Maine Dairy Farming in a COVID-19 World: An Overview Of Today’s Challenges with an Eye Towards the Future

Updated June 4, 2020

The appearance of COVID-19 and the resulting public health measures to prevent its spread have changed almost every aspect of the daily lives of Maine citizens. On the farm, the cows don’t know what coronavirus is, so they keep eating, drinking, and providing milk in the same way they did before term “social distancing” existed. Spring has arrived in Maine, and with it comes the pressure to prepare for planting feed crops, fertilizing those crops with nutrient material that has been piling up since the ground froze late last year, and preparing to harvest and store the crops that will feed cattle well into next year. **This is a farmer’s most expensive time of the year due to cropping expenses, outdoor construction/repair projects, and challenges in finding enough labor accompanied by greatly increased wage/benefits costs.**

### MAINE DAIRY DEMOGRAPHICS

Maine’s **242 205**

1 dairy farms range in size from operations milking as few as 2-3 cows to as many as 1700 cows and utilize both conventional and organic production methods. With exception of 3 not-for-profit educational farms, **all of Maine’s dairy farms are family owned and operated.**

In 2019 Maine dairy farms produced 617 million pounds of milk, the equivalent of 72 million gallons. The majority of the milk is transported to 4 major fluid processing facilities within the state to be bottled and sold throughout the greater New England region. In addition, Maine had almost 150 small dairy processors, producing butter, ice cream, cheese, yogurt, and fluid milk. These are predominantly value-added sidelines that have evolved as dairy farmers seek new markets and outlets for their high quality milk, as well as seeking to capture a greater percentage of the consumer dollar than the federal order system for pricing milk returns to the dairy farmer.

Dairy farms are land intensive operations. Dairy farms maintain close to 700,000 acres of open space and wooded land **extending across all corners of Maine.** This open land is a key component of our number one industry – tourism. Not only do open fields provide wildlife habitat and opportunities for hunting and fishing, they support Maine’s snowmobile industry and provide areas for cross-country skiing, hiking and other recreational activities. Most importantly, open land represents the very character of Maine – the rural rolling grassy hills dotted with grazing cows and working farms. These are the images that attract tourists to Maine.

Maine is **unique in that the amount of milk produced on Maine dairy farms is roughly equivalent to the amount of total dairy products that Maine people consume.** Since Maine has only commodity level processing facilities for fluid milk, most other dairy products need to be processed outside of the state and then returned through stores & markets. Maine does have a flourishing artisan dairy sector, but the scale is very small with limited infrastructure to accommodate larger scale processing of cheese, butter, yogurt, ice cream, and other dairy staples.

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1 Updated from Maine Milk Commission data as of May 21, 2020 meeting. The previous number was as of March 1, 2020.

Maine’s dairy industry represents a significant economic force in the state, generating $570 million annually to the State’s economy, contributing over $25 million per year in state and local taxes, and providing over 4000 jobs for Maine people with a payroll of over $150 million a year. The economic activity generated through dairy farming rivals that of the potato industry in leading all other sectors of Maine agriculture. Because dairy farms can be found scattered in almost every county and corner of the state, the significance of its contribution to Maine’s rural economy is vast and critically important to Maine’s long-term economic viability.

The biggest frustration for dairy farmers is that they do not know what they will be paid for their milk until 30-45 days AFTER the milk has been shipped, processed, and probably consumed. The pricing formula is a complex system of calculations based on the trading/sales of storable dairy products (cheese, butter, powder). However, Maine milk primarily is bottled and sold in fluid form for drinking. The US is divided into 11 orders, each of which calculates the prices for the various regions of the country. Maine is actually not part of any of the federal orders, however Maine farmers get paid the Northeast order blend price because the vast majority of milk produced in Maine goes to our 2 fluid milk plants, which do fall under the jurisdiction of the federal order because they sell more than 25% of their product into the other New England/Northeast states that are part of the Northeast Federal Milk Marketing Order One.

Because of the federal pricing drives the price farmers are paid for their milk, most dairy farmers are limited in the tools at their disposal to increase the income side of their business. Intensive consolidation among US dairy processors, as well as the growth/mergers of major retail customers have greatly limited competition for places where Maine farmers can sell their milk. This has severely limited a dairy farmers’ options to increase their income. When looking to financially & structurally incorporate a “next generation” of dairy farmers into an existing operation, farmers must choose between one of two options: (1) increase the size of their herd to produce more milk to gain more income (provided that their current processor or cooperative marketer will accept additional milk supplies), or (2) diversify their dairy operation to accommodate an additional income stream to augment milk sales to commercial fluid processors.

