

Legislative Study/Review Expanding the Milk Handling Fee to Sales of All Dairy Products

LD 1755 (124th Legislature)

Draft Report Language

December 2, 2010

There is a documented disconnect between the retail prices of milk and other dairy products, such as cheese, butter, yogurt, ice cream, sour cream and other products and the prices that are paid to the producers of that milk. The federal system used to calculate producer prices has not adequately reflected the full value of the products at a consumer level. In an effort to mitigate the negative impact of this situation, the State of Maine has instituted a series of measures to try to address the disparity between the two ends of the dairy food chain.

This committee recognizes that the pricing system for milk in all its processed forms is not working at a sustainable level for all sectors of the dairy industry.

Currently there is a state Handling Fee assessed on fluid milk that is applied evenly to all milk that is sold in Maine. However, only 40% of the milk produced in Maine goes directly to the fluid milk market within Maine. The other 60% is directed to processing plants outside the state or managed by cooperatives that juggle loads of milk to various processors throughout the region on an as-needed basis. A majority of the milk that is produced on Maine farms is not being impacted by the Handling Fee and is left uncorrected in the market.

This committee acknowledges that less than half of the milk produced in this state is being subjected to the current Handling Fee.

The challenge in reviewing this issue is that while there is adequate information to track production, sales and consumption of Class I fluid milk within Maine's borders (as a result of the authority of the Maine Milk Commission, who has the statutory authority to regulate the prices related to fluid milk sales in Maine), no such entity or mechanism exists for milk that enters to market to become Class II, III, or IV products, or milk that leaves the state.

This committee finds just cause to continue to study and explore ways to track and assess all of the milk being produced in Maine to determine its path of final disposition.

The study committee discovered that there is a significant gap in available information regarding sales of Class II, III and IV dairy products in the state of Maine. While some numbers are available on a regional or national level, very little public information was able to be gathered in the limited time available to the committee related to consumer level sales of these products. As a result, the committee does not have enough information at this time to make a recommendation regarding the placement of a Handling Fee or any other type of market-correction assessment on Class II, III, and IV products in the state. While the issue continues to be one of great concern to all sectors of the dairy industry, the absence of detailed data makes it difficult to full assess the financial impact of any measure, both on the state and on the industry itself.

This committee recognizes the need to gather more information regarding the sales and consumption of Class II, III, and IV dairy products in the state of Maine. Efforts to obtain such information would be beneficial for future policy discussions.

At this time, the committee cannot make a recommendation regarding the placement of a handling fee or other mechanism on Class II, III and IV products at the wholesale or retail in the state of Maine. The committee recommends that this issue be reviewed periodically as new information becomes available and in conjunction with other discussions of dairy pricing policy.