

Minutes of November 21, 2008

Maine Milk Commission Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the November 21, 2008 meeting were distributed to Commission members, intervenors and other interested parties October 17, 2008 and sent to the Secretary of State's Office for posting on October 29, 2008.

Commission Present: Colon Durrell, Richard Cook, John Joseph Jr. and Mark Hedrich, *ex-officio* and Chair Michael Wiers

Commission Absent: None

Department Officials: None

Staff Present: Tim Drake, Program Coordinator, Audrey Shorty, Resource Administrator and Carol Gauthier, Office Associate

Legal Counsel: Amy Mills

Intervenors Present: John Blake, H.P. Hood, Inc., Thomas Brigham, Oakhurst Dairy, Dale Cole, President of the Maine Dairy Industry Association (MDIA) and Marc Lessard of Hannaford's.

Others Present: Fred Hardy from MDIA; Chuck Farrand dairy farmer; Lisa Bragg from the University of Maine, and Ruby Hardy public attendee.

Chair Michael Wiers called the meeting to order at 1:35 pm.

Agenda Item 1: Minutes: John Joseph made a motion to accept the minutes of the October 17, 2008 meeting. Richard Cook seconded. Motion passed 4-0.

Agenda Item 2: Amy Mills, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices:

Tim Drake reported that there is a prevailing premium of \$1.10/cwt on Class I for November 2008 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.43/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect. Federal Order One Class I price for October is \$18.68. He explained that a schedule was prepared using this information plus a producer cost of production adjustment (COPA) of \$1.35/cwt. He stated that this price schedule was for information purposes and that the Commission was not bound to it, and should make their pricing determination after hearing testimony.

Bob Wellington handed out the Agri-Mark price and market report to the Commission members. He stated that cheese prices have held up but class I cheese prices will fall after January 2009. He also stated that butter prices were strong but would come down after Christmas, while NFDM prices were at the bottom and whey prices were below the cost of production. He felt that there is approximately 2% more milk being produced than can be consumed in the country and that demand will go down 1 to 2% with a corresponding 30 to 40% drop in price on class I milk.

Dale Cole stated that this was a producer problem and wondered how the Chinese situation would affect the export and import markets.

Bob Wellington responded by saying that exports have not increased and consumption of dairy products in China had dropped by 50% due to a fear of dairy products by the Chinese population. He thought that this could result in a 5 to 10 year setback for dairy consumption in China.

John Blake offered that he thought that China would not decrease production and therefore would look to sell the excess on the world markets.

John Joseph moved to adopt the price schedule #12-08 with the producer margin at \$1.35. Richard Cook seconded this motion.

Motion passed 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for October 2008 which included prices for Augusta, Bangor/Brewer, Auburn and Portland.

Agenda Item 5: Next Scheduled Meetings:

- December 19, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- January 13, 2009, Tuesday 10:30 a.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- January 23, 2009, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- February 20, 2009, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- March 20, 2009, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed the latest budget summary.
2. **Cost of Production Study:** Lisa Bragg offered an overview of where she is in this study and provided a preliminary report. She answered questions pertaining to the collection of data and reporting methods. Bob Wellington asked if it would be acceptable for him to share this report with UCONN. Lisa asked to have personnel from UCONN contact her directly for information. A January public hearing will be arranged for this report.

3. **Milk Promotions:** Tim Drake outlined for the Commission several milk promotions being proposed by Dean Foods and one by HP Hood. One proposal from Dean Foods was vetted by legal counsel and approved. The other proposals were deemed to be in violation of MMC rules. The proposal from Hood's involved brand specific couponing of a specialty product, title 7 specifically prohibits brand specific couponing and Tim Drake asked the Commission for direction on how they wanted to deal with this type of request in the future. John Blake explained Hood's position by saying that they really needed to promote these products in this manner in order to compete with all the other products in the market place. Colon Durrell asked why Hood's couldn't run a sale on the product instead of couponing. John said that couponing had been proven to be a better marketing tool. He further stated that to sell the product below Maine minimum prices would be selling the product at a loss. Amy Mills stated that our statute prohibits brand specific couponing of milk. Colon Durrell stated with that in mind there was only one correct answer and that was that this type of promotion was not acceptable. Chairman Wiers said that we may have to look at the statute to allow non minimum price destructive couponing and asked staff to get input from intervenors on this subject.

4. **Dealer Cost and Accounting System:** Nothing to report.

Bob Wellington then addressed the Commission in reference to proposing a new Dairy Compact. He felt that the conditions were right for a new look at this and that the political climate was now favorable. Fred Hardy and Dale Cole agreed but stated that all dairy products needed to be included in any new Compact.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: Recessed at 2:55 pm November 21

Tim Drake, Maine Milk Commission