PRE-PANDEMIC DAIRY MARKET CONDITIONS

Prior to April 2020 (pandemic social distancing), Maine dairy farmers were producing an average 50 million pounds of milk per month. Of that total, 40 million pounds of our farms’ milk production regularly supplied Maine’s 4 fluid milk processing plants (Oakhurst Dairy and H. P Hood in Portland, Houlton Farms Dairy in Houlton, and Smiling Hill Farms in Westbrook). Maine’s organic dairy farms produce about 3 million pounds of milk per month which must travel out of state for processing because there are no organic processing plants in Maine. The remaining 7 million pounds of Maine produced milk supplies Maine’s artisan cheese-makers, local ice cream plants, and is shipped to out-of-state processing plants, primarily the fluid bottling plant located in Franklin, MA that was recently owned by Dean Foods and sold as part of a national bankruptcy sale to Dairy Farmers of America (DFA), who also own the Oakhurst plant. Recently, the US Department of Justice in conjunction with the Attorney General of Massachusetts, has objected to DFA’s purchase of the Franklin plant due to concentration of trade issues, and has recommended that DFA immediately find another buyer/operator for the plant.

The start of 2020 was filled with optimism for dairy farmers in Maine and across the country. Dairy farmers had been experiencing over 5 years of significantly depressed prices, exacerbated by negative impacts from challenging trade negotiations and other geo-political dynamics. Maine, being a relatively small dairy state on the US market and positioned at the “end” of the geographic “pipeline for milk as well as supplies necessary for dairy farming, is greatly impacted by supply-and-demand dynamics influenced from larger dairy areas of the US. Maine farmers desperately needed a good income year. By all forecasts, 2020 was shaping up to be such a year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Blend Price</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>$24.28</td>
</tr>
<tr>
<td>2015</td>
<td>$17.14</td>
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<tr>
<td>2016</td>
<td>$15.90</td>
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<td>2017</td>
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<tr>
<td>2019</td>
<td>$18.12</td>
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<tr>
<td>2020</td>
<td>$19.86</td>
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</tbody>
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Data sourced from Agri-Mark milk price Forecast 1-28-2020

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SOCIAL DISTANCING’S IMPACT ON
MAINE DAIRY FARMS & MILK MARKETS

World dairy trade markets were the first to experience the impacts of COVID-19. China wasn’t buying as much US dairy product as anticipated, causing cheese and powder products to start to pile up in storage. As the virus spread, US states began to discourage travel & group gatherings. As colleges & universities began sending students home & K-12 systems moved to “distance learning” platforms, demand for dairy products in institutional & hospitality sectors dropped. When the US moved to a “shelter-in-place” existence, restricting public gatherings & closing restaurants, the demand for cheese, butter, sour cream, and other flavor-rich dairy products which primarily cater to those markets, almost evaporated entirely.

With people hunkering down at home & increasing the amount of home-prepared meals, fluid milk consumption went up. For a state like Maine whose dairy processing sector is dominated by fluid milk bottling, this seemed like a good thing. However, the price that dairy farmers get paid – even for fluid milk - is based on the speculative market sales of dairy products with a longer shelf life – like cheese & butter & powdered milk products. With a melted demand for such products & full warehouses, the greater “milkshed” (area of diverse processing options supplied by regional dairy farms) had milk that could not find a processing “home” & needed alternative disposal (referred to as “dumping” milk). Instead of the gentle rise in prices paid to dairy farmers, that had been predicted, prices began a sharp and rapid decline.

<table>
<thead>
<tr>
<th>Table 2 Northeast Milk Price Forecasts</th>
<th>(Agri-Mark 2-28-20)</th>
<th>(Agri-Mark 4-28-20)</th>
<th>(Agri-Mark 6-2-20)</th>
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<tbody>
<tr>
<td>January 2020</td>
<td>* $18.78</td>
<td>* $18.78</td>
<td>* $18.78</td>
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<tr>
<td>February 2020</td>
<td>** $18.38</td>
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<td>March 2020</td>
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<td>April 2020</td>
<td>** $17.66</td>
<td>** $15.32</td>
<td>** $14.92</td>
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<td>May 2020</td>
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<td>June 2020</td>
<td>** $18.15</td>
<td>** $12.40</td>
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<td>July 2020</td>
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<td>** $13.16</td>
<td>** $16.66</td>
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<td>August 2020</td>
<td>** $18.74</td>
<td>** $14.09</td>
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<td>September 2020</td>
<td>** $18.95</td>
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<td>October 2020</td>
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<td>** $15.26</td>
<td>** $17.26</td>
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<td>November 2020</td>
<td>** $19.12</td>
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<td>December 2020</td>
<td>** $19.01</td>
<td>** $15.57</td>
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<td>Total Average 2020</td>
<td>** $18.53</td>
<td>** $14.42</td>
<td>** $16.67</td>
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</tbody>
</table>

* Actual  ** Projected

The irony is that Maine fluid processing plants had an increased demand for their products and they were pumping it out as fast as it came in the door. However, most of the milk in Maine is marketed/managed by regional cooperatives whose members in other parts of the region had “stranded” milk. As part of the management of the greater region, all farmer members of the cooperative share the losses in this situation. While there wasn’t much, some milk was dumped in Maine – some of it coming from other states into Maine for disposal.

