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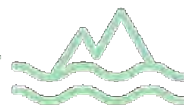
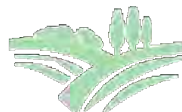
Final Report of the Task Force to Support Commercial Dairy Farms in the State



January 6, 2025



**MAINE DEPARTMENT OF
AGRICULTURE
CONSERVATION
& FORESTRY**



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Report Contents

	Page
Letter to the Legislature	1
Acronyms and terms	2
Task Force Membership	3
I. Executive Summary	4
II. Introduction	6
III. Dairy Task Force Process	7
A. Full Task Force and Subgroups Meetings	
B. Working Agreements and Decision-Making Process	
C. Public Engagement	
IV. Recommendations	10
Appendix A <u>Legislative Resolve</u>	22



STATE OF MAINE
DEPARTMENT OF AGRICULTURE, CONSERVATION & FORESTRY
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JANET T. MILLS
GOVERNOR

AMANDA E. BEAL
COMMISSIONER

January 6, 2025

Dear Senator Talbot-Ross, Representative Pluecker, and members of the incoming 132nd Joint Standing Committee on Agriculture, Conservation and Forestry Committee,

I am pleased to submit this consensus report with recommendations on behalf of the Maine Dairy Task Force in response to L.D. 1274 [Resolve, to Establish the Task Force to Support Commercial Dairy Farms in the State](#), which the Governor signed on March 25, 2024. This Resolve directed the Dairy Task Force, by January 6, 2025, to:

“...review and provide recommendations on potential investments and policies to support the long-term sustainability and resiliency of the State’s dairy sector, including but not limited to:

- the development of in-state milk processing capacity, including for value-added products;*
- the development of new or enhancements to existing state grant, loan and other funding support programs, market development and access programs and technical assistance programs; [and]*
- recommendations to preserve and enhance the effectiveness of the current dairy stabilization program, also known as the tier program...”*

This report describes the steps the Task Force took to consider the many challenges impacting Maine’s dairy farms. In response, it developed eleven recommendations for the legislature’s consideration, **the most important being to fund the Tier Program at the current cost of production level.**

As Chair of the Dairy Task Force, I want to sincerely thank its thirteen other members, including eight dairy farmers, who devoted substantial time to considering how best to support a viable future for Maine’s dairy sector. At the same time, I think it’s helpful to note that several recommendations could have positive impacts on other agricultural sectors, as well as dairy production with livestock other than cows. Ultimately, these recommendations go beyond offering a blueprint for the dairy sector as they address many of the challenges that Maine agriculture and the state’s rural economies face more broadly.

Sincerely,

Amanda E. Beal
Commissioner

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Acronyms and Terms

Acronym/Term	Meaning
AFFIF	Agriculture, Food and Forest Products Infrastructure Investment Fund
AMLF	Agricultural Marketing Loan Fund
DACF	Maine Department of Agriculture, Conservation and Forestry
Dairy Task Force	Task Force to Support Commercial Dairy Farms in the State
DFA	Dairy Farmers of America
DIF	Dairy Improvement Fund
FAME	Finance Authority of Maine
FFF	Farms for the Future
MDIA	Maine Dairy Industry Association
MFRN	Maine Farmer Resource Network
NDFA	Northeast Dairy Foods Association
NRCS	Natural Resource Conservation Service
Tier Program	Maine Dairy Stabilization Program
UMCE	University of Maine Cooperative Extension
USDA	U.S. Department of Agriculture

Dairy Task Force Membership

Commissioner Amanda Beal, Chair, Dept. of Agriculture, Conservation and Forestry

Annie Watson, Maine Dairy Industry Association, MDIA

Julie-Marie Bickford, Maine Milk Commission, MMC

Rebecca Wallick, HP Hood LLC, Milk Processor

Leigh Chase, Hannaford Supermarkets, Nat'l Market Milk Retailer

Steve Keene, Conant Acres Farm and Market, Tier 1 Farm

Libby Bleakney, Highland Farms and Farm Market, Tier 2 Farm

Heath Miller, Green Valle Farm, Tier 3 Farm

John Stoughton, Misty Meadows Farm, Tier 4 Farm

Ethan Robertson, Farm Credit East, Dairy Economist

Steve Burger, Winter Hill Farm, At-large

Randall Hall, Hall Farms, At-large

Andy Smith, The Milkhouse Farm, At-large

Bill Elridge, At-large

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I. Executive Summary

Maine dairy farms play a central role in the state's food system and in its entire agricultural and rural economy. The state's dairy farms provide a wide range of essential public goods, beginning with the substantial nutritional benefits dairy products offer. Maine dairy farms also serve as sustainable land stewards of approximately 700,000 acres of dairy-related land, providing open space, recreational opportunities, wildlife habitat, and carbon sequestration capacity to combat climate change.

Notwithstanding these many public benefits, the number of Maine dairy farms is in steady decline. This is due to a host of factors, some of them specific to the dairy industry and others impacting all of Maine agriculture. Sector-specific challenges include federally determined milk pricing, high production costs, and relatively flat fluid milk sales, among others. Broader challenges affecting Maine's entire agricultural sector include high transportation costs, the lack of broadband coverage, labor shortages, aging railway infrastructure, the lack of affordable housing for farm employees, and more. Together, these factors have resulted in a 30-year contraction of Maine's dairy sector from 602 farms in 1994 to 140 today.

