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Testimony of Julie-Marie R. Bickford
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BEFORE THE JOINT STANDING COMMITTEE ON
AGRICULTURE, CONSERVATION AND FORESTRY

February 7, 2024

**HP 1402, LD 2188, Resolve, Regarding Legislative Review of Chapter 26: Producer Margins,
a Major Substantive Rule of the Maine Milk Commission**

Senator Ingwersen, Representative Pluecker, and distinguished members of the Joint Standing Committee on Agriculture, Conservation and Forestry, I am Julie-Marie Bickford, Executive Director of the Maine Milk Commission, and I am here to provide the rulemaking background for LD 2188, *Resolve, Regarding Legislative Review of Chapter 26: Producer Margins, a Major Substantive Rule of the Maine Milk Commission*.

Before you are the findings of the Maine Milk 'Commission's newest Cost of Producing Milk in Maine study, which describe the short-run breakeven prices at four different sizes of production as required by statute. Today, I will briefly explain how the Commission authorized and oversaw the research and reviewed the results that were adopted in compliance with the Maine Administrative Procedures 'Act's Chapter 26 rulemaking process. The official position of the Commission is neither for nor against this resolve.

The statute requires a Cost of Production study of the Maine dairy industry be completed every three years. After issuing a Request for Proposals, the Maine Milk Commission awarded the contract to Dr. Gary Anderson, Animal & Bioscience Specialist Emeritus with the University of Maine Cooperative Extension, to undertake a new study in the summer and fall of 2023. His charge was to analyze the cost structure of Maine dairy farms based on their income and expenses in the calendar year 2022.

This study was conducted using a two-part format and a financial analysis similar to that of previous studies, with one alteration. In the first phase of the study, a demographic survey was mailed to all Maine dairy producers, instead of only conventional dairy farms as had been the previous practice. Since this phase focused on farm structures, production and management practices, and cattle and land statistics, including the organic dairy farms provided a more inclusive demographic picture of Maine's

dairy sector and summarized a more complete and well-rounded description of the "average" dairy farm in operation in Maine. The information was compared against the data from the previous study to identify industry trends in operations and management practices, including changes in herd size and average yearly production. Dr. Anderson received responses from 74.8% of the farms (116 surveys returned out of the total of 155 farms contacted).

Using background information about Maine's dairy farms from this first phase, Dr. Anderson selected 36 *conventional* farms from the four production/tier levels to conduct on-farm visits to collect detailed financial data for the study's second phase. Farms were chosen to reflect different geographic locations, markets, and shipping destinations for Maine milk, and an efforts were made to select farms other than those used in the previous study. Ultimately, 31 farms participated in this intense financial analysis phase of the study. Just for clarification – several financial variables look very different on organic farms, creating difficulty in analyzing a unified cost of production for all farms, and since payments to organic farms are contractual and not variably based on minimum milk prices, only conventional farms have ever been used for phase two. The data gathered from the in-person interviews was then analyzed to determine the average cost(s) of producing milk in Maine. While 31 farms was less than our original goal, the study still far exceeds the number of farms included compared to other cost-of-production studies in the US.

The Maine Milk Commission uses the study to set the Producer Margin as part of our monthly minimum price rulemaking hearings. The study was presented to the Maine Milk Commission at a public hearing on November 22, 2023 where oral testimony was accepted. Additional written testimony was submitted through a formal comment period that closed on December 4, 2023. The Commission and Dr. Anderson reviewed and responded to all comments received and on December 21, 2023 voted to approve the study and officially recognize the average short-run breakeven cost of \$28.49 per cwt. The Commission filed for Provisional Adoption of the Chapter 26 rule and sent all of the material to the 131st Legislature for your review today to determine if the rule should be finally adopted.

The rule before you presents the short-run breakeven cost of producing milk in Maine, as described in Public Law 2003, Chapter 648 in the definition of four "target prices" applied to the Maine Dairy Stabilization "Tier" Program. This is a separate and distinct use of the study data to inform a legislative policy decision beyond the Commission's jurisdiction. Consequently, while we have used the study in our work, the Maine Milk Commission takes no position on the outcome of these Legislative proceedings and policy decisions associated with the study results, having completed our responsibilities to oversee an accurate and scholarly investigation into the financial dynamics faced by Maine dairy farms and adopt the findings as needed to comply with the Commission's Chapter 26 price-setting needs.

I will be glad to answer any questions at this time.