%
Feb Prod/Drs	181,518	358,707		133,850	272,543		119,976	239,952		99,306	180,642		103,923	284,565		68,161	163,171				
Feb Maine	23,181,069	46,362,138		21,746,183	43,488,321		20,704,818	41,409,636		21,057,727	42,114,457		22,018,334	44,032,829		20,615,206	41,634,832				
Feb Boston	24,008,715	49,608,659		23,124,907	48,054,508		23,615,642	49,783,139		23,681,219	50,657,310		26,892,143	54,833,759		26,237,935	55,160,528				
Feb Total	47,189,784	95,970,797	331	44,871,090	91,542,829	328	44,320,437	91,192,775	312	44,738,940	92,771,767	303	48,910,460	100,187,288	303	46,833,341	96,795,360	300	(1,846,721)	-1.8%	-1.3%
Mar Prod/Drs	180,403	539,110		179,711	718,821		113,434	348,833		91,797	272,635		98,616	297,773		101,961	284,162				
Mar Maine	23,590,966	69,953,967		23,639,354	73,593,311		23,133,335	66,705,474		23,472,533	68,146,951		23,490,134	69,645,025		22,796,537	66,361,369				
Mar Boston	25,479,897	75,088,555		25,451,432	74,615,340		25,785,893	75,520,032		26,530,719	77,168,048		28,569,956	83,402,755		28,200,861	64,361,519				
Mar Total	49,070,863	145,042,522	330	49,090,786	148,208,651	325	48,919,228	142,225,506	307	50,003,252	145,314,999	304	52,060,086	153,047,780	304	51,000,398	130,722,888	302	(1,848,017)	-0.1%	-0.9%
Apr Prod/Drs	156,669	675,694		157,874	833,568		124,818	472,640		88,943	351,475		92,297	356,859		113,481	407,633				
Apr Maine	23,451,292	69,322,625		23,456,810	83,481,745		20,819,355	68,534,870		22,899,524	81,042,774		23,242,420	81,865,430		22,312,102	69,663,479				
Apr Boston	26,166,481	100,244,037		24,914,369	96,430,300		25,567,344	101,107,375		26,559,043	103,247,692		28,132,665	111,535,410		28,506,915	112,968,435				
Apr Total	49,617,773	169,566,662	330	48,371,179	179,912,045	320	46,386,703	169,642,245	305	49,458,567	184,290,466	303	51,375,085	193,400,840	305	50,819,017	182,631,914	303	(1,777,886)	-0.2%	-0.9%
May Prod/Drs	206,597	882,291		181,662	1,064,110		128,334	601,174		104,157	486,635		114,019	510,679		118,348	526,981				
May Maine	25,091,621	118,356,477		24,951,818	118,433,553		23,842,597	113,167,867		24,287,693	115,314,657		24,218,067	116,103,227		23,354,041	112,017,511				
May Boston	26,976,889	127,285,666		26,886,833	126,016,193		27,297,408	128,164,783		27,643,513	130,890,626		29,597,004	141,132,414		30,237,333	143,205,767				
May Total	52,068,510	245,642,143	330	51,838,651	244,449,746	331	51,140,005	241,332,650	308	51,931,206	246,205,283	304	53,815,071	257,235,641	304	53,591,380	255,223,278	301	(1,897,581)	-0.1%	-0.8%
June Prod/Drs	193,669	1,075,960		173,301	1,238,211		112,621	713,655		93,837	659,373		84,211	684,760		107,763	633,743				
June Maine	24,741,566	143,129,042		24,266,360	142,698,823		20,026,028	136,162,856		22,609,477	138,823,084		23,176,491	135,280,019		22,490,187	134,467,659				
June Boston	26,804,505	153,764,404		26,167,753	152,183,936		26,996,341	164,165,931		26,633,877	167,424,442		28,246,379	166,378,783		28,359,162	173,964,828				
June Total	51,546,071	296,893,446	331	50,434,113	294,882,759	323	46,922,369	200,328,787	308	50,243,354	206,247,526	305	51,422,870	301,658,802	305	50,849,349	308,432,487	299	(1,687,285)	0.1%	-0.5%
July Prod/Drs	181,969	1,257,935		171,410	1,409,613		125,351	840,046		87,347	666,520		91,492	666,387		115,608	749,352				
July Maine	25,283,696	166,330,699		24,642,812	167,340,834		23,197,692	163,777,578		23,695,233	163,480,047		23,489,829	162,789,345		22,124,335	156,632,534				
