Milk Hauling Study

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Department of Agriculture and Markets
Division of Milk Control and Dairy Services

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New York Milk Hauling Study
Impact of Hauling Costs on Dairy Farmers

INTRODUCTION

With the passage of Chapter 400 of the Laws of 2007 (see Appendix 1), the New York Legislature directed the Department of Agriculture and Markets to conduct a study on the impact of hauling costs on dairy farmers.

The report is directed to include:

- A determination of the annual impact of hauling costs on dairy farm net-income for small, medium and large producers in the state over the twenty most recent production years;

- An analysis of the average price received per hundredweight by dairy farmers annually, adjusted for premiums, over a twenty year period beginning on January 1, 1987 as compared to the average price received annually by recipients of milk beyond the farm over the same time period, and;

- A determination of the potential financial impact on the New York State economy should milk hauling costs be absorbed by recipients of milk beyond the farm.

DATA SOURCES

Three sources of historical data on milk hauling costs in New York have been identified. A fourth source of data containing NY retail fluid milk prices was also analyzed. There are limitations in data availability that do not allow a full review of the time periods identified in the legislation.

(1) The NY State Department of Agriculture and Markets receives monthly reports from milk dealers (including cooperatives) that itemize dairy producer payrolls. This data presents an aggregate view of all payments and marketing deductions, including hauling charges, summarized on a hundredweight basis. No breakdown of hauling costs by size of farm is available from this data source. Data is available from 1991. See Table 1 and 2.

(2) Cornell University's Dairy Farm Business Summary Annual Reports. These reports contain data collected from dairy farms which participate on a voluntary basis. The data is not a random sample of dairy farms, and therefore does not represent the "average" NY dairy farm. The data includes a cross section of better than average commercial dairy operations in the state, and is often used as a benchmark of successful and the "best managed" dairy operations. Data series for different size operations are available from this source. See Tables 3 and 4.

(3) The United States Department of Agriculture Economic Research Service reports monthly estimates for milk production costs by state. Data for New York from

2003 is available. Monthly estimates were averaged to provide annual estimates. See Table 5.

(4) The New York State Department of Agriculture and Markets collects monthly retail milk prices in 31 markets throughout the state. Class I prices used to value raw milk used in beverage form are established by federal and state milk marketing orders and are adjusted for butterfat value and estimated premiums. This information is used to monitor retail milk prices under New York's Milk Price Gouging Law (Section 396-rr of the General Business Law).

BACKGROUND

In economic terms, milk is a flow commodity. It is produced by cows every day and must be continually harvested and moved from farms to milk processing plants at least every other day. Farmers do not have the option to inventory milk on their farm and wait to negotiate agreements to market milk only when prices and terms are favorable. In some sense, buyers of farm milk (i.e., milk processing plants) have the natural upper hand in any negotiation. In order to offset this imbalance in negotiating power between farmer and processor – dairy cooperatives were formed to bargain collectively in the best interests of member farmers and the rules that set the terms of trade for minimum price negotiations were established through milk marketing order regulations.

Milk is a bulky commodity. One gallon of milk weights about 8.6 pounds. While there are some differences in milk component tests and milk quality from one farm to another, farm milk is generally a homogenous marketable commodity. Milk produced on one farm can be mixed or commingled with milk from other farms and the combined volume of that milk can be used by milk processing plants.

In order for the milk marketing system to function and have milk continuously moving through the physical marketing channel to fill consumer demand, farm milk must be picked up from farms frequently and delivered to processing plants. This movement is referred to as milk assembly and involves bulk milk haulers. The costs and uniqueness of this milk marketing activity is the focus of this study.

ANALYSIS

A determination of the annual impact of hauling costs on dairy farm net-income for small, medium and large producers in the state over the twenty most recent production years

Federal Milk Marketing Order Reform of 2000 saw major changes in milk pricing in New York State including moving from farm-point pricing to plant-point pricing and multiple milk component pricing (Table 1). Beginning in January 2000, producers marketing milk under the new Northeast Milk Marketing Area saw an increase in hauling charges directly in their milk checks. The previous New York-New Jersey Milk Marketing Area provided a transportation credit of $0.15 per hundredweight that was paid out of pool receipts.

Table 2 shows the average annual hauling cost paid by dairy farmers in NY from 1991 through June 2007. Weighting the average direct hauling costs with the amount of milk marketed in a given year results in a weighted average figure of $0.38 per hundredweight that would be found on the average milk check during 1991 through 1999. The weighted average hauling cost increased to $0.54 per hundredweight from 2000 through June 2007. The difference between the average amounts from the two periods is $0.16, nearly identical to the amount of the transportation credit under the former New York-New Jersey Milk Marketing Area.