In recognition of these challenges, Governor Mills signed L.D. 1274 [Resolve, to Establish the Task Force to Support Commercial Dairy Farms in the State](#) on March 25, 2024. This Resolve directed the Dairy Task Force to:

"...review and provide recommendations on potential investments and policies to support the long-term sustainability and resiliency of the State's dairy sector, including but not limited to:

- the development of in-state milk processing capacity, including for value-added products;*
- the development of new or enhancements to existing state grant, loan and other funding support programs, market development and access programs and technical assistance programs; [and]*
- recommendations to preserve and enhance the effectiveness of the current dairy stabilization program, also known as the tier program..."*

A Task Force was assembled to accomplish this, consisting of dairy farmers, dairy industry representatives, and other dairy experts. The Task Force reviewed regional and national dairy consumption trends and evaluated innovative dairy technical assistance and funding programs across the Northeast for their potential applicability to Maine's dairy sector. The Task Force also considered the recommendations from five prior dairy task forces convened in Maine between 2003 and 2013 and reviewed legislative actions implemented or proposed over the past decade. More broadly, it identified rural infrastructure concerns impacting all of Maine agriculture, including but not limited to the dairy sector.

The Task Force's most important conclusion is that when funded at the current cost of production level, Maine's Dairy Tier Program works. This is central to the Task Force's findings and serves as its primary recommendation. The other recommendations will not only

significantly strengthen the state's dairy sector but also support all of Maine agriculture and the state's rural economy. These recommendations, however, **are wholly dependent on a fully functional and effective Tier Program**. The Task Force's recommendations include:

1. Fund the Tier Program at the Current Cost of Production Level
2. Increase Baseline Funding Predictability for the Tier Program
3. Increase Dairy Technical Service Capacity and Outcomes
4. Support Expansion of On-Farm and Stand-Alone Dairy Processing Capacity
5. Conduct a Dairy Sector Economic Impact Study
6. Establish a Maine Dairy Resource Hub
7. Support Farmer Learning Networks
8. Support Farm Transfers
9. Expand Dairy Feed Availability
10. Establish and Utilize Tax Credit Programs
11. Develop Additional Funding Sources for Dairy Support Programs

Together, these recommendations hold great promise to reverse the trend of dairy farm loss, attract a new generation of Maine dairy farmers, and, in so doing, support the many agriculture-dependent businesses that form the backbone of the state's rural economy.

II. Introduction

Maine's dairy sector is a cornerstone of the state's agricultural economy and infrastructure. In 2022, Maine dairy cattle and milk production accounted for \$146.8 million in direct sales and had a statewide economic impact of \$230 million.¹ Maine's dairy sector directly or indirectly supports 14,600 jobs and provides over \$835 million in total wages. The sector's state tax contribution is \$155 million.²

Maine's dairy farms provide a wide range of essential public goods. The dairy products they produce are key components of Maine's local food system and offer broad nutritional benefits to consumers in Maine and beyond in the form of protein, calcium, potassium, Vitamins A, D, and B₁₂, and micronutrients, including zinc, selenium, and iodine. Maine dairy farms sustainably steward roughly 700,000 acres of farmland and forestland that provide important wildlife habitat, store significant carbon that offsets greenhouse gas emissions, preserve Maine's iconic landscapes, and provide recreational opportunities for the public.

Bright spots in Maine's dairy industry exist: automation and robotics are lowering labor costs for farms that can make that investment. As of this year, there are sixty-three artisan cheese makers in Maine, with many products enjoying regional, national, and even international acclaim; this is providing an important revenue stream for some dairies. Maine consumers are also enthusiastic about the yogurt, butter, ice cream, and other products that some farms produce. Beyond milk products, many dairy farms have diversified and are now also beef producers. Maine consumers have shown deep loyalty to Maine dairy farms, and this loyalty has extended to beef sales as well.

Yet the combined data of the most recent Agricultural Census and the 2023 Dairy Industry Cost of Production Study paint a discouraging picture. Milk production costs are high, and federally determined milk prices are low. Certain markets are shrinking as the pace of Americans' *fluid* milk consumption slows (however, overall dairy product consumption of value-added products is on the rise). While these two variables are unique to the dairy sector, other challenges impact all of Maine agriculture, including dairy. These include high transportation costs, the lack of broadband coverage, labor shortages, aging railway infrastructure, the lack of affordable housing for farm employees, and more. Combined, these factors are causing Maine dairy farms to go out of business, and we risk reaching a tipping point where the amount of milk produced falls below what can sustain an industry.

This is concerning not only for Maine's dairy industry but for Maine agriculture as a whole. The dairy sector anchors an agricultural ecosystem upon which most other farms rely. Maine farms, 89% of which produce less than \$100,000 of products annually, likely could not sustain the essential network of agriculture-dependent businesses and service providers without their dairy farming neighbors. Collectively, these businesses are large employers in their rural communities and include milk processors, feed producers, farm equipment dealers and repair shops, large

¹ Farm Credit East 2024 Northeast Economic Engine Report (based on 2022 data).

² International Dairy Foods Association, Maine Statistics.

animal veterinarians, fuel and energy suppliers, financial service providers, insurance providers, and more. These businesses have a direct stake in the success of Maine's dairy industry and the health of Maine's agricultural sector. Simply put, a stable Maine dairy sector is crucial to the future health and success of Maine agriculture as a whole.

