

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

## 2000

- 466 Maine Dairy Farms produced 660,209,472 lbs. of milk.<sup>1</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>2</sup>
- Average annual corn price = \$1.85/bushel<sup>3</sup>
- Average annual retail diesel price (New England)<sup>4</sup> = \$1.614

## 2001

- 445 Maine Dairy Farms produced 645,014,133 lbs. of milk. (-2.3% compared to the previous year).
- 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.
- Average ME Minimum Retail Price for 2001 was \$2.55/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

## 2002

- 417 Maine Dairy Farms produced 650,143,787 lbs. of milk. (+0.8% compared to the previous year).
- Average Federal Order Blend Price for 2002 was \$12.64/cwt or \$1.09/gal.
- Average ME Minimum Retail Price for 2002 was \$2.29/gal.
- Average annual corn price = \$2.32/bushel
- Average annual retail diesel price (New England) = \$1.403

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<sup>1</sup> Maine Milk Commission

<sup>2</sup> Federal Milk Marketing Order Region One Monthly Press Releases for Producer Blend Prices

<sup>3</sup> Michele Bennett chart for Dairy Stabilization Task Force 2013 (2000-2010) / USDA ERS data (2011/2012)

<sup>4</sup> US Energy Information Administration

## 2003

- 398 Maine Dairy Farms produced 617,316,748 lbs. of milk. (-5.0% compared to the previous year).
- 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.
- Average ME Minimum Retail Price for 2003 was \$2.41/gal.
- \$3,925,000 in Dairy Relief payments, with an average payment rate of \$0.63/cwt.<sup>5</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. (-1.8% compared to the previous year).
- Average Federal Order Blend Price for 2004 was \$16.49/cwt or \$1.42/gal.
- Average ME Minimum Retail Price for 2004 was \$2.80/gal.
- \$1,188,457 in Tier Program payments.
- Average annual corn price = \$2.06/bushel
- Average annual retail diesel price (New England) = \$1.924
- 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.

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<sup>5</sup> Maine Milk Commission

- 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. (-2.7% compared to the previous year).
- Average Federal Order Blend Price for 2005 was \$15.64/cwt or \$1.35/gal.
- Average ME Minimum Retail Price for 2005 was \$2.85/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. (-3.5% compared to the previous year).
- Average Federal Order Blend Price for 2006 was \$13.53/cwt or \$1.17/gal.
- Average ME Minimum Retail Price for 2006 was \$2.80/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. (+2.2% compared to the previous year).
- Average Federal Order Blend Price for 2007 was \$19.85/cwt or \$1.71/gal.
- Average ME Minimum Retail Price for 2007 was \$3.35/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. (+2.7% compared to the previous year).
- Average Federal Order Blend Price for 2008 was \$18.62/cwt or \$1.61/gal.
- Average ME Minimum Retail Price for 2008 was \$3.57/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. (-1.1% compared to the previous year).
- Average Federal Order Blend Price for 2009 was \$13.01/cwt or \$1.12/gal.
- Average ME Minimum Retail Price for 2009 was \$3.44/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. (-1.4% compared to the previous year).
- Average Federal Order Blend Price for 2010 was \$16.92/cwt or \$1.46/gal.
- Average ME Minimum Retail Price for 2010 was \$3.54/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 disproportionately 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. (+2.0% compared to the previous year).
- Average Federal Order Blend Price for 2011 was \$20.64/cwt or \$1.78/gal.
- Average ME Minimum Retail Price for 2011 was \$3.74/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. (+2.6% compared to the previous year).
- Average Federal Order Blend Price for 2012 was \$18.63/cwt or \$1.61/gal.
- Average ME Minimum Retail Price for 2012 was \$3.64/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 (ie: 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 tier production ranges, the new levels were Tier 1 = \$21.00; Tier 2 = \$20.36; Tier 3 = \$18.01; and Tier 4 = \$17.83.
- Dean Foods - doing business as Garelick Farms - announced that it will close its Bangor, Maine dairy plant early next year. The facility had been processing fluid milk on that location for 110 years.