Hauling charges paid by producers, inclusive of the marketing order transportation credit, were fairly stable from 1991 through June 2007, ranging from an annual average of $.50 to $.57 per hundredweight of milk marketed. These hauling charges represent 3.1% to 4.4% of the gross value of farm milk marketed during this same period. (Table 1)

Hauling charges incurred by small and large producers differ significantly. Hauling costs are determined in part by the number of farm stops per day and miles traveled per day. Additional stops at small farms to fill up a tanker have resulted in higher per hundredweight hauling costs for smaller size dairy operations. Table 3 shows the difference in hauling costs incurred by small (80 or fewer cows) and large (300 or more cows) producers who provided data in the Cornell Dairy Farm Business Summary Series. The average hauling costs from 2001 through 2006 were $0.73 per hundredweight and $0.46 per hundredweight for smaller and larger producers, respectively.

Table 3 also provides a picture of the relative impact of hauling costs on prices received by farmers. Based upon the Cornell data, hauling plus stop charges as a percent of gross price range from 2.9% to 4.9% for all size farms from 2000 through 2006. The large herd range is from 2.7% to 3.6% while in small herds the range increases to 4.2% to 6.8%. This might suggest that small herds are burdened with a greater percentage share of hauling costs, however, there are increased costs involved in servicing smaller farms compared to larger farms. A milk hauler has relatively fixed times and costs involved in each farm pick-up stop, where the bulk milk tank must be agitated, samples taken, and milk transfer hoses sanitized.

Data for hauling costs by size of dairy operation prior to 2000 is not readily available. Table 4 uses milk marketing deductions, which include milk hauling fees and charges, co-op dues, milk advertising and promotion expenses, as a proxy for hauling costs. Based on data in other tables, 65 – 75% of milk marketing deductions are for hauling costs. The information in this data set is for small (under 80 cows), medium (80-180 cows) and large (over 180 cows) farms. Reviewing the data by years prior to order reform (1993-1999) and years following order reform (2000-2006) shows that small farms increased their marketing deductions by $0.15 to $0.19 following order reform. Medium size farms increased an estimated $0.14 to $0.19, while large herds increased $0.12 to $0.15. The increases for all size herds can be explained in good measure by the loss of the $0.15 transportation credit that existed under the former New York-New Jersey Milk Marketing Area.

In addition to data collected by the Department and Cornell University that has been summarized above, USDA's Economic Research Service reports monthly estimates for milk production costs for New York from 2003. These monthly estimates were averaged to provide annual estimates. USDA's reported hauling cost average for all New York producers matches closely with the data reported above. Interestingly, the category which has shown the greatest increase is feed costs which increased from $6.21 per cwt. in 2003 to $11.67 in 2007. This is an eighty-seven percent increase over the past five years. See Table 5.

Average hauling costs reported by the Department, Cornell and USDA are all in relative agreement.

Efficiencies in the milk hauling industry are credited with keeping hauling charges from rising significantly. Dairy Marketing Services (DMS) is a milk marketing organization formed in 1999 for the purpose of reducing costs of milk assembly, field services, and transportation. In 2006 more than half of NY's milk was marketed through DMS. While no hard data has been collected, anecdotal discussions suggests that DMS and other milk handlers/haulers can be credited with driving efficiencies in the milk assembly sector in efforts to prevent increased charges for hauling to producers. Whether milk handlers will be able to keep charges to producers from rising in the future is unclear in the face of significantly higher fuel costs, higher equipment replacement costs, weight limit issues on roads and bridges, and hauling loads longer distances due to plant closures.

Three points must be made in order to properly interpret the data presented in this study.

(1) The legislation directing the study indicates that "hauling costs" shall be defined as any transportation-related costs incurred by a milk producer after such producer's raw milk leaves the farm operation. However because of data limitations, for the purposes of this report a slight modification is needed and "hauling costs" are defined as any transportation related costs incurred by a milk producer as reported on the producers' milk check. These costs do not necessarily reflect the actual, full, or true total cost of milk hauling. The Vermont Agency of Agriculture, Food and Markets recently completed a study that shows the actual cost of hauling in Vermont and the amount of these costs that were recovered from charges to dairy producers (see Appendix 2). During Vermont's fiscal year ending June 30, 2006, two-thirds of the actual cost of hauling was recovered from producers, while one-third was absorbed by cooperatives / milk handlers or passed up the value chain. Of the amount collected from farmers, eighty percent was reported for base hauling fees, ten percent for stop fees and ten percent for fuel surcharges.