III. Dairy Task Force Process

A. Full Task Force and Subgroups Meetings

The Task Force met from June to December 2024, focusing on the following topics:

June 12: Reviewed recommendations from five previous Task Forces that convened between 2003 and 2013³ and identified which recommendations still held relevance; considered relevant legislation proposed from 2014-2024.⁴

July 9: Considered emerging dairy consumer trends as presented by the Maine Dairy Promotion Board; discussed dairy processing needs and the value of an economic impact study on Maine's dairy sector.

August 8: Heard from young farmers about their priorities for ensuring a sustainable future for Maine's dairy industry; considered improvements to relevant Maine funding and technical assistance programs⁵; considered potentially relevant regional programs as well as specific programs from NY, VT, MA, PA, and CT.⁶

Between the August and October meetings, the Task Force broke into three subgroups to delve more deeply into three priority areas:

- a. Tier Program – Aug. 22, Sept. 10: This subgroup considered mechanisms for stabilizing the Tier Program, including ways of increasing baseline funding predictability for the program.
- b. Processing – Aug. 27, Sept. 11: This subgroup identified the barriers to increasing on-farm and stand-alone dairy processing capacity and the technical and financial support needed to overcome these barriers.

³ Summary of Dairy Reports 2004-2013 V3

⁴ Dairy Legislative History

⁵ Maine Dairy Funding Resources

⁶ Regional and Northeast State Dairy Support Programs

- c. Funding & Technical Assistance – Aug. 28, Sept. 12: This subgroup analyzed multiple alternative funding scenarios, both for the Tier Program and for the numerous other Task Force recommendations.

October 7: Considered a first draft of recommendations that included subgroup ideas on the Tier Program, dairy processing, and funding/technical assistance.

November 4: Considered a second draft of recommendations, including initial potential funding scenarios.

After the Task Force considered first and second drafts of the recommendations, it created one additional subgroup to explore funding options further. This subgroup met on November 25 and identified additional potentially viable funding options to supplement General Fund allocations for the Tier Program.

December 12: Considered broader challenges facing Maine agriculture as a whole; reviewed a final draft of recommendations as well as public comments received; reached consensus support for a final set of recommendations (see section IV).

B. Maine Dairy Task Force Working Agreements and Decision-Making Process

The Task Force adopted the following working agreements and decision-making process to guide its work:

- Meetings will start and end on time.
- When meetings are held in person, Task Force members will make every effort to attend in person to maximize learning, communication, and collaboration.
- Cameras will remain on during virtual meetings to facilitate communication and understanding.
- Meeting materials will be shared in advance of meetings with sufficient time for review.
- Come prepared, having read meeting materials and completed assignments.
- Be present and engaged.
- Strive for equal airtime, enabling all to participate fully.
- Listen with curiosity and an openness to learning and understanding.

- Adopt a creative problem-solving orientation.
- Name the tension, kindly.
- Humor is welcome!
- The Task Force will strive for consensus in its recommendations through a facilitated, discussion-based process and will not hold votes on specific decisions. The Task Force may choose to include a significant minority opinion as part of its final recommendations.

C. Public Engagement

Maine Dairy Task Force Webpage. Prior to the first Task Force meeting, a webpage dedicated to the Task Force process was created on the Department of Agriculture, Conservation and Forestry's (DACF's) website. The page was the central resource for Task Force activity and included the Resolve language, Task Force membership, meeting dates, meeting materials, public comments, and an extensive resource library of relevant reports and articles.

Public Input at Task Force and Subgroup Meetings. The Dairy Task Force invited public input at each of its meetings. At its third meeting, the Task Force issued a targeted call to hear from young farmers on their priorities for improving dairy sector sustainability.

Public Comment on Draft Recommendations. The Task Force distributed its draft recommendations to interested parties on November 5, 2024, and invited public comment. It also posted the draft recommendations on its webpage at this time. The comment period was open through November 22, 2024. Seven comments were received. They included:

- recognizing goat dairy farms as an important part of Maine's agricultural sector;
- stressing the importance of the tier program, the need to decrease transportation costs, and the value of technical assistance in ensuring dairy business success;
- emphasizing support for the tier program and proposing an increase in the real estate transfer tax as an additional funding source for the tier program;
- highlighting the value of the tier program as well as grants that support farm modernization and succession planning;
- support for the recommendations that propose expanding on-farm and stand-alone dairy processing;
- endorsing the recommendations that support Maine's organic dairy farms, including efforts to bolster the Tier Program, introduce a bond, and identify ways to secure more economical organic feed; and
- stressing the importance of the Tier Program as well as support for expanded dairy processing, farm succession, and expanding sources of affordable organic feed.

IV. Recommendations

The Dairy Task Force spent much of its time considering the underlying conditions negatively impacting Maine's dairy industry, including market instability, processing constraints, and declining technical service support. It also focused on rural infrastructure concerns impacting all of agriculture. Together, these conditions have caused a 30-year contraction of Maine's dairy sector from 602 farms in 1994 to 140 today.

