

Maine Dairy Industry Association
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Annie Watson, President
Dale Cole, Vice President
Jason Tessier, Secretary
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Bruce Summers, Administrator
Agricultural Marketing Service
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

May 25, 2023

Dear Mr. Summers:

I write on behalf of the Maine Dairy Industry Association (MDIA) in support of USDA convening a hearing to consider the full package of proposed amendments included in National Milk Producer Federation's petition.

You have received a series of letters identifying the pressing need to modernize the federal order program and the associated importance of a hearing that considers all parts of the National Milk proposal. MDIA concurs with these representations as to the importance of a complete and comprehensive hearing, to ensure that a fully effective update of the program is achieved.

MDIA here also highlights the particular importance that the hearing procedure include NMPF's proposal to modernize the Class I segment of the program. MDIA highlights this issue both because the Class I fluid market is the central business for its member dairy farmers, and also because the Class I market is, of course, the crux of the federal order program.

MDIA represents the interests of all Maine dairy producers. Maine dairy farms provide the entire raw product supply for the two fluid milk plants located in Portland Maine, which in turn supply Class I dairy products for almost all Maine consumers as well as additional consumers in the Boston part of FMMO 1's marketing area. Reflecting this Class I market positioning, continued effective milk market regulation is essential to the sustainability of this small but still significant segment of the northeast fluid milk market, and the pooled, Maine producer supply.

National Milk's petition sets out in full detail the pressing need for modernization and updating of the Class I component of federal Milk Market Order pricing:

The Class I differentials, which continue to be the fundamental regulatory mechanism of the Federal Order program for attracting an adequate supply of farm milk for fluid milk processing, remain largely unchanged since Federal Order Reform. (emphasis added)

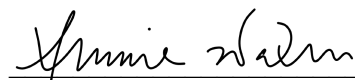
...Class I prices are the only Federal Order prices in which the producer cost of production is taken into account, albeit in a limited fashion. The Federal Order base Class I differential has historically recognized that there has been a difference in the cost of producing milk solely for manufacturing use and the cost of producing for daily delivery to the Class I market. Over time, and with the Federal Order Reform changes in manufacturing class use prices eliminating any competitive milk procurement factor in a base milk price, the Class I differential base price now represents a modest nod to production costs at the producer level....

...[S]tructural changes in the industry are limiting the reach and effectiveness of over-order prices. Larger fluid milk plants, higher costs of hauling, increased distances raw unprocessed milk must travel to supply Class I processing needs, and growing resistance by handlers to accept over-order prices, are leaving many costs of serving Class I processors uncovered. The result is disorderly market conditions. As costs increase, and the ability for over-order prices to keep up with these costs wane, pricing equity between competing processing plants is threatened. Worse, dairy farmers are subsidizing shortfalls of Class I prices to cover the full costs of supplying Class I milk to processors.

Taken together, milk transportation costs, producer production costs, and other factors, have created a market environment in which the Federal Orders operate that is antithetical to the goals of the Federal Order system: ensuring reliable supplies of milk for fluid processing, equitable treatment of producers and processors, and providing for the orderly marketing of milk. USDA must ameliorate the decay in the effectiveness of the Federal Orders system. (Emphasis added)¹

For the reasons stated, MDIA strongly encourages Dairy Programs ensure that Class I pricing be included in the hearing procedure.

Thank you for your consideration.



Annie Watson, President, MDIA

cc: Dana Coale
Erin Taylor

¹ National Milk Producer Federation Petition, May 2, 2023 (at page 39 – 40)