(2) A relationship between hauling costs and special premiums (competitive premiums/cooperative dividends) may exist. While hauling charges reported on milk checks have remained fairly stable in recent years, the Vermont hauling cost study as well as anecdotal experience suggests that in NY, some portion of increasing hauling costs are absorbed by cooperatives; thus indirectly being charged to dairy producers by lowering the amount of premium payments that would otherwise be available to producers.

(3) This study reviewed historical data ending June 2007. Care must be taken in generating future expectations based on the past accounting of milk hauling charges. Since June 2007 the milk hauling industry has been challenged with increasing fuel costs, weight limit issues on roads and bridges and issues of segregating more of the milk supply as organic milk, “rBST free” milk and conventional milk. These developments are putting pressure on the milk hauling industry and, according to anecdotal reports, have resulted in increased hauling rates charged to farmers.

An analysis of the average price received per hundredweight by dairy farmers annually, adjusted for premiums, over a twenty year period beginning on January 1, 1987 as compared to the average price received annually by recipients of milk beyond the farm over the same time period

In an effort to address this topic, data available through the Department’s monthly retail milk price survey and calculations used for monitoring New York’s Milk Price Gouging Law was reviewed.

Table 6 shows the relationship of the farm value of milk used in beverage form as a share of the retail price for a gallon of whole milk from 1989 through 2007 in Metro New York and Upstate New York. The farm value is defined as raw milk cost in the table. It represents the Federal Order price for Class 1 milk, at 3.25% butterfat content, adjusted to NYC zone for Metro NY and Syracuse zone for Upstate NY, plus estimated premiums. The retail price is from the Department’s monthly price survey of prices charged for milk by supermarkets. For “whole” milk sold in package form, the minimum butterfat content standard is 3.25%.

As shown in Table 6, the share of the raw milk value of retail price has varied from 46.1% to 57.7% in Metro NY and from 49.6% to 60.5% in Upstate NY over the 18 year period. Since 2000, the raw milk share has been somewhat under 50% in Metro NY except for one year while in Upstate NY, the share has generally been in the mid-50 to high-50% area.

A determination of the potential financial impact on the New York State economy should milk hauling costs be absorbed by recipients of milk beyond the farm

In order to provide a more detailed investigation of this topic, data would need to be collected and an academic analysis be conducted. Researchers at Cornell University are currently involved in a project to update an accounting program that will enable milk hauling companies to better determine the actual costs of operating milk assembly routes. Aggregate information collected from this research once completed could be used to further investigate different cost sharing scenarios. It is anticipated that data will be available sometime during 2008.

One important issue that was raised during this study and needs to be clarified is the question: where, during milk assembly, does ownership of milk transfer from a farmer’s responsibility to a milk plant or cooperative’s responsibility?

There are no state laws or regulations that specifically answer this question. Based upon conversations with industry representatives, details are sometimes stated in marketing contracts, but without a specific reference, practices vary. Where a proprietary milk processing plant has their own fleet of milk hauling trucks, responsibility for the milk generally occurs when the milk is pumped from the farm bulk tank onto the milk hauling truck. For dairy cooperatives that own their own farm pick-up fleet or who arrange for contract hauling, the cooperative generally maintains responsibility until the milk is delivered to the milk processing plant destination.

Despite the lack of currently available data, insight can be gained by viewing recent activities and recommendations from neighboring Vermont.

The Vermont Milk Commission was directed by Vermont legislation, Act 50 (S.78) of 2007 (See Appendix 2) to:

- "Establish by rule, pursuant to its authority under chapter 161 of Title 6, an over-order premium on Class I fluid cows' milk, consistent with accepted pricing mechanisms at the farm gate". These rules "shall take effect only if, by rule or legislation, New York and Pennsylvania have enacted substantially comparable provisions for their dairy farmers".
- "Establish by rule, pursuant to its authority under chapter 161 of Title 6, a minimum producer price that is designed to achieve a price by which the cost of picking up the milk and hauling the milk from the farm to the purchaser will be paid by the purchaser". These rules "shall take effect when, by rule, legislation, or other agreement, New York and one other state in the Northeast Marketing Area, Federal Order 1, have accomplished the purpose of this act or on January 15, 2009, whichever comes first".

The later provision requires the transfer of hauling costs from farmers to the purchasers of milk effective by January 15, 2009 regardless of whether New York and one other state in the Federal Northeast Marketing Order take similar action.

The Vermont Milk Commission held eight hearings, took testimony from 65 witnesses and issued a report which called for a repeal of the provision which called for Vermont's unilateral state action to transfer hauling costs away from dairy producers for fear those actions would cause Vermont dairy farms to become less competitive and potentially lose markets for Vermont produced milk. (See Appendix 4 for press release from the Vermont Milk Commission.)