## 2013

- 287 Maine Dairy Farms produced 603,671,074 lbs. of milk (-0.9% compared to the previous year).
- Average Federal Order Blend Price for 2013 was \$20.25/cwt or \$1.76/gal.
- Average ME Minimum Retail Price for 2013 was \$3.70/gal.
- \$396,200 in Tier Program payments, with an average payment rate of \$0.07/cwt.
- Average ME commodity bulk feed corn price = \$6.91/bushel<sup>6</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>6</sup> USDA - CME announced prices. [https://www.nass.usda.gov/Charts\\_and\\_Maps/graphics/data/pricecn.txt](https://www.nass.usda.gov/Charts_and_Maps/graphics/data/pricecn.txt) Maine bulk feed corn prices are calculated using an average of 12.5% above the USDA announced price.

- H.P. 540 - LD 789 was amended to be *Resolve, To Establish the Task Force on Milk Tier Pricing* – passed & signed June 22, 2013, with a mission to review the operation of the Tier Program and recommend to the next legislature any structural changes. The final report from the 11-member task force was completed on December 4, 2013.

## 2014

- 271 Maine Dairy Farms produced 596,638,850 lbs. of milk (-1.2% compared to the previous year).
- Average Federal Order Blend Price for 2014 was \$24.28/cwt or \$2.04/gal.
- Average ME Minimum Retail Price for 2014 was \$4.07/gal.
- \$0 in Tier Program payments in calendar year 2014.
- Average ME commodity bulk feed corn price = \$4.62/bushel
- The federal MILC program was not renewed in the 2014 U.S. Farm Bill. Congress also repealed the long-standing Dairy Product Price Support Program (DPPSP), which had indirectly supported the farm price of fluid milk at a fixed rate of \$9.90/cwt through government purchases of dairy products from processors. Instead, Congress created 2 new programs that did not require baseline funding: the insurance-like Margin Protection Program (MPP) which required farmers to purchase a hedge against low milk price margins, based primarily on the cost of feed, and the Dairy Product Donation Program (DPDP) which authorized government purchases of dairy products during periods of low producer margins.
- The Legislature took up the issue of allowing raw milk sales in Maine (LD 1786) without being required to get a license from the DACF.
- The Joint Standing Committee on Agriculture, Conservation & Forestry reviewed the “Maine Dairy Task Force on Milk Tier Pricing” Report. No specific actions were taken.
- The Maine Milk Commission authorized the “Cost of Producing Milk In Maine” study (which is done every 3 years). The study will analyze costs from calendar year 2013.
- Oakhurst Dairy, one of the last independent milk processors in the Northeast, was sold to Dairy Farmers of America (DFA), the nation’s largest dairy cooperative.
- MOO (Maine’s Own Organic) Milk Company announced in May 2014 that it was ceasing operation.

## 2015

- 244 Maine Dairy Farms produced 592,124,707 lbs. of milk (-0.8% compared to the previous year).
- Average Federal Order Blend Price for 2015 was \$17.14/cwt or \$1.46/gal.
- Average ME Minimum Retail Price for 2015 was \$3.57/gal.
- \$12,645,134 in Tier Program payments, with an average payment rate of \$2.13/cwt.
- Average ME commodity bulk feed corn price = \$4.17/bushel
- The Maine Milk Commission completed the Cost of Production Study based on 2013 data. The Commission voted in favor of the recommended new numbers (Tier 1 = \$26.25, Tier 2 = \$23.58, Tier 3 = \$23.23, Tier 4 = \$21.47) and keeping the production ranges the same. The major substantive packet for the Chapter 26 Producer Margin rule was submitted to the Legislature, for consideration during the 127<sup>th</sup> legislative session.
- California, which had operated as a state milk marketing order separate from the USDA federal system since 2002, petitioned to rejoin the federal milk marketing system as its own federal order. Hearing were held in the fall and Maine’s dairy farmers testified in favor – as long as California’s addition to the system did not disrupt the movement of milk and the pricing of milk in other parts of the country.



## 2016

- 245 Maine Dairy Farms produced 626,331,030 lbs. of milk (+5.8% compared to the previous year).
- Average Federal Order Blend Price for 2016 was \$15.90/cwt or \$1.38/gal.
- Average ME Minimum Retail Price for 2016 was \$3.73/gal.
- \$20,810,898 in Tier Program payments, with an average payment rate of \$3.31/cwt.
- Average ME commodity bulk feed corn price = \$3.91/bushel
- LD 1580 “*Resolve, Regarding Legislative Review of Portions of Chapter 26: Producer Margins, a Late-filed Major Substantive Rule of the Maine Milk Commission*” is given a public hearing before the Joint Committee on Agriculture, Conservation & Forestry, 127<sup>th</sup> Legislature. LD 1580 passed as an emergency resolve but was amended to reject any changes to the Tier Program payment levels.
- The issue of farmland contamination by PFAS / PFOA chemicals from spreading municipal sludge waste came to light through farmer Fred Stone of Arundel losing his milk market due to a variety of quality and testing issues that were found to be associated with high concentrations of “forever chemical” residuals in his water supply and throughout his land base.
- Maine experienced significant drought conditions throughout the growing season in 2016.