In order to identify potential solutions to many of these challenges, the Task Force first reviewed regional and national dairy consumption trends. It evaluated innovative dairy technical assistance and funding programs that have been implemented across the Northeast to consider their potential applicability to Maine's dairy sector. It fully considered the recommendations from five prior dairy task forces convened in Maine between 2003 and 2013. It also reviewed legislative actions implemented or proposed over the past decade. Finally, it identified fundamental rural infrastructure concerns that impact all of Maine agriculture, including but not limited to the dairy sector. **In the end, its most important conclusion is that Maine's Dairy Tier Program works.**

Support for the Tier Program has been the cornerstone of every previous Task Force report, and it is of this report too. The other recommendations that follow will work to strengthen the state's dairy sector **but are wholly dependent on a fully functional and effective Tier Program** to act as a critical safety net currently.

1. Fund the Tier Program at the Current Cost of Production Level

Maine's Dairy Tier Program is recognized nationally as being among the most innovative approaches to ensuring the future of a state's dairy sector and, by extension, its agricultural economy. Established by the Legislature in 2004, the Tier Program is a rural economic development tool that ties supplemental milk payments to the short-run break-even cost of production rather than relying exclusively on federal milk pricing. In doing so, Maine exercises a vital degree of control and predictability over milk payments, thereby safeguarding the future of dairy farming and, by extension, Maine's rural communities and economy.

Instability in the dairy industry is due to many complex factors, the greatest being that federal milk pricing is highly volatile and is not tied to the actual cost of producing milk. In the past decade, the federally established price of milk has ranged from a high of \$27.72 to a low of \$13.47/hundredweight, with month-to-month price fluctuations of as much as 19%. Over this time, the actual short-run break-even cost of milk production in Maine has climbed steadily from \$17.66/cwt in 2005 to \$28.49/cwt in 2022.

Maine's Tier Program, when allowed to function as originally intended, effectively stabilizes milk payments by ensuring dairy farmers receive payments equal to the current short-run break-even cost of production, enabling farmers to manage their debt structure and plan for the future.

As Chen et al. note, "the tier program reduces the number of farms that exit and allows farms to remain in business longer."⁷

The Tier Program has proven to be a crucial economic development tool that invests directly in Maine's rural communities, helping sustain and grow the state's local food system and safeguard its rural character. In doing so, the Tier Program also plays a key role in sustaining Maine's tourism economy, which depends heavily on the state's iconic agricultural landscape.

Farm Credit East, a farm lending institution that "works with and finances farm-related businesses like equipment dealers, service providers, agronomists, feed companies, farm landlords and other farmers" across the Northeast, notes that "all [are] able to provide better products and service because of the volume of dairy farms large and small, that still operate in Maine" as a result of the Tier Program.⁸

In recognition of the central role that Maine's dairy sector plays in these many aspects of Maine's economy, the Dairy Task Force's most important and foundational recommendation is to base Tier Program funding on the current short-run break-even cost of production as was intended when the Program was established and is essential to achieving the fundamental goal of the Tier Program. This mechanism adds price and income stability and predictability that dairy farmers need to remain in business. When funded in this manner, this Program goes well beyond safeguarding the future of Maine's dairy sector by investing in Maine's rural businesses and communities and safeguarding valuable land resources important to Maine's climate mitigation strategy and tourism economy.

2. Increase Baseline Funding Predictability for the Tier Program

State biennial budget forecasting protocols require that at least twice a year, the Maine Milk Commission provide a 3-5-year cost projection for the Tier Program. While Tier Program costs should equal the difference between the federal milk price and the current short-run break-even cost of production, predicting this cost with accuracy is impossible 3-5 years in advance, given that Maine has no control over federal milk pricing. Moreover, past Tier Program expenditures have proven to be an unreliable method for estimating future needs. In the past ten years, annual estimates compared to actual costs have varied by as much as \$7 million in either direction, given the volatility and unpredictability of federal milk pricing.

Legislative negotiations over Tier Program funding levels occur every three years when the Maine Milk Commission completes an updated cost of production study through major substantive rulemaking, as directed in statute. The adoption of new Tier support levels in response to the updated study information often results in a projection of additional spending

⁷ Chen, Xuan, Dylan Bouchard, and Gary Anderson. 2018. "Is the Dairy Relief Program Really Working? Evaluating Maine's Tier Payment Program Using a Simulation Approach" *Sustainability* 10, no. 10: 3514.

⁸ Stechschulte, Keith, Ethan Robertson. 2022. Testimony to Agriculture, Conservation and Forestry Committee.

over the funding already adopted through the budget process. Historically, legislative debate to approve the new support levels has periodically resulted in the adoption of Tier levels below the actual cost of producing milk. **The Tier Program functions most effectively when the funding levels fully cover the gap between the federal milk price and the current Maine cost of production, as originally intended. However, when legislative negotiations have resulted in caps or have otherwise constrained the allocation of funds to the Tier Program, or when support levels have been set below the short-run break-even production cost, this has added uncertainty and volatility back into a process specifically designed to eliminate them.**

To address this issue, the Task Force recommends that the Legislature consider establishing an annual baseline funding allocation for the Tier Program of \$10-12 million to address this challenge in part. This range is informed by the average size of draws from the General Fund over the past twenty years. It would provide the Legislature with a greater degree of predictability during its appropriations process while at the same time providing dairy farmers with greater certainty that milk payments will cover costs. This approach would not eliminate budgeting uncertainty entirely, but it would require consideration of a smaller supplemental allocation to the program during those years when the federal milk price drops significantly below the current cost of production. **Of crucial importance is that the adoption of baseline annual funding not replace the entitlement language that mandates full Tier payments each month at established support levels. It is this guarantee of payment that has been as essential to the dairy sector as the payments themselves.**