July Boston	26,771,715	180,636,123		26,556,165	178,778,121		26,561,652	180,321,775		26,664,189	183,984,641		28,166,833	197,755,427		28,666,652	201,421,621				
July Total	52,055,411	346,966,822	332	51,198,977	346,118,955	323	49,759,343	344,109,353	310	50,359,422	347,464,688	303	51,656,702	360,544,772	308	51,795,987	358,054,155	299	(2,488,648)	-0.2%	-0.7%
Aug Prod/Drs	172,822	1,430,778		133,165	1,365,890		91,661	911,727		102,831	749,151		89,329	775,511		137,723	887,076				
Aug Maine	24,760,436	193,151,137		24,128,019	191,485,655		23,744,703	183,522,685		23,884,509	185,354,595		22,610,784	185,586,620		22,321,271	178,913,905				
Aug Boston	26,392,282	206,828,778		26,070,950	204,650,971		26,576,345	205,897,121		26,576,496	210,663,097		27,816,782	228,651,205		28,671,060	230,292,681				
Aug Total	51,152,718	400,000,000	334	50,198,969	396,136,626	324	50,321,048	389,419,806	305	50,461,027	396,017,648	306	50,427,584	414,237,826	307	51,392,333	409,206,586	304	(1,913,688)	0.1%	-0.5%
Sept Prod/Drs	177,647	1,607,625		150,962	1,640,916		77,962	1,014,359		98,810	842,203		87,600	863,311		108,178	895,253				
Sept Maine	23,584,236	216,735,423		23,194,295	214,660,180		22,185,001	205,707,687		22,734,028	208,098,883		21,658,546	207,269,177		21,065,469	199,979,374				
Sept Boston	25,169,590	232,117,965		25,403,023	233,253,093		24,766,476	231,653,657		25,436,654	235,996,651		26,727,918	262,379,127		27,096,142	267,378,723				
Sept Total	48,753,826	448,853,388	334	48,597,318	447,913,273	320	46,951,477	437,361,344	309	48,170,682	444,095,534	306	48,386,464	469,648,304	306	48,163,617	467,358,097	297	(2,188,186)	-0.1%	-0.5%
Oct Prod/Drs	172,731	1,780,658		150,192	1,601,175		77,729	1,052,127		94,242	842,203		107,319	870,523							
Oct Maine	23,956,481	240,703,904		23,492,616	238,182,755		22,684,593	228,352,273		23,193,642	233,292,225		21,697,266	229,166,442							
Oct Boston	25,482,267	267,960,233		24,972,175	255,226,274		25,364,262	257,027,840		26,224,861	262,324,812		26,994,602	279,373,810							
Oct Total	49,438,748	508,664,137	336	48,464,791	493,409,029	321	48,048,855	485,380,113	308	49,418,503	495,617,037	309	48,691,868	508,540,352	306	48,160,879	507,340,319	304			
Nov Prod/Drs	144,734	1,935,262		123,459	1,724,634		90,288	1,182,113		100,481	1,042,664		96,878	1,067,362							
Nov Maine	23,090,943	263,797,647		22,484,999	260,637,765		21,975,334	260,371,613		22,223,661	254,615,686		21,583,663	260,750,065							
Nov Boston	24,604,234	282,184,456		24,436,906	279,712,180		24,664,432	281,692,272		25,306,879	297,631,691		25,664,644	306,038,664							
Nov Total	47,695,177	545,982,103	330	46,921,905	540,349,945	321	46,639,766	541,063,885	306	47,530,540	552,247,377	302	47,248,513	566,788,729	304						
Dec Prod/Drs	156,694	2,081,646		120,963	1,845,632		87,841	1,270,265		93,510	1,120,822		103,305	1,170,697							
Dec Maine	24,004,276	287,832,126		23,073,438	283,711,203		23,216,023	273,590,019		23,683,231	275,195,217		22,651,364	273,451,459							
Dec Boston	25,770,063	307,854,511		25,049,881	305,782,651		26,267,349	307,949,621		27,293,778	314,522,469		28,838,435	334,867,069							
Dec Total	49,774,339	595,686,637	327	48,123,319	589,493,854	315	49,483,372	601,539,640	304	50,976,993	609,717,686	304	51,489,798	608,318,528	307						

\*33 days in Feb 2009 - about 1.6 million pounds extra over 2007

\*25 days in Feb 2012 - about 1.6 million pounds extra over 2011