**01 DEPARTMENT OF AGRICULTURE, CONSERVATION AND FORESTRY**

**015 MAINE MILK COMMISSION**

**Chapter 29: DEALER MARGINS**

**DEALER MARGINS 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | **Plastic Gallon** | | | **Plastic ½ Gal** | | **Plastic Qt** | | **20-Qt Bulk** | **10-Qt Bulk** | |  | |
|  | |  | |
|  | | | | | | | | | | | |
| **Plant Costs** | |  | |  | | |  | |  |  | |  | |
|  | Processing cost | $0.8556 | $0.4671 | | | $0.3608 | | $7.3218 | | | $3.1301 | |  |
|  | Delivery cost (drop-metro) | $0.4520 | $0.2260 | | | $0.1130 | | $2.2602 | | | $1.1301 | |  |
| **Total plant costs** | | $1.3076 | $0.6931 | | | $0.4738 | | $9.5820 | | | $4.2602 | |  |
| **Maine Milk Commission Fee Adjustment** | | $0.0022 | $0.0011 | | | $0.0005 | | $0.0108 | | | $0.0054 | |  |
| **Dealer Margin with 2.5% rate of return on operating costs** | | $1.3425 | $0.7116 | | | $0.4862 | | $9.8326 | | | $4.3722 | |  |
| **Milk Cost**  **2.5% Rate of Return on Milk Cost\*** | | $2.0213  $0.0505 | $1.0170  $0.0254 | | | $0.5024  $0.0126 | | $10.1848  $0.2546 | | | $5.0981  $0.1275 | |  |
| **Into Store Cost** | | $3.4143 | $1.7540 | | | $1.0012 | | $20.2720 | | | $9.5978 | |  |

\*(The margin for the 2.5% rate of return on milk costs would vary monthly dependent on the monthly price of milk.)

STATUTORY AUTHORITY:

7 M.R.S.A. §2954

EFFECTIVE DATE:

August 15, 1994 (Order 94-8 DM)

REPEALED AND REPLACED:

July 19, 1997 (Order 97-08 DM)

April 3, 2001 (Order 01-015 DM)

May 10, 2003 (Order 06-03 DM)

June 18, 2004 (Order 07-04 DM), filing 2004-212

AMENDED:

February 11, 2005 – filing 2005-47

November 18, 2005 – filing 2005-460

May 18, 2007 – filing 2007-185

June 20, 2008 – filing 2008-255

CORRECTIONS:

February, 2014 – agency names, formatting

REPEALED AND REPLACED:

December 26, 2015 – filing 2015-254

AMENDED:

January 15, 2019 – filing 2019-008

REPEALED AND REPLACED:

March 19, 2022 – filing 2022-038

**Appendix A**

**MILK PRICING BY THE MAINE MILK COMMISSION**

In 1937, the federal government began regulating milk pricing in southern New England (the regulated area does not include Maine), and continues to the present setting minimum prices on all classes of milk. Two years earlier, in 1935, the Maine Milk Commission (Commission) was established. The Commission regulates milk prices by using federal prices as a base on to which a premium is added to adjust Maine prices to those prevailing in southern New England. Maine’s regulations cover the price paid by dairies per hundred pounds of milk delivered by producers, the minimum margin per gallon that dairies must receive for processing and delivering milk, and the minimum price per gallon paid for milk by consumers at retail stores.

The Commission establishes minimum milk prices, monthly, for milk sold in gallons (the price also applies to quarts through 20-quart containers). The price per gallon established by the Commission is based on the Federal Market Administrator’s price announcements; however, the Commission has the authority to add special premiums to the price based on market conditions in southern New England.

**The producer milk price** begins at the Federal Market announced minimum price for milk sold to a dairy. Pricing is based on 100 pounds (CWT) of milk with standards of 3.5 % butterfat, 2.99 % Protein and 5.69 % Other Solids.

The producer is paid for his milk produced in the calendar month based on butterfat, protein, and other solids contents plus a Producer Price Differential (PPD). (The PPD is sort of a clearinghouse method to distribute revenue left over in the federal milk pool after the producers’ class obligations are set aside). The Commission adopts these prices monthly and, in addition, requires payments be made to producers for any premiums added by the Commission. To this base minimum payment are added any premiums and other distributions paid by the handler and, in total, becomes the producer’s pay for milk produced during that month.

**Minimum prices for processors** (dairies) are established to reflect the lowest price at which milk purchased from Maine producers at Maine minimum prices can be received, processed, packaged and distributed to retailers within the state at a just and reasonable return. To arrive at the dairy processing cost, also known as the dealer margin, the Commission conducts a cost study for the operation of hypothetical model milk processing facilities. Using the models and current cost data for supplies, labor, electricity, trucking, etc., a theoretically, lowest achievable price is calculated, which is the theoretical price at which a dairy should be able to process milk from raw product to finished product and deliver it to the retailer. The Commission adjusts the theoretical price to take into account Maine conditions to arrive at a proposed processor margin. The Commission conducts a public hearing on the proposed processor margin and after considering the input of processors, any other interested parties, and the public, the Commission adopts a rule establishing the processor margin. This margin is the return that processors are guaranteed until a new study is completed. Processors may obtain a higher price for a gallon of milk from retailers, but the price paid by retailers cannot be below the minimum processor margin. By statute, a cost study is required every three years.

**Retail minimum prices** paid by consumers are based on the minimum processor margin and a reasonable rate of return to the retailer. To arrive at the cost of selling milk at the retail level, the Commission conducts a cost study of Maine supermarkets. The cost study identifies methods currently in practice for the delivery of milk to Maine supermarkets and for in-store handling and selling of milk. It also considers changes that could be made to make this process more efficient. The Commission conducts a public hearing on the proposed retail margin, and after considering the input of retailers, any other interested parties, and the public, the Commission adopts a rule establishing the retail margin. As with the dealer margin, the retail margin does not change until a new study is completed and a public hearing is held to receive comment on the margin.