

PENNSYLVANIA MILK MARKETING BOARD

SUMMARY OF PROGRAM ACTIVITIES AND INITIATIVES TO INCREASE DAIRY FARM INCOME AND SECURITY IN THE NORTHEAST

Pennsylvania – The Pennsylvania Milk Marketing Board administers a comprehensive milk pricing program that enhances the farm milk price while at the same time providing a fair and competitive price for consumers, all within an orderly market. The program at the farm level provides security in the form of a bonding program. Anyone purchasing Pennsylvania producer milk is required to post a bond for the value of the milk. Producers are also assured a minimum price based on the federal class prices and, in the case of areas not covered by a federal market order, state class prices. In addition, Pennsylvania also mandates a premium, called the Over-Order Premium, which is above the federal and state minimum Class I price. The Over-Order Premium is adjusted periodically based on evidence received at hearings held by the Board. By maintaining minimum retail and wholesale prices, destructive price wars are eliminated and there is no pressure to reduce farm prices to meet competition. The key to the program is that Pennsylvania maintains the authority to regulate all sales of milk where possession transfers within the state's borders.

New York – The New York Department of Agriculture and Markets operates a bonding program for the protection of their dairy farmers. The program is administered in much the same way we administer ours in that dairy processors are required to post a bond for the value of the milk purchased from dairy producers. Licensed milk dealers who purchase milk directly from New York dairy farmers or cooperatives are required to file security to ensure that farmers are paid. A milk dealer can choose to pay into the Milk Producers Security Fund or provide full alternate security. Alternate security can be a bond or letter of credit covering 40 days of milk purchases. Dealers who pay into the security fund, unless exempted, must supplement such payments with a surety bond or letter of credit covering a minimum of twelve days purchases. Dealers who are

financially weak may be required to provide security for more than the minimum amount. Exemption from the mandatory minimum security required is granted to dealers who make only small purchases of milk from producers or have better than average financial condition. The amount of surety bond or letter of credit that a dealer is required to provide is based on the volume of milk purchases and a review of the financial information provided. Additional information is obtained through the licensing process and audits. Required reports permit regular monitoring of a dealer's purchases, timeliness of payments to producers, and financial condition.

Recently, as part of their 2007-08 budget, New York operated a direct grant program for dairy farmers. Their Department of Agriculture and Markets distributed \$30 million in dairy farmer assistance based on 2006 production with a cap of 4.8 million pounds per producer.

New Jersey – New Jersey operates a premium pricing program for their dairy farmers. The premium is based on the changing price of fuel and fertilizer and is equivalent to the fuel portion of the Pennsylvania Over-Order Premium. New Jersey also requires that dealers purchasing milk from New Jersey dairy farmers post a bond equal to 1 ½ times the monthly value of the milk.

Maine – Maine operates a program that provides direct assistance to their dairy farmers. For the first 21,355 hundredweight produced per year by each producer, their target price is \$20.70 per hundredweight. For production from 21,356 hundredweight to 49,079 hundredweight per year, their target price is \$18.07 per hundredweight and for production in excess of 49,079 hundredweight per year, the target price is \$17.29 per hundredweight. If the farm prices are below these target prices, their Department of Agriculture pays the dairy farmers directly from their general fund. So far this year, they have distributed over twelve (12) million dollars to their dairy producers. Coincidentally they also have a “milk tax” that usually takes in nearly that same amount at retail. Offsetting revenue from the milk tax has amounted to about five (5) million dollars.

Massachusetts –. Massachusetts has recently adopted the Dairy Farm Preservation Act. One of the key provisions of the Act is the Dairy Farm Income Tax Credit. The law establishes a dairy farm income tax credit that offers dairy farms an income tax credit for production in any month when the farm price for milk falls below a “trigger” price. Such a trigger price will reflect costs of production. Farms receive the credit when they file their tax return.

Vermont – There have been a number of initiatives proposed in Vermont. Most recently a bill was introduced to impose a premium on Class I packaged milk and return that premium to any and all dairy producers that may have had their milk in that sale. They may have encountered more than a few logistical problems had the law passed. There was also an effort to shift the burden of hauling costs from the farmer to the purchaser of the milk.

Other state programs like dairy promotion for consumers are not included in this summary. This is an attempt to highlight only the significant programs or initiatives that are currently in place or have been proposed.