3. Increase Dairy Technical Service Capacity and Outcomes

The Dairy Task Force recognizes that Maine's dairy sector has a significant need for on-farm technical support. The Cooperative Extension (UMCE) plays a critical role in providing this support, and the Task Force strongly supports efforts to allocate additional resources to UMCE to provide these essential on-farm services. Technical service needs include dairy-specific expertise in dairy and value-added processing, infrastructure improvements and modernization, business/financial planning, grant writing, succession/transition planning, and interstate commerce regulations to facilitate product sales expansion across state lines. Additional technical support needs exist that pertain to issues affecting all of Maine agriculture, not strictly the dairy sector. These include navigating labor laws to ensure a sufficient workforce and identifying creative solutions to the



workforce housing shortage. The Task Force recommends expanding on-farm technical service capacity via the following approaches:

- a. By providing additional funding to DACF to expand and engage more dairy farms in the Farms for the Future (FFF) Program, a program that offers tailored one-on-one technical support to farms, including dairy operations, and pairs this technical assistance with infrastructure grant funding tied to business plan objectives. Demand for this program is high and consistently exceeds available funding. Past program analysis has demonstrated a clear positive impact on farm profitability among Phase 2 recipients (88% of respondents in 2015 noted increased year-over-year profits), strong utilization of grant funds (98% of farmers completed their Phase 2 projects within 12 months of their award), and leveraging of external investments (\$1 of State funding was matched at an average of \$4.85 from other sources). Additional funding should first be used to increase the number of Phase 1 and Phase 2 awards made annually and to expand accessibility to sufficiently experienced *new* farm owners/operators, such as farm businesses transitioning ownership or moving to Maine from out of state. This can be accomplished by allowing exceptions to the two-year eligibility requirement at the discretion of DACF. The maximum awards for Phase 2 investment support should be increased from \$25,000 to at least \$45,000 for cash grants and from \$250,000 to at least \$450,000 for loans to account for inflation since the original funding levels were established in 2000. These multiple suggested program modifications will require statutory changes;
- b. By providing additional funding for the Agricultural Marketing Loan Fund (AMLF) and Dairy Improvement Fund (DIF) to be able to provide loans to more applicants annually and to increase the loan caps on both programs (AMLF and DIF do not fund technical support directly but they enable farms to capitalize on prior technical support through actualization of their business plans). AMLF is an important financing instrument in that it has a higher risk tolerance than most traditional lenders. Since its inception through FY 2023, it has provided \$13 million in loans and has leveraged \$12.5 million in additional lender financing. Since 2018, DIF has facilitated \$2.7 million in capital improvements at fifteen dairy farms across eight counties. Demand for these programs is being impacted by the fact that most farm capital needs significantly exceed the existing loan caps. These loan caps can be increased through routine technical rulemaking. However, increasing loan caps is likely to draw down funding more quickly, hence the recommendation for additional funding;
- c. By supporting increased technical service capacity at the University of Maine Cooperative Extension (UMCE) by increasing the number of Cooperative Extension specialists with dairy expertise; and, in the near term
- d. By securing contractual technical service capacity through grant-funded or otherwise subsidized agreements with identified regional partners, such as Cornell University, the University of Vermont, or the University of New Hampshire.

4. Support Expansion of On-Farm and Stand-Alone Dairy Processing Capacity

Dairy processing capacity in Maine is limited to two large-scale fluid bottling plants, several medium-scale regional processors, and a range of small value-added on-farm processing facilities. These processors all play a vitally important role in their regions and especially for the farms they serve. However, they are currently insufficient to process the amount of milk produced in Maine or provide the full range of dairy products desired by Maine consumers.

Shipping Maine milk out of state to be processed and then returned to Maine to be sold to consumers adds significant costs to Maine dairy farms. It eliminates revenue-generating opportunities that could be realized if a far greater percentage of Maine milk remained in the state to be processed and sold locally. For example, organic producers account for over one-third of Maine's dairy farms; due to issues of scale, these farms currently have no viable in-state processing option for their organic fluid milk.

Maine dairy farmers have historically experienced significant instability regarding the processing of their milk. Nationally, the past 30 years have seen dramatic consolidations among dairy processors that have resulted in smaller processors going out of business. This is true for Maine, where dozens of local bottlers and processors have either gone out of business or been purchased or absorbed by other processors, often leaving dairy producers little time to find an alternative processor.



A predictable market for milk is essential to ensure a viable future for Maine dairy farms. In recognition of this, the Dairy

Task Force supports mechanisms that a) expand on-farm dairy processing capacity, b) help retain existing in-state off-farm processing capacity, and c) create new off-farm processing capacity.

- a. There are 20 small farms in Maine that are engaged in on-farm dairy processing. Some of these facilities may be positioned to expand to process more Maine milk. These successful businesses have a track record of producing and marketing high-quality dairy products and are, therefore, a low-risk investment opportunity. They merit support via a public funding instrument that invests in on-farm processing facility expansion to grow in-state dairy processing capacity. Public investment in on-farm processing decreases the risk profile both for farmers who depend on a guaranteed market for their product and for processing facility owners who require a guaranteed milk supply to justify their investment. The Dairy Improvement Fund could serve this function with modifications that would allow the fund to provide funding that supports processors receiving milk

from other farms. The Agriculture, Food and Forest Products Infrastructure Investment Fund (AFFIF) is another vehicle that could support this and other infrastructure needs.