## 2017

- 243 Maine Dairy Farms produced 626,757,655 lbs. of milk (-0.1% compared to the previous year).
- Average Federal Order Blend Price for 2017 was \$17.44/cwt or \$1.49/gal.
- Average ME Minimum Retail Price for 2017 was \$3.75/gal.
- \$12,138,214 in Tier Program payments, with an average payment rate of \$1.93/cwt.
- The Maine Milk Commission authorized the “Cost of Producing Milk In Maine” study (which is done every 3 years). The study will analyze costs from calendar year 2016.
- Average ME commodity bulk feed corn price = \$3.86/bushel<sup>7</sup>

## 2018

- 221 Maine Dairy Farms produced 614,546,969 lbs. of milk (-1.9% compared to the previous year).
- Average Federal Order Blend Price for 2018 was \$16.09/cwt or \$1.39/gal.
- Average ME Minimum Retail Price for 2018 was \$3.73/gal.
- \$19,634,113 in Tier Program payments, with an average payment rate of \$3.19/cwt.
- Average ME commodity bulk feed corn price = \$3.99/bushel
- The federal MPP program (2014 Farm Bill) was not renewed and was replaced by the Dairy Margin Coverage (DMC) Program. The DMC allows milk producers to buy a guaranteed margin for their milk production, ranging from \$4 up to \$9 per cwt for annual production up to 5 million pounds. Any production over 5 million pounds can be covered up to \$8/cwt. Farms must have a production history on record with USDA’s Farm Service Agency (FSA) and pay a \$100 annual registration fee. The \$4 margin coverage (“catastrophic coverage”) is free for all dairy farmers who sign up, but for coverage above that level, farmers must pay increasing premium rates as specified in the statute.

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<sup>7</sup> USDA - CME announced prices. [https://www.nass.usda.gov/Charts\\_and\\_Maps/graphics/data/pricecn.txt](https://www.nass.usda.gov/Charts_and_Maps/graphics/data/pricecn.txt) Maine bulk feed corn prices are calculated using an average of 15% above the USDA announced price.

- The 2018 Farm Bill also established the Milk Donation Reimbursement Program (MDRP), which paid certain costs of fluid milk donations that producers, processors, and cooperatives made to food banks and feeding organizations.
- The 2018 US Farm Bill included a substantial change in the Federal Milk Marketing Order (FMMO) formula for calculating the Class I (fluid) skim milk price. Instead of basing Class I skim on the “higher of” either Class III (block cheese) or Class IV (butter & powder) commodity prices, the Class I skim price to farmers would use an average of Classes III & IV. The processing and retailing sectors of the dairy industry advocated for this change to reduce the volatility of prices from month to month and increase the predictability of future pricing.
- The Maine Milk Commission completed the Cost of Production Study based on 2016 data. The Commission voted in favor of the recommended new numbers (Tier 1 = \$21.64, Tier 2 = \$21.86, Tier 3 = \$17.19, Tier 4 = \$20.06) and keeping the production ranges the same. The major substantive packet for the Chapter 26 Producer Margin rule was submitted to the Legislature, for consideration during the 129<sup>th</sup> legislative session.
- Maine’s Department of Agriculture, Conservation & Forestry developed a PFAS chemical Action Threshold of 210 ppt for milk, in a collaboration between DACF, the Maine CDC, and the Maine DEP.
- The Pineland Farms/Libra Foundation announced that it purchased the former Grant’s Dairy (which had been purchased by Garelick Farms, which was then taken over by Dean Foods). The former fluid milk plant had been closed by Dean Foods in 2013 and completely stripped of equipment. Once renovated, Pineland will move most of its growing cheesemaking activities to the Bangor location. Pineland had been producing cheese at its New Gloucester home farm and sending it to a facility in Mars Hill for cutting and wrapping.
- USDA issued a final decision approving the creation of a new federal milk marketing order #51 to cover California.