At the same time, the increased consumer demand as a result of staying home was putting strains on the retail stores. In times of uncertainty, people like to be prepared and stock up on necessities, for example - toilet paper, hand sanitizer, milk and butter. These items were flying off the shelves faster than stores could get shipments in to replenish their stocks. Rather than have their customers find empty shelves, stores implemented limits of the number of key items that could be purchased in a single transaction. Unfortunately, this sent mixed messages to the public that there wasn’t enough milk for everyone, but then there were stories of farmers “dumping” milk. The reality was that there was plenty of milk & butter being processed as fast as possible, but the delivery of the product from processor to retailer just couldn’t keep up.

Simultaneously, food banks were seeing record requests as a result of unemployed employees of closed businesses. Dairy farmers were in the awkward position of trying to explain that they couldn’t just donate the excess milk instead of dumping it because the processor couldn’t pasteurize & package it – they were working 24-7 already. Food banks also had space limitations, especially for items that needed refrigeration – like milk. While there have been some sporadic donations of milk from Maine dairy farms and processors, most food banks in Maine have sourced milk from out of state plants because it was Ultra-high-temperature (UHT) processed and required minimal refrigeration, if any. Maine does not have any milk bottling plants that use UHT technology and packaging.

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REACTION/RESPONSE TO THE COVID-19 MILK PRICE CRASH

With the loss of a significant portion of dairy processing customers (restaurants, events/catering, institutions/universities, export markets) due to social distancing, many dairy co-operatives around the country have taken steps to try to minimize losses by spreading them among all co-op members, and instating new marketing fees and quotas on production.

Marketing fees are set to cover the increased costs of finding a processing home for milk produced by member farms. When there is more milk produced than there is processing demand, finding places for the milk can include atypical types of processing, or even milk dumping.

Quota-based reductions are used to reduce the supply of milk produced at the source – the farm. The logic is that if the price is low because there is too much milk, if you “dry” up some of the milk, then the supply & demand balance will be more level and prices will come up. Production cutbacks are assigned as a percentage & are required to be less than the base established on the farm, which is either what was produced in March 2020, or an average of what was produced in 2019. The amount of the reductions instituted in Maine ranges from 4% up to 15% with financial penalties levied for milk shipped over quota.

Farmers have a limited number of ways to reduce their supply in these situations.

- **A change in the diet or balanced ration of the cows’ feed can reduce the amount of milk produced by each cow.** Cows don’t like change & need close health monitoring when making nutritional changes. The farm still has the expense of feeding & caring for non-producing cows, with no corresponding income.

- **The farmer can “cull” cows, meaning that some cows are sold (usually for beef), reducing the number of animals being milked.** However, beef market prices have also plummeted in the last few years. Many meat processing plants have had to close temporarily or permanently because of employee safety concerns or COVID-19 outbreaks. The other downside of reducing the herd is that when markets return to “normal”/pre-COVID-19 levels and farmers will be asked to make more milk, the farmer will need to purchase or raise cows, then impregnate them and start a lactation cycle after the birth – all of which takes 18-24 months.

- **A portion of the herd can be “dried off”, which means ending their lactation cycle.** Even though the cows won’t be giving milk, they will still need to be fed & cared for, but would be available to breed back into a milking cycle for half the time and without the cost of buying new animals.

Whatever method is used, the end result is that less milk is shipped, resulting in less income for the farm. Even a horribly low milk price brings some money in, but no milk shipped definitely means no money. Again, one of the few tools a farm has to increase income on the farm is to increase the amount of milk produced & shipped. Under these emergency quota plans, that tool is removed from the farmer’s control.

These emergency quotas were crafted and mandated by co-ops / milk marketers unilaterally and with immediate effect, leaving no time for farms to prepare how to manage the adjustments in terms of farm management and finances.