- b. Two large-scale commercial dairy processors in southern Maine and several medium-scale processors across the state process milk exclusively from Maine dairy farms. For example, Dairy Farmers of America (DFA), which operates in Maine under the Oakhurst brand, and H.P. Hood's Portland plant provide a stable local market for 2/3rds of Maine's milk production. It is critical that these large and medium-scale processors remain in business and that they continue to provide an outlet for Maine dairy farms. The Task Force supports public investment in the form of tax incentives, low-interest capital, grants, or other financial tools for expansion or infrastructure improvements by these processors. These tools should also be available to processors who are headquartered out of state if investments are utilized in-state and for the direct benefit of Maine dairy farmers.
- c. The Task Force also strongly supports new in-state processing capacity. In particular, it supports the development of a mid-sized Maine-based processing facility with the flexibility to process fluid milk and create different value-added processed dairy products (organic and non-organic) depending on market demand. A facility with an alternative ownership model, such as a nonprofit, would complement the remaining for-profit processing facilities in Maine and have the potential to increase farm profit margins. A nonprofit status would enable it to leverage public and philanthropic funding that is otherwise not accessible.

In much the same way that tying Tier Program funding to the current cost of production will create milk pricing stability, expanding in-state processing capacity through the above avenues will create market stability.

5. Conduct a Dairy Sector Economic Impact Study

As noted earlier, dairy farms are an integral part of Maine's rural communities, producing very tangible economic benefits for those communities and the broader regions in which they are located. Beyond their role as direct employers, Maine's dairy farms are vital for the survival of many other rural businesses. It is important to understand the interconnectedness between a stable dairy sector and the health of the state's rural economy. An economic impact study of Maine's dairy sector is long overdue and would provide a clear picture of the sector's full economic value. The Task Force recommends supporting the preparation of a new economic impact study to more accurately quantify the direct and indirect value of the dairy sector to Maine's overall economy.

6. Establish a Maine Dairy Resource Hub

Technical assistance and funding opportunities relevant to the dairy sector originate from a wide array of entities, including federal and state programs, regional initiatives, community-based tax incentives, and more. The Task Force received farmer feedback indicating that staying current on the many programs that exist and determining which opportunities would be best suited to their particular operation and set of circumstances are significant barriers. Technical service providers experience these same challenges, impeding their ability to provide the best possible support to dairy farmers.

In order to improve access to existing local, regional, and national resources for dairy farmers and technical service providers, the Task Force recommends supporting the creation and ongoing upkeep of a centralized interactive resource containing information on programs of benefit to dairy farmers. Information would include a list of technical service providers searchable by their areas of expertise, funding and technical assistance opportunities, applicable tax incentives, mental health support, succession planning support, and other relevant resources. With funding to support necessary staff time and associated costs, this resource could be housed within one of several institutions, including UMCE, DACE, or the Maine Farmer Resource Network. A central resource will provide a singular resource for dairy farmers to assess the applicability of various programs to their particular needs.

7. Support Farmer Learning Networks

Dairy farmers often learn best from the approaches and successes of their fellow farmers, be it about herd management, feed production, marketing approaches, dairy processing innovation, business planning, or countless other topics. Yet structured opportunities for farmer-to-farmer information exchange are limited. Maine dairy farmers would benefit from more intentional opportunities to interact and share learning with one another. The Task Force supports the establishment of regional farmer-to-farmer learning networks that would include coordination to organize gatherings. The Maine Dairy Industry Association (MDIA) is well-positioned to serve in this capacity with modest resources to provide coordination support and underwrite farmers providing mentorship to others.

8. Support Farm Transfers

The average dairy farmer age in Maine is 54 years old, and even after accounting for farmers working well past the standard retirement age, this means that significant acreage will transition to new ownership over the next decade. If this land is to remain in agricultural production, both technical and financial support is needed to design and finance farm transfers. Traditional financing has not proven to be the most effective way to accomplish this.

The Dairy Task Force recommends that the eligibility criteria for the Agricultural Marketing Loan Fund and the Dairy Improvement Fund be modified to allow for exceptions at the

discretion of DACF to enable sufficiently experienced *new* farm businesses to access this funding. While AMLF's definition of an agricultural enterprise was expanded in 2021 to include new/beginning farmers. The DIF statute is less specific, limiting program access to dairy farmers without further defining the term. While this suggests new farm businesses can access this funding, ideally, AMLF and DIF statutory language would be made consistent.

The Task Force also recommends that new funding be earmarked for low-interest loans, match funds, and/or loan guarantees to allow dairy farms to pass from one generation to another or to a new producer under conditions that provide retirement security for the farmer and viable payment terms for the buyer.