New York needs to also consider the ramifications of acting unilaterally rather then regionally in legislating how milk hauling costs are collected and/or charged to producers. During 2006, about thirty percent of New York produced milk was shipped to neighboring states. In addition, six percent of milk receipts at NY plants were from out of state sources. This flow of milk across NY state borders raises issues in how to effectively enforce state regulations regarding the payment of milk hauling charges without infringing upon the interstate commerce clause.

SUMMARY

- Hauling charges paid by producers, inclusive of the marketing order transportation credit, were fairly stable from 1991 through June 2007, ranging from an annual average of $.50 to $.57 per hundredweight of milk marketed. These hauling charges represent 3.1% to 4.4% of the gross value of the farm milk marketed during this same period.
- In addition to hauling charges deducted from milk checks, an additional amount of the costs is not charged directly to the producer. A recent study of Vermont's total hauling cost shows two-thirds of the actual cost of hauling is recovered from producers, while one-third is absorbed by cooperatives or milk handlers or is passed up the value chain.
- Hauling costs are determined in part by the number of farm stops per day and miles traveled per day. Additional stops at small farms to fill a tanker have resulted in higher hauling costs for smaller size dairy operations. Based on data from Cornell's Dairy Farm Business Summary Series, the average of hauling charges for 2001 – 2006 was $0.73 per hundredweight for the small producers (80 or fewer cows) and $0.46 per hundredweight for large producers (300 or more cows).
- Efficiencies in the milk hauling industry are credited with reducing costs of milk assembly and transportation. These efficiencies have benefited farmers since some cost increases have not been fully charged back to producers. Since the end of the study data, June 2007, the milk hauling industry has been challenged with increasing fuel costs, weight limit issues on roads and bridges, and issues of segregating more of the milk supply as organic, "rBST free" milk and conventional milk. As a result, according to some anecdotal reports, hauling rates charged to farmers have increased.
- The share of the farm (raw milk) value of the retail price has varied from 46.1% to 57.7% in Metropolitan NY markets and from 49.6% to 60.5% in Upstate NY markets since 1989.
- New York needs to carefully consider the possible market ramifications of legislation that would regulate how milk hauling costs are allocated between producers and those beyond the farm.

Table 1. Payments for Milk to New York State Dairy Farmers,

Based on NY Department of Agriculture Payment Reports,

1991 - Jun 2007

(Dollars per hundredweight)

Year	Price for Milk Based on Butterfat Content: 3.5 Price	Butterfat Premiums			Total Payments Based on Butterfat Content	Special Premiums (2)	Avg. Gross Price Paid for all Milk (3)	Hauling Credit Paid out of Pool Receipts	Hauling and Stop Charges Paid Directly by Producer	Total Hauling Cost	Percent Hauling Cost to Gross Value of Milk
1991	11.85	0.16			12.01	0.53	12.55	0.15	0.36	0.51	4.1%
1992	12.82	0.17			12.99	0.36	13.36	0.15	0.39	0.54	4.0%
1993	12.62	0.11			12.73	0.25	12.98	0.15	0.42	0.57	4.4%
1994	12.98	0.09			13.07	0.21	13.29	0.15	0.42	0.57	4.3%
1995	12.56	0.10			12.66	0.24	12.90	0.15	0.38	0.53	4.1%
1996	14.42	0.16			14.58	0.28	14.86	0.15	0.38	0.53	3.6%
1997	12.78	0.20			12.98	0.43	13.42	0.15	0.37	0.52	3.9%
1998	14.72	0.28			15.01	0.42	15.42	0.15	0.36	0.51	3.3%
1999	14.01	0.19			14.21	0.46	14.66	0.15	0.35	0.50	3.4%
	Payments for Milk Based on Multiple Components										
	Butterfat Value	Protein Value	Other Solids Value	Producer Price Differential Value	Total Payments Based on Multiple Components						
2000	4.61	5.06	0.29	2.57	12.52	0.67	13.20	0.00	0.56	0.56	4.2%
2001	6.77	5.84	0.77	1.86	15.24	0.73	15.98	0.00	0.52	0.52	3.3%
2002	4.39	5.86	0.34	1.49	12.09	0.74	12.84	0.00	0.52	0.52	4.0%
2003	4.43	7.05	0.06	0.83	12.37	0.62	13.00	0.00	0.52	0.52	4.0%
2004	7.48	7.87	0.44	0.33	16.12	0.70	16.78	0.00	0.52	0.52	3.1%
2005	6.23	7.39	0.71	0.88	15.21	0.65	15.87	0.00	0.55	0.55	3.5%
2006	4.89	6.31	1.01	0.92	13.13	0.66	13.85	0.00	0.56	0.56	4.0%
Jan-Jun 2007	5.29	8.28	2.90	0.30	16.77	0.71	17.53	0.00	0.55	0.55	3.1%

(1) Based on payment reports which are submitted by milk dealers to the NYS Department of Agriculture.
The figures in this table represent payments to all NY dairy farmers including those who ship their milk to other states.