While the fees and production cutbacks vary between regions of the US, some of the most severe are being implemented in the Northeast, including Maine. Most of the assessments and production cutbacks went into effect May 1, 2020.
CURRENT RELIEF/SUPPORT EFFORTS

FEDERAL

- USDA manages 3 dairy risk management programs. After 5 years of razor thin margins, most Maine farmers estimated that the potential benefits from a federal insurance program (like the Dairy Margin Coverage (DMC) program) were not worth the up-front costs that would be hard to scrape from empty farmer wallets – especially since prices were forecasted to be up significantly in 2020 during the program sign-up period. The DMC program essentially pays the difference between the cost of feed & the price of milk, and corn & other feed prices are down similar to milk prices, DMC payments may not be substantial this year unless farmers have purchased the highest levels of insurance. Consequently, not many of Maine’s dairy farmers will see pricing relief from this program.

Other programs like the Livestock Gross Margin (LGM) program and the Dairy Revenue Protection (DRP) program involve monitoring the Chicago Mercantile Exchange (CME) for trading in stored dairy products and require almost daily monitoring to assess risk & investment. These type of programs are options for some Maine farms, but not all Maine farmers have the time, expertise, or on farm management systems that can accommodate successful participation in these programs.

Prior to the COVID-19 pandemic, there were no other dairy-specific federal safety net programs for dairy farmers other than a few general programs for specialized relief in the event of weather-related crop/livestock disasters.

- Following the passage of the CARES (Coronavirus Aid, Relief, and Economic Security) Act, USDA Secretary Sonny Purdue announced that $19 billion was being dedicated to help US agriculture survived the negative market impacts as a result of the coronavirus pandemic, called the Coronavirus Food Assistance Program (CFAP). Of the $19 billion available, $3 billion is dedicated to purchasing food (including dairy products) for distribution to food banks across the country, with the remaining $16 billion made in direct payments to farmers.

The $3 billion food purchases are being coordinated by USDA into food boxes with will be then distributed to food banks across the country. The food items being included in these boxes are being gathered through a bid process. As of late May 2020, no Maine food products have been awarded bids to be included in these boxes – not even those to be distributed to Maine food banks. UHT Milk is preferred because it can be stored without refrigeration, leaving Maine milk bottlers out of the running to receive a portion of the $3 billion set aside.

Out of the $16 billion in direct payments, only 18% or $2.9 billion is dedicated to dairy, when divided among all the US dairy farmers, it is not anticipated to amount to enough to stabilize the dairy industry, especially in the Northeast where the average farm size is smaller than other parts of the country, and most farms are family-run operations, as opposed to more industrialized operations.
The State of Maine has had a program in place since 2005 to help bridge the gap between what it costs to produce milk in Maine and the price that Maine dairy farmers actually are paid. The Maine Dairy Stabilization “Tier” Program relies on detailed cost-of-production studies, done every 3 years, to set the levels for long-term sustainability of the state’s dairy sector. The program does not guarantee the profitability of farms, but serves as a safety net to keep farmers from falling into “a big black hole of debt from which they can never recover”.

While Maine dairy farmers are grateful to have a program already in place to provide much needed financial assistance, the safety net levels for the Tier Program have not been updated or changed since 2012. Consequently, they are not the most accurate reflection of the minimal financial needs of Maine’s dairy farmers.

<table>
<thead>
<tr>
<th>Current Tier Levels (2012)</th>
<th>Tier 1 (0-70 cows)</th>
<th>Tier 2 (71-200 cows)</th>
<th>Tier 3 (201-350 cows)</th>
<th>Tier 4 (over 351 cows)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$21.00</td>
<td>$20.36</td>
<td>$18.01</td>
<td>$17.83</td>
<td></td>
</tr>
<tr>
<td>Cost of Production Numbers (2017)</td>
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<td>$17.19</td>
<td>$20.06</td>
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<tr>
<td>Difference</td>
<td>$ - .64</td>
<td>- $1.50</td>
<td>$ .82</td>
<td>- $2.23</td>
</tr>
</tbody>
</table>

The “Tier” Program operates as an economic development tool to maintain the critical mass of dairy farms, and the agricultural infrastructure that supports all of Maine agriculture. Because Maine’s dairy farms are found in all corners of the state, and dairy-related businesses can be found in the majority of Maine municipalities – rural and urban. The “Tier” Program also brings an element of predictability to dairy pricing that does not otherwise exist. That predictability is a key to ensuring that Maine dairy farms could entice the next generation of dairy farmers to carry on with the production of Maine milk for Maine processors to deliver to Maine retailers and sell to Maine consumers.