## 2019

- 214 Maine Dairy Farms produced 616,931,622 lbs. of milk (+0.4% compared to the previous year).
- Average Federal Order Blend Price for 2019 was \$18.12/cwt or \$1.56/gal.
- Average ME Minimum Retail Price for 2019 was \$3.84/gal.
- \$8,733,053 in Tier Program payments, with an average payment rate of \$1.41/cwt.
- Average ME commodity bulk feed corn price = \$3.75/bushel<sup>8</sup>
- LD 1580 “*Resolve, Regarding Legislative Review of Portions of Chapter 26: Producer Margins, a Late-filed Major Substantive Rule of the Maine Milk Commission*” is given a public hearing before the Joint Committee on Agriculture, Conservation & Forestry, 127<sup>th</sup> Legislature. LD 1580 is passed as an emergency resolution that rejects any changes to the Tier Program payment levels.
- LD 292, “*An Act To Feed Maine's Residents by Allowing Dairy Dealers and Producers in the State To Donate Fresh Milk to Food Banks in the State*” is passed by the 129<sup>th</sup> Legislature. This bill was a response to a change in the 2018 Farm Bill that created a national milk donation program, which on its own violated Maine’s minimum milk pricing laws. The result of a collaborative effort between dairy farmers, processors, Maine state government, and Good Shepherd Food Bank, the bill exempted donations of fresh milk produced

<sup>8</sup> USDA - CME announced prices. [https://www.nass.usda.gov/Charts\\_and\\_Maps/graphics/data/pricecn.txt](https://www.nass.usda.gov/Charts_and_Maps/graphics/data/pricecn.txt) Maine bulk feed corn prices are calculated using an average of 18% above the USDA announced price.

and processed within the State by a dealer or producer dealer to an incorporated nonprofit organization in the State established to reduce hunger and increase food security. The amended bill also states that these donations may only occur if the fresh milk produced and processed within the State to be donated does not have a wholesale or retail market that will provide a higher monetary value to the dealer or producer-dealer. (This exemption only applies when there is an excess of packaged milk with no other wholesale or retail buyer. **This is a very narrow exemption.** Under any other circumstances, milk must be purchased by food pantries at retail minimum prices. This can be accomplished by a cash donation from the processor to the pantry, which then turns around and purchases the milk from the processor. Money must change hands to receive the milk unless under the unique conditions of this exemption.)

- In response to concerns about the presence of PFAS on dairy farms, DACF completed a state-wide retail milk survey in June 2019, testing fluid pasteurized milk that was either bottled in-state or was bottled out-of-state but sold in Maine. Out of 26 regionally diverse samples, all results were below the laboratory reporting level and all but 3 samples did not detect any PFAS chemicals. DACF then proceeded to trace back the sources of the 3 samples that did record measurable PFAS levels, but all were well below the State's 210 ppt threshold. DACF continued to work with any farms to identify areas of concern and facilitated remediation efforts if required.
- Early analysis of the formula change in calculating Class I skim prices in the 2018 US Farm Bill raised concerns about the impact on farmers since a trend of lower payments back to the farm was starting to appear.
- Dean Foods, the largest fluid milk processing company in the US filed for Chapter 11 bankruptcy in November 2019. In New England, Dean Foods had previously purchased Garelick Farms - with plants in CT, MA, and the former Grant's Dairy in Bangor, which was closed in 2015.

## 2020

- 195 Maine Dairy Farms produced 588,127,299 lbs. of milk (-4.7% compared to the previous year).
- Average Federal Order Blend Price for 2020 was \$17.16/cwt or \$1.41/gal.
- Average ME Minimum Retail Price for 2020 was \$3.92/gal.
- \$13,626,153 in Tier Program payments, with an average payment rate of \$2.31/cwt.
- Average ME commodity bulk feed corn price = \$4.20/bushel<sup>9</sup>
- The response to the worldwide pandemic is limiting public gatherings, which causes restaurants and other communal dining facilities to shut down or to pivot to only providing take-out options. Since restaurants are one of the biggest customers for dairy and dairy products, dairy demand for cheese and butter drops dramatically. As more people are spending the majority of their time living and working from home, fluid milk consumption increases for the first time in decades.
- In response to changing global supply & demand dynamics, many dairy co-operatives institute "quota" or "base excess" plans that limit the amount of milk that the co-op will market for each of their member farms. Most plans institute a financial disincentive to produce more milk or ship above their established base level, either through assessing a penalty fee/cwt or by identifying the additional milk as surplus and only paying the lowest possible market price. A large amount of this milk ended up in landfills, manure pits, and other approved waste disposal streams.