(2) Includes such premiums as quality, protein, volume and base competitive plus cooperative dividends. 1991-1999 excludes butterfat premiums.

(3) For 1991 - 1999 the Average Gross Value of Milk is the value of milk paid to dairy farmers on the basis of butterfat content and include special premiums.
The Average Gross Value of Milk from 1991 - 1999 reflects a $0.15 transportation credit paid from pool funds. From 2000 the Average Gross Value of Milk includes total component contributions (butterfat, protein and solids), the producer price differential, premiums and coop dividends. Average Gross Value has been adjusted for cooperative forward contracting agreements. Average Gross Value also includes payments made on flat rate basis.

Table 2. Number of NY Dairy Farmers, Milk Marketed, Price Paid and Marketing Deductions,

Based on NY Department of Agriculture Payment Reports,

1991 - Jun 2007

(Dollars per hundredweight)

	Number of Dairy Farmers in June	Milk Marketed (cwt)	Total Base Payments	Special Premiums	Average Gross Value of Milk (2)	Hauling Credit Paid out of Pool Receipts	Milk Marketing Deductions: Hauling and Stop Charges Paid Directly by Producer	Milk Marketing Deductions: Market Fees, Coop Dues, Advertising and Promotion	Milk Marketing Deductions: Total	Avg. Net Value of Milk (including Premiums and Coop Dividends)
1991	10,893	109,356,781	12.01	0.53	12.55	0.15	0.36	0.19	0.55	12.00
1992	10,625	113,072,218	12.99	0.36	13.36	0.15	0.39	0.20	0.59	12.77
1993	10,265	111,762,704	12.73	0.25	12.98	0.15	0.42	0.19	0.61	12.37
1994	9,757	111,709,351	13.07	0.21	13.29	0.15	0.42	0.20	0.62	12.67
1995	9,351	114,060,747	12.66	0.24	12.90	0.15	0.38	0.20	0.58	12.32
1996	9,083	113,187,955	14.58	0.28	14.86	0.15	0.38	0.20	0.58	14.28
1997	8,761	113,624,820	12.98	0.43	13.42	0.15	0.37	0.20	0.57	12.85
1998	8,268	115,861,943	15.01	0.42	15.42	0.15	0.36	0.20	0.56	14.86
1999	8,092	119,220,225	14.21	0.46	14.66	0.15	0.35	0.20	0.55	14.11
2000	7,615	117,694,813	12.52	0.67	13.20	0.00	0.56	0.20	0.76	12.44
2001	7,182	116,693,311	15.24	0.73	15.98	0.00	0.52	0.20	0.72	15.26
2002	7,089	121,417,434	12.09	0.74	12.84	0.00	0.52	0.19	0.71	12.13
2003	6,810	118,171,306	12.37	0.62	13.00	0.00	0.52	0.20	0.72	12.28
2004	6,498	115,367,503	16.12	0.70	16.78	0.00	0.52	0.19	0.71	16.07
2005	6,258	119,176,549	15.21	0.65	15.87	0.00	0.55	0.20	0.75	15.12
2006	5,993	119,397,267	13.13	0.66	13.85	0.00	0.56	0.20	0.76	13.09
Jan-Jun 2007	5,691	59,725,659	16.77	0.71	17.53	0.00	0.55	0.21	0.76	16.77
Weighted Averages										
1991-1999			$13.37	0.355	$13.73	0.150	0.381	0.198	0.579	$13.15
2000-Jun 2007			$13.99	0.685	$14.69	0.000	0.536	0.199	0.735	$13.96

(1) Based on payment reports which are supplied by milk dealers to the NYS Department of Agriculture. Data prior to 1991 for milk marketing deductions including hauling charges is not available. The figures in this table represent payments to all NY dairy farmers including those who ship their milk to other states.

(2) For 1991 - 1999 the Average Gross Value of Milk is the value of milk paid to dairy farmers on the basis of butterfat content and include special premiums (see table 1). The Average Gross Value of Milk from 1991 - 1999 reflects a $0.15 transportation credit paid from pool funds. From 2000 the Average Gross Value of Milk includes total component contributions (butterfat, protein and solids), the producer price differential, premiums and coop dividends. Average Gross Value has been adjusted for cooperative forward contracting agreements. Average Gross Value also includes payments made on flat rate basis.