While the “Tier” Program is going to continue to make payments to farmers during the price downturn of this pandemic economy, the cost to the State of Maine is anticipated to be quite intense. For the state fiscal year 2020 (which runs from July 1, 2019 to June 20, 2020), it is anticipated that the Tier Program will pay Maine farmers almost $11 million dollars (based on April 28, 2020 dairy price forecasts). For the next fiscal year (2021), the program could reach costs of more than $26 million if dairy prices do not improve. When added to the other heightened expenses in state government as a result of COVID-19 impacts & response, the State of Maine is facing a serious budget shortfall.

The “Tier” Program was never designed for the catastrophic price collapse and increased expenses that we have seen this spring.

Unfortunately, the “Tier” Program will not be enough to save the Maine dairy industry from significant COVID-19 related losses that could result in a loss of critical mass that jeopardizes the entire ag infrastructure of the State of Maine.
BY THE NUMBERS

WHAT WILL IT TAKE FOR MAINE'S DAIRY INDUSTRY TO SURVIVE & CONTINUE INTO A POST-PANDEMIC ECONOMY  
(Based on April 28, 2020 Dairy Price Forecasts)

- The “Tier” Program will cover some of the losses related to the low milk prices. However, because the program’s levels have not adjusted to keep pace with changing cost of production figures, the program falls short of a true safety net to the tune of **$2.5 million per month** in the current pricing environment.

  *April-August 2020 total cost = $12.5 million*

- Because the increased marketing fees are so recent, they are not covered by any programs, such as the “Tier” Program. COVID-19 related marketing assessments/fees range from $.50 to over $2 per cwt, depending on the dairy co-operative. The cost of market adjustment fees to Maine dairy farmers is estimated to be about **$500,000 per month**.

  *May-August 2020 total cost = $2 million*

- Imposed quota percentage reductions will end up depriving Maine dairy farmers of **almost $5.5 million in income and/or over-quota penalties per month**. This loss is not covered by the Tier Program or any of the federal COVID-19 support programs.

  *May-August 2020 total cost = $22 million*

- Dairy farmers see increased costs during spring planting through fall harvest. This means that farmers are most in need of operating cash to cover these expenses at this time since the activities are weather dependent. An average of these increased planting/harvesting costs for the Maine dairy industry is **between $2-$2.5 million for the season**.

- The State of Maine is funding the “Tier” Program from the General Fund, which is under intense financial strain due to other demands due to COVID-19. The potential impacts from the loss of tourist revenue could hit Maine extremely hard and result in significantly lower tax incomes. If federal government resources are available to help state governments cover COVID-19 related expenses, the “Tier” Program should be included in calculations for relief. (estimated yearly ranges - FY 2020 = $11 million / FY 2021 = $26 million)

  With the most recent June 2, 2020 milk pricing forecasts, **the expected cost of the Tier Program for FY 2021 is expected to be reduced to around $11 million**. These estimated numbers are routinely updated to reflect rapidly changing market conditions specific to the dairy industry and related to the re-opening of economic and social activity imposed by the COVID-19 pandemic.
**Short-term ACTION STEPS & GOALS**

**GOAL** 
**Sustain a critical mass of Maine dairy farms/milk production for food self-sufficiency and supporting the business infrastructure that supports the entire Maine agricultural economy.**

In any new round of federal or state assistance, Maine’s dairy industry requests the following:

1. **Provide Direct Financial Assistance & Resources to Maine Dairy Farms**
   
   Based on the numbers above, to sustain the agricultural infrastructure for all of Maine agriculture that would be so seriously eroded by the loss of dairy farms and dairy production, **Maine dairy farmers will need a significant infusion of cash** to offset the dramatic financial losses as a direct result of the COVID-19 pandemic and the impact of social distancing policies. Current federal efforts so far are slow to provide any monetary relief during this most cash-intensive crop growing season. Even anticipated funds through USDA (Coronavirus Food Assistance Program - CFAP) will be significantly diluted because of the “one-type fits all” approach to distributing relief regardless of regional dynamics and needs. There are concerns that larger corporate-style farms in other parts of the US will use up much of the funds, potentially shorting Maine’s dairy farmers (all of whom are considered small on a national level) from accessing much needed funds.

   Whether it is direct funding from USDA/federal sources, or funding administered by the State of Maine (from federal COVID-19 funding or other sources), Maine dairy farms provide the economic foundation for most of Maine’s agri-business infrastructure, which is utilized by every type of farmers in Maine. Losses to dairy farms mean losses to the ag infrastructure, which mean increased costs and potential losses of other Maine farms.

   All socio-economic goals - from increasing consumption of Maine food, to environmental stewardship and sustainability of land and farm production, to generational transfer of farm businesses to future generations of farmers and consumers – are all predicated on a need for farms to be financially sustainable.

