



FARM CREDIT EAST, ACA

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To the Maine Agriculture, Conservation and Forestry Committee,

Farm Credit East, ACA is cooperative agricultural lender and part of the federal Farm Credit System. Farm Credit East finished 2023 with over \$10 billion in loan volume and over 18,000 member owners. In Maine, Farm Credit East has 124 Loans that we classify as “dairy” with a total commitment of \$67,588,991 (meaning principal balances PLUS undistributed balances such as construction loans in process and lines of credit currently available). The benefit of the Maine Dairy Stabilization or “Tier” program here in Maine is clear. When analyzing the financial statements of dairy farms in Maine, Connecticut, and Massachusetts (CT and MA have dairy support programs as well) there is a benefit as compared to the rest of New England, New York, and New Jersey.

As a business consultant based in Maine, Ethan Robertson regularly performs analysis with dairy farms like Gary Anderson’s Production Study. Ethan works with farms in Maine, New Hampshire, Massachusetts, Connecticut, and Northern NY. Ethan works with some farms on a regular periodic basis and others as needed.

It is clear through many sources that the cost of producing milk in Maine is more expensive than other parts of the Northeast. As the production study points out, feed and labor (the two costs dairy farmers are advised to watch most carefully) are significantly higher in Maine and the rest of New England than in New York. Over the 5-year period from 2016-2021, the net cost of milk production in New England increased by 18% while milk prices increased by only 14%, and in both cases, milk prices were below the cost of production, according to Farm Credit East’s Northeast Dairy Farm Summary.

From Ethan’s work with farms in 2023, we expect the cost of production to continue to increase. As dairy farmers are budgeting for 2024 and beyond, we see the cost of production projected to increase again partly because of interest costs, feed commodities, labor costs and utilities. In some respect dairy farms are at the bottom of the food chain and experience inflationary costs of many of these items through their vendors as well as on their own profit and loss statements-interest is a good example of this. Ethan has been budgeting for 2024 with dairy farms for the past three months or so.



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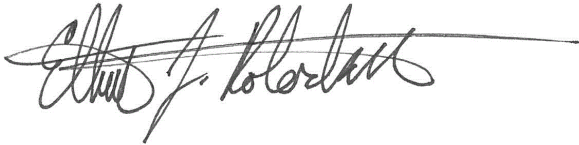


One reason Farm Credit East is writing today is because of the impact we see on the greater agricultural community from the tier program. Farm Credit East works with and finances farm related businesses like equipment dealers, service providers, agronomists, feed companies, farm landlords and other farmers (such as custom crop operations)- that are all able to provide better products and service because of the volume of dairy farms large and small, that still operate in Maine. In our professional opinion, the Maine Dairy Stabilization or Tier Program makes a significant contribution to supporting this important industry for the state.

Sincerely,



Keith Stechschulte
Executive Vice President
Retail Credit Leader



Ethan J. Robertson
Assistant Vice President
Farm Business Consultant