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<sup>9</sup> USDA - CME announced prices. [https://www.nass.usda.gov/Charts\\_and\\_Maps/graphics/data/pricecn.txt](https://www.nass.usda.gov/Charts_and_Maps/graphics/data/pricecn.txt) Maine bulk feed corn prices are calculated using an average of 20% above the USDA announced price for 2020-2021.

- The Maine Milk Commission authorized the “Cost of Producing Milk In Maine” study (which is done every 3 years). The study will analyze costs from calendar year 2019.
- In January 2020 Maine Farmland Trust released a Dairy Sector Report as part of their State of Maine Agriculture Report Series. The result of a 2-year effort to interview and research the dynamics in Maine’s dairy farmer community, the report listed 3 major challenges:
  - Rising costs of production and low pay prices;
  - An aging dairy farmer population and uncertain succession options;
  - Demographic shifts have reduced the number of farms and the amount of farmland in Maine’s dairy sector.

The report identified 3 major opportunities for Maine’s dairy industry:

- Continue to support and invest in Maine’s Dairy Stabilization Program;
- Explore the potential for expanded processing capacity in Central Maine;
- Explore the development of regional pricing.
- Maine’s PFAS Task Force released their report “Managing PFAS in Maine”, which both reviewed the activities associated with the identification of PFAS contamination and recommended steps to both prevent future contamination and assist with restorative clean-up efforts.
- Dairy farmers across the US began to speak out against the movement away from the “higher of” formula to an “average” in the calculation of Class I skim prices, known as the Class I mover.
- A civil antitrust action was filed against Dairy Farmers of America (DFA) to prevent their acquisition of certain milk processing facilities in Massachusetts and Wisconsin. The suit alleged that DFA’s ownership of these fluid processing plants in these areas that are already deemed highly concentrated fluid markets would eliminate competition in those regions. In New England, DFA already owned the former Guida Dairy in Connecticut and Oakhurst Dairy in Portland, Maine and the purchase of the Franklin, Massachusetts facility previously operated by Dean Foods would give them control over 50+% of the fluid milk market.
- Maine dairy farms experienced a “flash drought” in 2020, which is a rapid onset of intense dry periods that followed a period of normal to above-normal precipitation.

## 2021

- 181 Maine Dairy Farms produced 568,210,208 lbs. of milk (-3.4% compared to the previous year).
- Average Federal Order Blend Price for 2021 was \$17.88/cwt or \$1.54/gal.
- Average ME Minimum Retail Price for 2021 was \$3.91/gal.
- \$9,586,063 in Tier Program payments, with an average payment rate of \$1.67/cwt.
- Average commodity bulk feed corn price = \$6.48/bushel
- US farmer groups cited the loss of over \$75 million in value due to the change in the Class I skim mover formula that was made in the last farm bill.
- The Maine Milk Commission completed the Cost of Production Study based on 2019 data. The Commission voted in favor of the recommended new numbers (Tier 1 = \$23.05, Tier 2 = \$21.44, Tier 3 = \$20.93, Tier 4 = \$20.21) and keeping the production ranges the same. The major substantive packet for the Chapter 26 Producer Margin rule was submitted to the Legislature, for consideration during the 130<sup>th</sup> legislative session.

- Danone North America announced that they will no longer source any organic milk from the Northeastern US after 2022. Danone had been one of the largest purchasers of organic milk throughout the region.
- Dairy Farmers of America (DFA) – the cooperative that is the owner of Oakhurst Dairy in Portland, ME – issued a letter to all their independent suppliers (meaning farms who are not members of a cooperative, but have a long-standing independent relationship to provide milk to the Oakhurst fluid milk plant), requiring them to sign a Milk Purchase Agreement. This contractual arrangement would be for 12 months at a time and would require farmers to pay the full cost of hauling their milk to Portland, a commitment to meet quality specifications of rBST-free, Grade A, F.A.R.M. compliance, and would be required to conform to any base excess or quota limits as determined by the supply & demand dynamics of the region. This marked a significant change in the operational dynamics between Oakhurst and its long-standing milk suppliers.
- Once again Maine experienced drought conditions, this year exacerbated by “snow drought”, or a reduction in total snowpack and spring runoff that is insufficient to recharge groundwater supplies.