2. **Secure Federal Relief Funding to offset the increased expenses in the Maine Dairy Stabilization “Tier” Program as a direct result of COVID-19 market disruptions reimbursement.**

   This national assistance should come from funds designated to aid state and local governments, in this case - the state’s General Fund. The “Tier” program is a very effective state economic development program that infuses funds into Maine’s economy through direct payments to Maine dairy farmers, who then use the funds to pay local businesses & service providers for a variety of goods and services. This is expressly the purpose upon which several federal COVID-19 relief plans have been based. **Federal funding to reimburse the State of Maine for the Tier Program should not be sought or taken from the limited resources identified for US agricultural producers.**

3. **Support and Assist Maine Dairy Farms who are experiencing significant increases of “Stop & Hauling” charges for the transportation of their milk.**

   No two Maine dairy farms are exactly alike. When a farm decides to stop shipping milk it is usually due to a combination of factors in unique dynamic to that particular farm. However, when a farm stops shipping milk, the impact can be felt on other farms that share trucking services and combine their milk production to fill a tanker load. The loss of a single farm can shift the total cost of the trucking route to the other farms. Since Maine is a very geographically large state with a well-known catchphrase “You can’t get there from here”, it is important that Maine consider financial support and resources for farms that experience such significant increases in hauling costs and stop charges. This is an increase in expenses that is no fault of the remaining farm(s), but could be the last straw between being able to make ends meet and another farm selling their cows.

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4 “The Needs of Maine Agriculture” – AgCOM (Agricultural Council of Maine) - February 2020

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4. **Encourage and Facilitate Institutional Purchases of Maine Dairy & Beef Products**

Maine’s dairy industry has proven to be a key player in the ability to feed Maine people in times of crisis. Store shelves remain stripped of flour, pasta, and other food staples but milk and dairy products have been in continuous supply and are constantly being restocked on store shelves & available to Maine consumers. Our Maine dairy farmers & processors have also been able to be responsive to the needs of school feeding programs under the dynamics of distance learning, ensuring Maine school-age children are still receiving fresh, nutritious local milk, though there has been difficulty getting Maine milk included in larger efforts to provide supplies to food banks.

Maine feeding organizations across the state have limited refrigeration space to store fluid milk for distribution. In fact, efforts to secure large purchases on behalf of Good Shepherd and other community food banks have resulted in purchases of milk produced and packaged outside the state of Maine, primarily from plants that utilize ultra-high-temperature (UHT) pasteurizing that results in a shelf-stable, limited refrigeration product. In order to promote the purchase and effective use of Maine milk/dairy by Maine people receiving assistance from food pantries and other entities providing nutritious food to our hungry friends and neighbors, the program implemented by the state may need to be uniquely crafted to allow direct purchasing of fresh Maine milk from grocery stores as needed through a voucher or validation program. This program will need to be carefully crafted to stay within current legal limits that forbid the use of brand specific coupons and require compliance with the state’s minimum retail price rules and laws, which are overseen by the Maine Milk Commission.

Very few dairy farmers are doing on-farm processing, especially for fluid milk. Consequently, any contracts or purchases of fluid milk products for use in schools, shelters, or other community feeding programs needs to be made with in-state dairy processors. Unfortunately, the addition of any such contracts will not necessarily have any impact on the price that Maine dairy farmers receive for their milk, nor will it offset the negative impact of recent milk production restrictions/limitations imposed by dairy co-operatives on their dairy farms. That being the case, we still strongly support the purchase of milk from Maine processors (who are all utilizing 100% Maine milk in their operations).

Maine dairy producers who are making and packaging cheese, butter, yogurt, ice cream, and other non-fluid dairy products could be eligible to participate in the contract process, along with many other agricultural sectors. We urge the state to learn from our recent experience with the USDA food box program and make allowances for inclusion of food producers of all sizes/scales and locations around the state, and not just those who could provide the maximum amount of product in a single transaction. Having said that, policies should not conversely shut out larger food producers/processors from participation either.

All dairy farmers also produce for the beef market. During this COVID-19 era, being able to slaughter and package dairy cows & bulls for beef has not only provided additional outlets for Maine people to secure food, but has served as another income stream for Maine dairy farms. The licensing & inspection of 3 additional custom meat cutting operations by the Department of Agriculture, Conservation & Forestry’s Maine Meat Inspection Program has been a good start to help meet the demand for butchering services that allow retail sale of the meat.

