



Maine  
Dairy  
Industry  
Association

December 8, 2005

Dana Coale, Deputy Administrator  
USDA-AMS-Dairy Programs  
1400 Independence Avenue, SW  
Washington, DC 20250-0225

Dear Deputy Administrator Coale,

The Maine Dairy Industry Association (MDIA) represents all the dairy producers in the state of Maine. Though Maine is not officially part of the Federal Order system, virtually all our producers fall under the pricing and pool system set by the Federal Order through the plants who are the processing recipients of Maine milk.

MDIA is aware of the request made by Agri-Mark Dairy Cooperative and supported by several other cooperatives and processing entities. While we recognize and understand their need to recoup some of their costs and acknowledge their right to petition the Federal Order to make changes to accomplish this goal, we are greatly concerned that the mechanism being suggested will result in a fairly substantial reduction in blend prices for the producers.

Within Federal Order One, and especially within New England, many processors are having a difficult time securing enough milk to meet the demand. This is especially true in Class I plants, who are the recipients of an overwhelming majority of Maine's raw milk. In Maine we have not seen any decreases in the demand for milk, nor have we seen a reduction in the premium structure.

Our organization does represent producers who are members of Agri-Mark. MDIA is acutely aware of the financial pressures being experienced by their processing divisions and those of other cooperatives. At the same time energy, insurance and labor costs have been increasing for processors, they have also increased for producers. While the cooperative's farmer members may be liable for the financial losses associated with a difficulty in recouping processing expenses, all dairy producers are squeezed by the minimum pricing and pooling system that severely limits their options and ability to recover their costs.

Unlike the processors, because of Federal Order minimum pricing producers are not able to increase their price to the buyers of their milk in order to cover increasing input costs. The processors should be able petition to change the order to recover their costs, but should not be allowed to do so at the expense of the producers, which is what is being requested through this proposal.

The Maine dairy industry generates \$570 million annually to the State's economy. Maine's dairy farmers, processors and agri-businesses combined also contribute over \$25 million per year in state

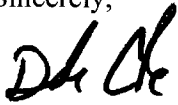
and local taxes – including almost \$10 million in property tax revenues to support local rural communities. The industry provides jobs for almost 4000 Maine people that generate earnings of nearly \$150 million each year.<sup>1</sup> In addition, we maintain approximately 250,000 acres of open farmland in Maine that is a key component of the State’s number one industry – tourism – by providing access to our land to support snowmobiling, hiking, cross-country skiing, hunting and fishing and many other economic enterprises.

The Maine Dairy Industry Association represents 360 small businesses (dairy farms) that produce 70 million gallons of fresh, quality, local milk each year.<sup>2</sup> The producers support a broad range of services that support Maine’s entire agricultural sector. Combined they represent the economic engine that maintains our rural communities. The Federal milk order program recognizes the importance of small businesses and their significance in maintaining a consistent and local food supply through the application of the Regulatory Flexibility Act. Dairy producers should be given consideration for their need to recover costs just as much as a processing plant.

MDIA supports a change in the price discovery system that does not cover the costs of the processing sector by shortchanging the producer sector. Whether that could be accomplished by modifying Agri-Mark’s proposal to include a means of protecting the Federal Order prices to dairy farmers through some mechanism to channel money down more directly from the consumer at the retail level, the value (and subsequently the price) of raw milk should not be devalued in order to ensure that processing facilities to achieve profitability. The Federal Order needs to weigh the needs of all parts of the industry.

Thank you for considering these comments as you consider the proposal and move toward a hearing process. MDIA will continue to try to work with all segments of the industry to ensure a strong and secure supply of milk and milk products.

Sincerely,



Dale Cole  
President  
Maine Dairy Industry Association

- cc: Mr. Erik Rasmussen, Market Administrator, Northeast Milk Marketing Area  
Mr. Stan Millay, Executive Director, Maine Milk Commission  
Mr. Robert Wellington, V.P. for Economics, Communications & Legislative Affairs,  
Agri-Mark Dairy Cooperative  
U.S. Senator Olympia J. Snowe, Maine  
U.S. Senator Susan M. Collins, Maine  
U.S. Representative Thomas Allen  
U.S. Representative Michael Michaud

<sup>1</sup> Data from “The Impact of the State’s Dairy Industry on the Economy of Maine”, May 2004.

<sup>2</sup> Information collected by the Maine Milk Commission, as of January 1, 2005.