## 2022

- 165 Maine Dairy Farms produced 550,151,781 lbs. of milk (-3.2% compared to the previous year).
- Average Federal Order Blend Price for 2022 was \$25.13/cwt or \$2.16/gal.
- Average ME Minimum Retail Price for 2022 was \$4.55/gal.
- \$0 in Tier Program payments in calendar year 2022.
- Average ME commodity bulk feed corn price = \$6.76/bushel<sup>10</sup>
- The 130<sup>th</sup> Legislature reviewed the Chapter 26 Producer Margin rule and the Cost of Production Study through LD 1805. The Joint Committee on Agriculture, Conservation & Forestry approved the adoption of new Tier support levels (Tier 1 = \$23.05, Tier 2 = \$21.44, Tier 3 = \$20.93, Tier 4 = \$20.21). The resolution was passed by the House and placed on the Senate Appropriations Table for funding. When the Legislative session ended on May 9, 2022, the resolution was still “on the Table”, and died on adjournment. According to the rules of government major-substantive rulemaking, this constituted a “failure to act” on the measure by the Legislature, which gave tacit approval to update the Tier support levels for the first time since 2012. The new levels went into effect on August 1, 2022.
- The 130<sup>th</sup> Legislature directed the Department of Agriculture, Conservation & Forestry to develop a study plan relating to PFAS contamination in the agricultural sector. Several measures were passed to set up resources to conduct this work and assist Maine farms. This included the passage of a \$60 million fund to help alleviate the economic impact of PFAS contamination on Maine farms, either by assisting with the costs of testing and remediation, or by making indemnity payments to farmers who were unable to earn a living as a result of PFAS contamination of their land, water, or saleable products.
- Maine’s drought continued through this growing season. While certain periods of time saw substantial rainfall, the intensity of the rain in a short period of time resulted in erosion and periods of flooding, but was not sufficient to penetrate the ground and replenish the aquifers.

## 2023

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<sup>10</sup> USDA - CME announced prices. [https://www.nass.usda.gov/Charts\\_and\\_Maps/graphics/data/pricecn.txt](https://www.nass.usda.gov/Charts_and_Maps/graphics/data/pricecn.txt) Maine bulk feed corn prices are calculated using an average of 18% above the USDA announced price for 2022.

- 145 Maine Dairy Farms produced 538,315,281 lbs. of milk (-2.2% compared to the previous year).
- Average Federal Order Blend Price for 2023 was \$19.83/cwt or \$1.72/gal.
- Average ME Minimum Retail Price for 2023 was \$4.18/gal.
- \$3,771,041 in Tier Program payments, with an average payment rate of \$1.34/cwt.
- Average commodity bulk feed corn price = \$5.95/bushel<sup>11</sup>
- \$2,000,000 (\$1.5 mil in LD 258 plus \$500,000 in LD 384) in Maine Dairy Disaster payments (due to high feed/fuel costs and \$0 Tier Program payments in calendar year 2022) to be paid to active Maine dairy farmers based on their total milk production in calendar year 2022, capped at a maximum payment of 5 million pounds of production. Since neither bill passed as an emergency measure, the funding was not available until October 26, 2023, and farmers received their payments in November 2023.
- The USDA Agricultural Marketing Service announced a call for proposals for changes to the Federal Milk Marketing Order system, with hearings beginning in August 2023. Included in the submissions was a recommendation to return to the “higher of” in the formula for the Class I mover to return more of the value to the farms.
- Under its 3-year schedule, the Maine Milk Commission was preparing to authorize the latest “Cost of Producing Milk In Maine” study for calendar year 2022. After discussions with the dairy industry and DACF, the Legislature appropriated \$50,000 in FY 2023 to allow the Commission to “fast track” the study, and to have the results available for review by the 131<sup>st</sup> Legislature during their 2<sup>nd</sup> Regular Session in January 2024. The study was completed by November 2024 and was given a public hearing. The Commission voted in favor of the recommended new numbers (Tier 1 = \$28.90, Tier 2 = \$29.17, Tier 3 = \$27.61, Tier 4 = \$26.87) and submitted the major substantive packet for the Chapter 26 Producer Margin rule to the Legislature.
- The weather reversed the drought trend but provided more water than could be absorbed, leading to a soggy growing season, resulting in minimal yields and poor-quality forage.