5. **Educate Maine Consumers About All the Ways & Places to Purchase Maine Dairy Products and Strongly Encourage Such Purchases as a Means of Improving Economic Recovery**

Connecting Maine food producers with feeding programs, schools & institutions is only one way to promote additional sales of Maine produced food. The Department of ACF puts out regular email press releases and posts on social media regarding state parks, invasive species, and fairs and events. However, I have seen relatively few items promoting available Maine food and where to find it in those same outreach efforts. This is an underutilized resource that does not cost the department (other than staff time) to educate the public all the places (from grocery store chains and “mom & pops” to farm stands to farmers markets) that people can find Maine produced food. There is no reason why we cannot simultaneously promote long-term buying
choices/habits among Maine consumers while we are dealing with the impacts as a result of the COVID-19 pandemic on the economy.

6. **Increase Awareness of the Signs of Mental Distress among the Agricultural Community and Provide Information & Access to Support & Treatment Services**

The financial distress being felt on Maine dairy farms at this time, as well as other sectors of the Maine economy, is extremely stressful and can put farm families and/or employees at risk for mental exhaustion, deterioration, and despair that, if unrecognized and treated, could lead to the risk of suicide or self-harm, or risk of harm to others. This mental distress can be further exacerbated by the dynamics of social distancing and fear, directly related to the COVID-19 pandemic.

All State and Federal entities, as well as community members, have a moral obligation to help and support the members of our communities – in this case, our agricultural community. All departments, bureaus, and groups should promote broad distribution and awareness of resources for Maine farmers in times of crisis. While we will unfortunately lose some farms and agricultural businesses as a result of the economic strain of COVID-19, the greatest priority should be the prevention of loss of life that can be avoided by caring for our greater Maine farm family.

7. **Provide Appropriate Personal Protective Equipment (PPE) for Maine farms**

As employers, Maine dairy farms are working to adapt to ongoing requirements for worker health and safety in this COVID-19 environment.

- **Masks/Face Shields** - The broader use of masks by the general public, as well as shortages of certain types of protective equipment, are making this task more difficult. This becomes particularly problematic when engaging in spraying any pesticide or herbicide product that requires an applicator’s license. Spraying of such regulated chemicals requires a specific type of mask with additional respiratory protection beyond that of a standard consumer mask for COVID-19. Efforts to help dairy farmers, as well as all Maine farmers, obtain such protective gear would be extremely helpful.

- **Gloves** – Obtaining disposable or washable gloves that are appropriate for farm work is similarly challenging, again because of the difficulty in procuring adequate supplies of suitable types.

8. **Create Agriculturally-appropriate state policies & health guidelines for social distancing, employee housing, and connections between Maine-produced food and Maine consumers.**

The “new normal” put in place with the advent of COVID-19 poses some particular challenges to the operation of farm and food processing operations. It is very important that any rules and regulations that are adopted in response to CDC safety guidelines be appropriate for situations found on Maine farms and places that produce Maine food. A good example are some of the recommendations related to dealing with employee housing, especially if someone were to test positive for COVID-19. Many dairy farmers employ long-term contractual employees who are provided housing as part of their employment. Many of these dwellings house multiple employees and their extended families. A cursory review of guidance from the Maine Department of Labor would require completely separate housing for any employees who test positive. This may be challenging to find separate domiciles close enough to their friends and families but outside of their current residence. Many of these employees have different cultural practices and routines from the typical Maine household. Such differences and requirements need to be acknowledged and considered when setting rules.

9. **Provide Health Resources for Maine Farm Families and Employees (testing & treatment)**

Farm employees also deserve to have confidence in a safe working environment. Especially those who are in close proximity should be able to access COVID-19 testing to confirm a healthy environment or identify those in need of specific medical care and treatment. It would be very helpful to make sure testing and health care resources available in central locations to high concentrations of farms, or to travel to directly to the farms.
Long-term ACTION STEPS & GOALS

The dynamics of the pandemic on the economy have highlighted several major long-term concerns regarding the ability to provide regionally sourced and processed food for Maine people routine times and during times of crisis, as well as for future generations.

GOAL

**Sustain a critical mass of Maine dairy farms/milk production for food self-sufficiency and supporting the business infrastructure that supports the entire Maine agricultural economy.**

Federal Level Actions:

1. **Correct the milk pricing disconnect that is forcing consolidation & corporatization of the dairy industry, at the expense of Maine family farms.**

   The federal system of **pricing milk at the farm level is so inadequate and disconnected from the needs and requirements of farmers** to maintain levels of food production. As long as Maine farmers are subjected to USDA Federal Order pricing, all efforts must be taken to encourage changes to the USDA pricing formulas to share the responsibility & improve the balance between producers & the processing sectors via a responsive federal program that recognizes the differences in market dynamics between different regions of the US.