9. Expand Dairy Feed Availability

The ability of dairy farmers to access affordable grain is a growing challenge. The number of grain suppliers is decreasing, and the lack of grain supplier competition has a direct impact on grain pricing. For example, currently, all Maine organic dairy farmers are dependent on one grain supplier based in Vermont. While these farmers are not currently in jeopardy of losing this supplier, there is concern that if Maine were to lose a critical mass of organic farms, it would no longer be viable for the supplier to service Maine, leaving remaining organic dairy farms without a source of feed. Organic and conventional dairy farmers have been struggling with high grain costs for years. This has led many farms to cut back on the amount of grain fed to their herds, resulting in reduced milk production and income and decreased financial sustainability. Supporting other sourcing of grain or creative storage and bulk buying options are potential ways to address this problem.



10. Establish and Utilize Tax Credit Programs

Based on a review of tax incentive programs in Maine and other northeastern states, the Dairy Task Force recommends supporting farmers in benefiting from a recently established Maine program as well as creating a new tax credit program modeled after a successful New York initiative. Both programs can benefit Maine's dairy farms as well as the rest of the state's agricultural sector:

- *Dirigo Business Incentives Program.* This new Maine program, which will launch in January 2025, will provide a 10% capital investment credit (5% in some counties) for businesses investing in eligible equipment, machinery, and building construction. Eligible sectors include agriculture, with a \$50,000 annual minimum capital expenditure required to claim the credit. The credit is capped at \$2 million per year, and up to \$500,000 of the credit is refundable per year for up to five years. New York has instituted a comparable program that provides a higher tax credit (20%) for certain eligible farmers, and Maine could consider this specific program modification for its agricultural sector.
- *Agricultural Buildings Tax Credit.* This program is currently available in New York and allows a 10-year property tax exemption on newly constructed or reconstructed agricultural structures so long as an application for the exemption occurs within one year of the completion of construction. The agricultural structures and buildings are then exempt from any increase in the property's assessed value resulting from the improvement, and once granted, the exemption continues automatically for ten years.

11. Develop Additional Funding Sources for Dairy Support Programs

The Dairy Task Force spent considerable time evaluating various potential sources of funding to support all of the above recommendations. **It concluded that funding the Tier Program at the current cost of production level is its highest priority and most essential recommendation.** It also concluded that the Tier Program merited a funding approach that differed from that of all the other recommendations.

To support all the many recommendations other than Tier Program support, the Dairy Task Force recommends substantial bond funding. Funded activities should include, but not be limited to:



- expanded on-farm technical service capacity addressing dairy and value-added processing, infrastructure improvements and modernization, business/financial planning, grant writing, succession/transition planning, scaling up production, navigating labor laws to ensure a sufficient workforce, and complying with interstate commerce regulations to facilitate product sales expansion across state lines
- expanded on-farm and stand-alone dairy processing capacity
- a dairy sector economic impact study
- improved cost of production study data collection
- development and maintenance of a resource hub for technical assistance and funding opportunities
- development and maintenance of farmer learning networks
- farm transfer support
- dairy feed bulk sourcing and storage solutions
- promotion of in-state consumption and purchasing of fluid milk and value-added milk products
- targeted opportunities to reduce the cost of dairy sector inputs or address bottlenecks such as the lack of housing for farm employees or supply chain challenges

A portion of this new funding could be directed to the Dairy Improvement Fund, administered by DACF. Expanding DIF criteria, as noted in Recommendation #3, would enable it to address broader needs. The remaining portion could be directed to the Agriculture, Food, and Forest Products Infrastructure Investment Fund to supplement General Fund appropriations, with those specific funds earmarked for Maine's dairy sector.

Regarding the Tier Program specifically, this program's success hinges on consistent and reliable funding that fully covers the gap between the federal milk price and actual production costs. Currently, funding for Tier Program payments is first derived from a 0.5% assessment on the slots revenue generated at the Oxford Casino, and any additional funds needed are then drawn from the state's General Fund. Casino revenues total approximately \$450,000/year, while

annual draws on the General Fund over the past two decades have varied widely from \$0 to over \$20 million.

The Dairy Task Force analyzed many potential new funding scenarios for the Tier Program. Potential sources of revenue directly related to the dairy industry are very limited, and some, like the Milk Handling Fee, cannot legally be dedicated to benefit the Tier Program. Related, the Task Force dismissed the idea of a broad food tax in consideration of Maine's high rate of food insecurity and national inflation, which has impacted food costs.

The Task Force did, however, identify certain funding alternatives that it concluded had the potential to expand funding avenues for the Tier Program and reduce reliance on General Fund appropriations, or put differently, to generate new revenue for the General Fund that could then be targeted to offset Tier Program costs. While by no means an exhaustive list, it recommends the Legislature consider the following ideas:

- *Dedicating an increase in the real estate transfer tax to the Tier Program on home sales over \$1 million.* Farmland loss from residential development occurs all across the state. Home buyers are often drawn to the rural landscapes that dairy farms have maintained for generations. This results in reduced land access for farms as well as higher taxes due to increased appraised value of farmland. Dedicating a tax on high-end home sales for the dairy sector would help offset the impact these homes have on Maine's dairy farms.
- *Dedicating additional gambling revenue to the Tier Program either from the Oxford Casino or a different gambling venue.* Since 2010, when the bond proposal establishing Oxford Casino as a Tier Program funding source was approved, gambling opportunities in Maine have dramatically expanded. Today, Maine operates a state lottery, allows participation in regional and national lotteries, allows Bingo and games of chance events, allows betting at in-state horse racetracks and off-track betting facilities, allows the operation of cash-payout slot machines and casino table games, and most recently authorized sports betting at locations in-state and through online platforms. Simply put, there is a substantially larger gambling-derived revenue pool today. While of all the gambling enterprises in Maine, the Oxford Casino is the only financial cascade that includes the dairy industry as a beneficiary, there may be opportunities to redirect some of these funding streams, both as an effort to update legislative priorities and to equalize the contribution levels each gambling enterprise makes to the state. Dedicating a larger sum of gambling revenue to the Tier Program would be consistent with the Program's current funding sources.
- *Increasing the tax on adult use (recreational) marijuana and dedicating a portion of this new revenue to the Program.* Maine currently places a 10% tax on adult use marijuana. According to the [Tax Foundation](#), among the 21 states that levied retail sales taxes on recreational marijuana in 2024, tax rates ranged from 6 to 37%, with an average rate of 13%. Seven of these states tax marijuana at 15% or higher, and only four tax at a lower rate than Maine, with two of those states allowing municipalities to levy additional taxes.