Table 3. Average Milk Income and Marketing Report including Hauling And Stop Charges,

Based on Cornell University's Annual Dairy Farm Business Summary Series

2000-2006

(Dollars per hundredweight)

All Size Farms

			Milk Marketing Deductions						
	Number of Reporting Farms	Base Farm Price plus Premiums	Hauling and Stop Charges	Market Fees, Coop Dues, Advertising and Promotion	Total	Futures / Forward Contracting	Patronage Dividend	Compact	Net Price Received on Farm
2000	74	13.13	0.52	0.22	0.74	0.05	0.23	0.14	12.82
2001	157	15.88	0.53	0.19	0.72	-0.04	0.11	0.03	15.26
2002	122	12.73	0.59	0.20	0.79	0.07	0.12	0.01	12.14
2003	135	13.10	0.47	0.21	0.68	0.03	0.13		12.58
2004	124	16.71	0.46	0.24	0.70	-0.21	0.08		15.88
2005	165	15.95	0.53	0.23	0.76	-0.04	0.09		15.19
2006	170	13.71	0.53	0.26	0.79	0.03	0.06		13.02

Source: Dairy Farm Management, Business Summary New York State, 2000-2006, Table 3
Cornell University, College of Agriculture and Life Science, Department of Applied Economics and Management

N.B. (1) Hauling costs were not reported separate from Total Milk Marketing Deductions prior to 2000.
(2) The data is not a random sample of dairy farms, and therefore does not represent the “average” NY dairy farm.
(3) Base Farm Price consists of total component contributions (butterfat, protein and solids) plus the producers price differential.

Table 3. Average Milk Income and Marketing Report including Hauling And Stop Charges,

Based on Cornell University's Annual Dairy Farm Business Summary Series

2000-2006

(Dollars per hundredweight)

Small Herds (80 or Fewer Cows)

			Milk Marketing Deductions						
	Number of Reporting Farms	Base Farm Price plus Premiums	Hauling and Stop Charges	Market Fees, Coop Dues, Advertising and Promotion	Total	Futures / Forward Contracting	Patronage Dividend	Compact	Net Price Received on Farm
2000	NA	NA	NA	NA	NA	NA	NA	NA	NA
2001	13	15.81	0.65	0.21	0.86	0.00	0.05	0.01	15.01
2002	23	12.89	0.81	0.21	1.02	0.06	0.07	0.00	12.00
2003	29	12.94	0.68	0.22	0.90	0.00	0.11		12.15
2004	18	16.89	0.67	0.29	0.96	0.00	-0.02		15.91
2005	27	16.25	0.80	0.25	1.05	0.00	0.05		15.25
2006	20	13.72	0.75	0.30	1.06	0.00	0.02		12.68

NA - Not Available

Source: Dairy Farm Business Summary, New York Small Herd Farms, 80 Cows or Fewer, 2002-2006;
Dairy Farm Business Summary, New York Small Herd Farms, 70 Cows or Fewer, 2001
Cornell University, College of Agriculture and Life Science, Department of Applied Economics and Management

Large Herds (300 or More Cows)

			Milk Marketing Deductions						
	Number of Reporting Farms	Base Farm Price plus Premiums	Hauling and Stop Charges	Market Fees, Coop Dues, Advertising and Promotion	Total	Futures / Forward Contracting	Patronage Dividend	Compact	Net Price Received on Farm
2000	30	13.07	0.41	0.20	0.61	0.07	0.21	0.03	12.76
2001	55	15.84	0.41	0.19	0.60	-0.06	0.10	0.01	15.27
2002	44	12.63	0.42	0.19	0.61	0.13	0.11	0.00	12.26
2003	48	13.12	0.46	0.21	0.67	0.07	0.12		12.64
2004	52	16.74	0.44	0.24	0.68	-0.26	0.08		15.88
2005	58	16.02	0.52	0.25	0.77	-0.05	0.08		15.28
2006	74	13.72	0.52	0.26	0.78	0.03	0.06		13.02

Source: Dairy Farm Business Summary, New York Large Herd Farms, 300 Cows or Larger, 2000-2006
Cornell University, College of Agriculture and Life Science, Department of Applied Economics and Management

Table 4. Milk Receipts and Milk Marketing Expenses,

Based on Cornell University's Annual Dairy Farm Business Summary Series

1993-2006

(Dollars per hundredweight)