   MDIA has been working on various approaches to solving this issue since 2005. Maine dairy farmers have invested time and money into the study and research of different potential changes to the way milk is prices and coordinated expenses shared on a regional and national level. The unique strengths of Maine dairy farms include the ability to provide nutrient-rich food to Maine people close to home in times of crisis, but Maine farms are subjected to destructive market forces from far outside Maine’s borders that negatively impact the price paid for Maine milk. The Tier Program has been a successful method of dealing with the symptoms of such impacts, but eventually the root cause of the problem must be addressed.

   Maine dairy farmers look forward to joining forces with other partners in the dairy industry, the State of Maine, our elected federal leaders, and USDA regulators to tackle this issue on behalf of Maine’s dairy farmers, processors, consumers, and all the agri-businesses that rely on the Maine dairy industry.

2. **Create a national program to manage milk supply that balances the needs of different regions of the country and shares responsibility between all levels of the dairy industry.**

   If milk is going to continue to be a commodity whose price is related to market trades so wholly removed from the regionally specific needs of farmers in the US, then a **regionally flexible & responsive nationally-managed system to balance milk supply and demand** is needed to equalize the financial responsibility between farmers and the processing and retail sectors.

State Level Actions:

1. **Update Maine Dairy Stabilization “Tier” levels to reflect current cost-of-production numbers to ensure an effective safety net for Maine dairy farms and Maine milk production.**

   Maine’s Tier Program has been a light in these extremely challenging times. The safety net that it provides for Maine dairy farmers in the envy of producers across the country. However, to quote former Agri-Mark economist Bob Wellington, “the current safety net is resting on the concrete floor”. The financial levels for the Tier Program have not been updated since 2012, when they were
“tweaked”, but the true safety net numbers from Maine Cost of Dairy Production studies were not adopted because of state budgetary concerns. In the 8 years since then, two more Cost of Production studies have been completed (2013 & 2016 production years), and a 3rd is scheduled to begin within the next month on 2019 production figures.

The ultimate success of a tiered program is in its ability to reflect real up-to-date costs to provide stability for dairy farms of all sizes. The Tier Program does not (and should not) guarantee farm profitability – all farms have that ability through farm management, capitalizing on market opportunities, & establishment of consumer loyalty to Maine-produced dairy products. However, the minimal sustainability offered through the Tier Program (that prevents farmers from falling into exorbitant debt or forcing their exit from the industry) should be related to actual costs on Maine dairy farms and reflecting the unique financial challenges that come with producing dairy (which is considered a national commodity) in the state of Maine to provide food security to all Maine people. Hopefully, these concerns will be addressed and reflected in the updated Tier levels when the 130th Legislature reviews the next Cost of Production study.

2. **Maine needs to invest in small-to-medium level processing facilities for both dairy and beef** that could ensure better market response and control to the needs of Maine dairy farmers and Maine consumers. Production and value-added processing that takes place entirely in the State of Maine would be better able to respond to the specific regional needs of our consumer markets and could better capitalize on efforts to encourage consumers to buy local agricultural products. While there has been some very successful examples of this dynamic already in Maine’s artisan cheese industry, raw milk sector, and micro-dairies / creameries, which provides a greater opportunity for financial return to farmers, Maine lacks mid-scale dairy processing options which could allow for expansions and growth of existing farm operations, as well as provide a point of entry for other dairy farms to enter the value-added chain.

Maine produces roughly 3 million pounds of organic milk per month that currently travels out of state for processing because Maine lacks any organic dairy processing beyond the micro-production level. An in-state certified organic milk processing facility could help expand market options for organic dairy farmers and promote a local organic milk value-added product for consumers. Several entities within the state were actively assessing this possibility before the onset of COVID-19 social dynamics. These efforts need to remain at the forefront and gather more information and resources to create an action plan.

Dairy beef enters the market in 2 ways – as bull calves into the regular beef chain or as veal, or as cull dairy cows, which can be processed as beef animals with multiple cuts and styles of presentation, but are most likely destined for ground meat products. Currently, Maine’s custom meat cutting operations (whether they are state or federally inspected) provide an option for a few beef animals, but the majority need to travel out of state (mostly to Pennsylvania) for processing. This adds transportation expenses and limits the ability for the meat to be marketed as a Maine product.

Maine needs additional small custom meat operations that can be flexible in processing various types of animal. More state inspectors for added custom cutting operations are definitely needed. However, Maine desperately needs a slaughter facility that would allow Maine farmers to process beef animals in state - filling the gap that exists between raising animals in Maine to selling meat from those animals to Maine people under a Maine label. This would require a combination of state & federal resources and could serve as a regional resource for beef producers throughout New England.