These data point to the potential to tax marijuana at a higher rate in Maine. Marijuana is also a growing market in Maine, which suggests a reliable potential source of new funding for the Tier Program.

- *Adding pennies per pack to the tobacco tax and dedicating this revenue to the Program.* Maine currently assesses a \$2.00/pack tax on tobacco, resulting in \$145 million in revenue in 2023. Based on the size of this industry, pennies of additional tax per pack could serve as a substantial source of new funding for the Program.

Taken together, these eleven recommendations have the potential to stabilize Maine's dairy sector. Currently, funding the Tier Program at the current cost of production is the best hope for enabling this stabilization to occur. The other recommendations, if resourced and implemented, offer a pathway to a promising future for existing and future dairy farmers and processors that may one day result in reduced reliance on the Tier Program.

Beyond the dairy sector, these recommendations will provide a secure foundation for the breadth of Maine agriculture that depends on the businesses and infrastructure the dairy sector supports. Investments in Maine dairy farms and dairy processors are an investment in Maine agriculture and the state's local food system.

The Dairy Task Force is grateful to the Legislature for issuing its Resolve, authorizing the Task Force's work.

Appendix A

Legislative Resolve

STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND TWENTY-FOUR

S.P. 511 - L.D. 1274

Resolve, to Establish the Task Force to Support Commercial Dairy Farms in the State

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

Whereas, market instability, labor shortages, inflation, limits on milk production, supply chain delays and distribution disruptions are driving dairy farmers in the State out of business; and

Whereas, the State has lost approximately 1/3 of its dairy farms since 2020, and dairy farms are integral to the State's rural communities and agricultural economy; and

Whereas, this resolve establishes the Task Force to Support Commercial Dairy Farms in the State to study and report on these issues; and

Whereas, it is necessary to immediately begin the work to examine the dairy stabilization program, also known as the tier program, to determine what can be done to strengthen the program and to address some of the challenges to its success; and

Whereas, this legislation must take effect before the expiration of the 90-day period in order to complete the study and make recommendations to the Legislature; and

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

Sec. 1. Task force established. Resolved: That the Task Force to Support Commercial Dairy Farms in the State, referred to in this resolve as "the task force," is established.

Sec. 2. Task force membership. Resolved: That the task force consists of at least 10 members and no more than 15 members, one of whom is the Commissioner of Agriculture, Conservation and Forestry or the commissioner's designee. The commissioner shall invite the following to participate as members of the task force:

1. The chair of the board of directors of the Maine Dairy Industry Association or the chair's designee;
2. The Executive Director of the Maine Milk Commission;
3. One representative of a milk processor;
4. One representative of a Maine milk retailer familiar with dairy purchasing on the national market;
5. One representative from each of the 4 milk pricing tiers;
6. An economist with expertise in dairy markets and policy; and
7. At the discretion of the commissioner, up to 5 additional at-large members, who may be invited if they possess specific knowledge or technical skills useful for accomplishing the duties of the task force.

Sec. 3. Convening of task force; chair. Resolved: That all invitations to join the task force must be made pursuant to section 2 no later than 30 days following the effective date of this resolve. The commissioner or commissioner's designee shall call and convene the first meeting of the task force, at which the members shall elect a member to serve as chair.

Sec. 4. Compensation. Resolved: That members of the task force are not entitled to reimbursement for their expenses.

Sec. 5. Duties. Resolved: That the task force shall review and provide recommendations on potential investments and policies to support the long-term sustainability and resiliency of the State's dairy sector, including but not limited to:

1. The development of in-state milk processing capacity, including for value-added products;
2. The development of new or enhancements to existing state grant, loan and other funding support programs, market development and access programs and technical assistance programs; and
3. Recommendations to preserve and enhance the effectiveness of the current dairy stabilization program, also known as the tier program, established in the Maine Revised Statutes, Title 7, section 3153-B.

The department may work with a 3rd-party organization to accomplish these duties if existing resources allow.

Sec. 6. Staff assistance. Resolved: That, within existing resources, the Department of Agriculture, Conservation and Forestry shall provide staffing services to the task force.

Sec. 7. Report. Resolved: That, no later than January 6, 2025, the task force shall submit a report that includes its findings and recommendations, including suggested legislation, to the joint standing committee of the Legislature having jurisdiction over agricultural matters. The joint standing committee is authorized to report out a bill to the 132nd Legislature in 2025 based on the recommendations of the task force.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.