	All Reporting Dairy Farms				Dairy Farms with Fewer than 80 Cows			Dairy Farms with 80 - 180 Cows			Dairy Farms with More than 180 Cows		
	Number of Farms	Total Lbs. (cwt)	Accrued Milk Sales	Milk Marketing Deduction	Number of Farms	Accrued Milk Sales	Milk Marketing Deduction	Number of Farms	Accrued Milk Sales	Milk Marketing Deduction	Number of Farms	Accrued Milk Sales	Milk Marketing Deduction
1993	343	8,385,664	13.14	0.64	149	12.99	0.74	144	13.10	0.69	50	13.23	0.57
1994	321	9,737,535	13.44	0.67	120	13.34	0.83	114	13.41	0.74	67	13.48	0.60
1995	321	10,388,202	13.03	0.70	124	12.93	0.80	117	13.07	0.77	80	13.03	0.66
1996	300	10,051,200	14.98	0.59	122	14.85	0.71	102	15.12	0.66	76	14.95	0.54
1997	253	9,945,177	13.65	0.52	84	13.61	0.72	95	13.82	0.62	74	13.60	0.47
1998	305	13,405,970	15.60	0.53	101	15.64	0.69	97	15.75	0.61	107	15.56	0.49
1999	314	15,050,648	14.91	0.49	99	14.17	0.71	98	14.87	0.60	117	14.93	0.45
2000	294	15,544,074	15.76	0.69	93	13.42	0.86	87	13.34	0.74	114	13.39	0.66
2001	228	13,746,120	15.98	0.63	67	16.04	0.89	65	16.14	0.76	96	15.96	0.60
2002	219	14,492,763	12.98	0.65	53	12.78	0.97	65	13.02	0.79	101	12.98	0.62
2003	201	14,091,105	13.24	0.69	61	13.10	0.89	51	13.27	0.83	89	13.24	0.66
2004	200	14,753,400	16.64	0.72	53	16.90	0.90	48	17.03	0.85	99	16.60	0.70
2005	225	17,606,250	15.98	0.76	56	15.77	0.92	60	16.21	0.96	109	15.97	0.73
2006	240	19,406,880	13.85	0.80	59	13.68	1.02	66	13.93	0.96	115	13.85	0.78

N.B. (1) Accrued Milk Sales reflects revenue when earned rather than when payment is made. These receipts reflect the difference between the January milk check for December's milk and the previous January check.

(2) Milk Marketed deduction includes milk hauling fees and stop charges, coop dues, milk advertising and promotion expenses.

(3) The data is not a random sample of dairy farms, and therefore does not represent the "average" NY dairy farm.

Table 5. Milk Production Costs, New York,
Based on USDA's Economic Research Service Estimates
2003-2007
(Dollars per hundredweight)

	2003	2004	2005	2006	2007
Operating cost:					
Feed costs	6.21	6.24	6.30	9.27	11.64
Hired labor	1.26	1.21	1.23	1.78	1.88
Veterinary and medicine	0.74	0.72	0.72	0.81	0.85
Fuel, lube, and electricity	0.60	0.56	0.76	0.78	0.89
General farm overhead	0.78	0.78	0.77	0.76	0.82
Custom services (Hauling)	0.56	0.55	0.54	0.51	0.53
Taxes and insurance	0.22	0.22	0.21	0.29	0.30
Interest on operating capital	0.08	0.08	0.08	0.23	0.34
Other operating costs (repairs, bedding and litter and marketing)	1.49	1.48	1.55	1.45	1.53
Total cost excluding opportunity and capital recovery cost	11.93	11.84	12.17	15.87	18.78
Allocated overhead:					
Opportunity Cost of unpaid labor	4.99	5.15	5.17	3.70	3.73
Capital recovery of machinery and equipment	3.36	3.75	3.75	3.68	3.86
Opportunity Cost of land	0.06	0.06	0.05	0.02	0.02
Total opportunity and capital recovery cost	8.41	8.96	8.97	7.40	7.61

