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Maine's Dairy Relief Program¹

By Tim Drake

Dairy farming is a part of life in Maine and remains a central element of the state's character and economy. There are currently 304 farms ranging in size from 10 to 1,700 milking cows. Maine's dairy industry generates more than \$570 million dollars each year for the state's economy; contributes more than \$25 million dollars to the state and municipal government in taxes; and provides more than 4,000 jobs for Maine people. Maine dairy farms are small businesses that are dependent on other businesses such as grain dealers, equipment dealers, milk truck haulers, veterinarians, cattle dealers, and other cattle and dairy specialists. These farms represent 700,000 acres of fields, pastures, crop lands, and small woodlots in Maine, which is extremely important to the state's number one industry, tourism, and are needed for outdoor sports activities and open space.

The cyclical dynamic of dairy pricing on a national scale has become more erratic and extreme, causing financial stress throughout the industry. Coming off historic low prices in 2002–2003, dairy prices to farmers nationally rose significantly over 2004–2005, only to drop drastically to new historic sustained lows in 2006, 2008, and 2009. This is because of a failed federal milk-pricing policy that Congress and USDA need to modify. Currently, changes to milk-pricing policy are being proposed on a national level, from the National Milk Producers Federation's "Foundation for the Future" proposal to the Maine Dairy Industry Association and Dairy Producers of New Mexico proposal for a Competitive Price Formula to replace Class III (cheese) end-product pricing formula.

Maine has continued to lose farms, but at a slower rate than the rest of the Northeast due to help from its price-stabilization program (Table 1). Maine's 304

dairy farms in 15 counties represent a decline since 2004 of 78 farms. From 2000 to 2004, Maine lost 106 dairy farms. Currently there are close to 32,000 cows in Maine making 590 million pounds of milk per year (69 million gallons), a decline of 1.4 percent since 2004. As noted Maine dairy farms range in size from 10 to 1,700 cows, and a typical farm will have an equal number of younger replacement animals to milking animals. The most common breed of dairy cow in Maine is the Holstein. Other popular breeds include Jersey and Guernsey. Sale of excess animals is an important source of dairy farm income.

TABLE 1: **Northern New England Dairy Farm Numbers Comparison**

	2004	2010	% Loss
Maine	381	306	-19%
Vermont	1,460	700	-52%
New Hampshire	241	130	-46%

MAINE DAIRY STABILIZATION PROGRAM

The Maine Dairy Relief Program commonly known as the "tier program" was established in 2004, with the passage of LD 1945. The intent is to provide economic relief to Maine dairy farmers in times of low milk prices. The tier program provides a payment from the state's General Fund directly to farmers when the amount that they receive from the marketplace for their milk falls below their cost of production. The target price for a producer depends on which of three production ranges the producer is in. All producers begin in the first level of production beginning on June 1 each year. Some move into the second, third, and fourth levels of production fairly quickly, while others never get out of the first level. Each level (tier) has a different target price. To fund the program, milk-handling-fee proceeds are collected by the Maine Revenue Service and deposited in the General Fund, from which payments are disbursed.

In 2004, there were 393 dairy farms in Maine. Under this program, Maine dairy farms were paid \$13.9 million from 2004 to June of 2007. In July

MAINE'S MODEL DAIRY INDUSTRY SUPPORT PROGRAM

By Walt Whitcomb, Commissioner,
Maine Department of Agriculture

The Maine tier program is viewed by many agricultural interests as a national model for public support of a state dairy industry. The late Dr. Fred Hutchinson, former president of the University of Maine, chaired the forward-thinking advisory committee that authored legislation to temper prices paid to dairy farmers when the national price structure drops below costs of production. In essence, the state captures a small portion of the margin between the price the dairy farmer receives and the price the consumer pays, then disperses the dollars when the farmgate price drops nationally and regionally.

We are able to accomplish this task while other states have not been successful because Maine has a functioning Maine Milk Commission that reviews and establishes milk prices, and Maine policymakers along with Maine's milk processors, retailers, and consumers were and are willing to participate in an effort to support a local supply of food. Along the way Maine has kept three major processing plants, with their associated jobs, and a significant number of active dairy farms. With a level of stability in the price received for milk, dairy farms, with another interested generation, are making long-range capital investments. Because Maine has showed a willingness to make funds available to stabilize erratic national milk prices, the Maine dairy industry has the potential to grow.

2007, the target prices and tier levels were changed to reflect higher costs of production. At that time, there were 342 dairy farms. Since then, \$30 million has been paid to dairy farms in the stabilization program.

The tier program is designed to protect farmers from accruing insurmountable amounts of debt during years of financial difficulty. Because milk is a 24-hour-a-day, 7-day-a-week, 365-day-a-year industry with a perishable product produced by animals that need regular care and feeding, this price protection is critical to the continued sustainability of the Maine dairy industry. As long as the federal pricing system continues to fail to provide an adequate price for the milk produced, the tier program is helping to ensure

a consistent supply of quality milk and the economic activity associated with milk production in Maine.

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

ENDNOTE

1. Portions of this article were previously published in a 2009 report from the Governor's Task Force on the Sustainability of the Dairy Industry in Maine (www.maine.gov/agriculture/mmc/documents/MicrosoftWord-2009Dairy_Task_Force_Report12-1-09_2_.pdf)

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