#### 2024 (\*as of May 31, 2024)

- 141 Maine Dairy Farms produced 178,792,544 lbs. of milk in the first 5 months of 2024 (-1% compared to the previous year).
- Average Federal Order Blend Price as of April 2024 = \$19.73/cwt or \$1.70/gal.
- Average ME Minimum Retail Price through May 31, 2024, is \$4.12/gal.
- \$1,510,237.95 in Tier Program payments as of May 14, 2024
- Average ME commodity bulk feed corn price as of March 31, 2024 = \$5.21/bushel
- The Joint Committee on Agriculture, Conservation & Forestry held a public hearing on LD 2188 – “Resolve, Regarding Legislative Review of Chapter 26: Producer Margins, a Major Substantive Rule of the Maine Milk Commission” on February 7, 2024. Following several work sessions, the Committee voted to amend the proposed Tier support levels to reflect 25% of the difference between the current levels in place and those recommended by the latest Cost of Production Study. The Tier support levels were amended to be Tier 1 = \$24.51, Tier 2 = \$23.37, Tier 3 = \$22.60, Tier 4 = \$21.88. The resolution was passed unanimously out of the Committee and went on to receive approval in both the House and Senate, after which LD 2188 was placed on the Special Appropriations Table. While there was some debate about whether or not to adopt those numbers or further adjust them, ultimately the ACF Committee’s

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<sup>11</sup> Maine bulk feed corn prices are calculated using an average of 16% above the USDA announced price for 2023.

recommendation was reflected in the final Supplemental Budget passed (LD 2214). LD 2188 went on to be enacted and signed by the Governor. After the Milk Commission gave a final vote of approval to the amended numbers, the Chapter 26 rule was accepted by the Secretary of State's Office. The Tier support levels will be adjusted to Tier 1 = \$24.51, Tier 2 = \$23.37, Tier 3 = \$22.60, and Tier 4 = \$21.88 effective July 1, 2024.

- LD 2229 (the “change package” to the Supplemental Budget) included authorization for a one-time State Dairy Disaster payment of \$3,000,000 to be paid to active Maine dairy farmers based on their total milk production in calendar year 2023, capped at a maximum payment of 5 million pounds of production. Since LD 2229 did not pass as an emergency bill, the funding will not be effective until August 9, 2024, and farmers should receive their payments by the end of August 2024.
- USDA Federal Milk Marketing Order hearings concluded in February 2024. (A return to the “higher of” pricing formula for Class I skim is one of the items that was discussed in the hearing and could be included in USDA’s proposal.) Follow-up briefs from participants were due in April 2024. USDA AMS has until July 2024 to review all submissions & testimony from the hearing and make a policy recommendation for changes to the national dairy pricing formulas and adjustments within the Federal Milk Marketing Order system. The public will be given a chance to comment on the USDA recommendations before the USDA makes a final review and sends the package of proposals to the dairy industry for an up-or-down vote. A “yes” vote is in favor of the final package of changes as presented by USDA. A “no” vote results in a rejection and dissolution of the entire Federal Milk Marketing Order system. If approved, the changes to the Order(s) will go into effect in mid-to-late 2025.
- Congress has made some movement towards the completion of a new US Farm Bill. Early documents released from both the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition & Forestry did not contain language to return to the “higher of” formula in the Class I mover. However, after initial votes, the House version did include the corrective language. Several bipartisan letters have been circulated highlighting how US dairy farmers have lost more than 1.1 billion dollars in Class I skim revenue over the last 5 years due to the formula change. The Farm Bill proposal released by the Senate Agriculture Committee’s Republican caucus includes a return to the “higher of” in the Class I mover formula, updates the production history, and maintains the premium discount in the DMC program, as well as making the Dairy Forward Pricing Program (DFPP) permanent. The Farm Bill proposal released by the Senate Agriculture Committee’s Democratic caucus includes reauthorization of the Dairy Forward Pricing Program (DFPP), directs USDA to improve the collection of organic dairy market data and to conduct mandatory surveys of dairy processors every 2 years to estimate the average costs of manufacturing dairy products, and increases the Tier 1 base from 5 million to 6 million for the Dairy Margin Coverage (DMC) program, but does not make any recommendation on the Class I mover formula.