Table 6. **Metro NY and Upstate NY**

Retail Price, Raw Milk Cost and % RMC of Retail

Annual Average, 1989 - 2007, $ per Gallon

	Metro NY				**Upstate NY**	
Year	Retail Price	Raw Milk Cost	% RMC of RP	Retail Price	Raw Milk Cost	% RMC of RP
1989	2.39	1.38	57.7	2.33	1.33	57.1
1990	2.64	1.45	54.9	2.55	1.40	54.9
1991	2.60	1.24	47.7	2.38	1.18	49.6
1992	2.59	1.31	50.6	2.40	1.25	52.1
1993	2.53	1.35	53.4	2.36	1.21	51.3
1994	2.55	1.33	52.2	2.38	1.26	52.9
1995	2.50	1.36	54.4	2.31	1.21	52.4
1996	2.67	1.44	53.9	2.46	1.38	56.1
1997	2.63	1.28	48.7	2.36	1.22	51.7
1998	2.77	1.43	51.6	2.53	1.37	54.2
1999	2.86	1.45	50.7	2.61	1.39	53.3
2000	2.71	1.32	48.7	2.40	1.25	52.1
2001	2.99	1.56	52.2	2.62	1.47	56.1
2002	2.76	1.30	47.1	2.34	1.21	51.7
2003	2.83	1.34	47.3	2.29	1.25	54.6
2004	3.42	1.65	48.2	2.60	1.54	59.2
2005	3.35	1.60	47.8	2.58	1.49	57.8
2006	3.04	1.40	46.1	2.40	1.29	53.8
2007	3.87	1.93	49.9	3.01	1.82	60.5

Retail price: Average supermarket price for plastic gallon of fluid milk (Dept Survey)
Raw milk cost: NY-NJ Order Class I price at 3.25% butterfat, adjusted to location plus estimated premiums.
% RMC of RP = Raw Milk Cost divided by Retail Price

Prepared by: NYS Dept. of Agric. and Markets, Div. of Milk Control and Dairy Services

Appendix 1

LAWS OF NEW YORK, 2007

CHAPTER 400

AN ACT directing the department of agriculture and markets to conduct a study on the impact of hauling costs on dairy farmers

Became a law August 1, 2007, with the approval of the Governor.
Passed by a majority vote, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. a. The department of agriculture and markets shall conduct a study that shall examine the impact of hauling costs on dairy farm net-income in this state. For purposes of this section, "hauling costs" shall be defined as any transportation-related cost incurred by a milk producer after such producer's raw milk leaves the farm operation. The commissioner of agriculture and markets is hereby authorized to consult, as appropriate, the New York State College of Agriculture and Life Sciences, any office of the United States department of agriculture, the office of the state comptroller and any other entity deemed appropriate by such commissioner in the undertaking of such study, which shall include, but not be limited to the following:

(i) A determination of the annual impact of hauling costs on dairy farm net-income for small, medium and large producers in the state over the twenty most recent production years for which complete farm information is available, giving consideration to per-hundredweight price limitations mandated by the Northeast Milk Marketing Order, increased feed and fuel costs, natural disasters including but not limited to flooding, and other farm-related costs. The commissioner of agriculture and markets may, if deemed necessary, eliminate the single highest and lowest income years to assure a more accurate determination.

(ii) An analysis of the average price received per hundredweight by dairy farmers annually, adjusted for premiums, over a twenty-year period beginning on January 1, 1987 as compared to the average price received annually by recipients of milk beyond the farm over the same time period.

(iii) A determination, using not less than three cost-sharing scenarios whereby costs are shifted increasingly away from milk producers, of the potential financial impact on the New York state economy should milk hauling costs be absorbed by recipients of milk beyond the farm. Such determination shall also include a separate scenario in which milk hauling costs are borne entirely by recipients of milk beyond the farm.

b. The department of agriculture and markets shall create a report based on the findings of such study and shall present such report at one or more hearings initiated by the United States department of agriculture relating to the drafting of the 2007 federal farm bill. Such report shall also be submitted to the governor, the senate majority leader, the senate minority leader, the speaker of the assembly, the assembly minority leader and the chairs of the senate and assembly agriculture committees on or before August 1, 2007. Nothing in this subdivision shall prohibit the department of agriculture and markets from presenting

EXPLANATION--Matter in **italics** is new; matter in brackets [-] is old law to be omitted.

preliminary study findings at 2007 federal farm bill hearings occurring prior to such date, nor be construed to authorize such department to abrogate its responsibilities to the legislature and executive pursuant to this section should this subdivision be enacted following the conclusion of 2007 federal farm bill hearings.

c. The department of agriculture and markets shall work with the legislature to draft any statutory changes necessary to carry forward efforts consistent with departmental findings pursuant to this section.

§ 2. This act shall take effect immediately.

The Legislature of the STATE OF NEW YORK **ss:**

Pursuant to the authority vested in us by section 70-b of the Public Officers Law, we hereby jointly certify that this slip copy of this session law was printed under our direction and, in accordance with such section, is entitled to be read into evidence.

JOSEPH L. BRUNO	SHELDON SILVER
Temporary President of the Senate	**Speaker of the Assembly**

APPROVAL MEMORANDUM - No. 15 Chapter 400

MEMORANDUM filed with Assembly Bill Number 7113-A, entitled:

"AN ACT directing the department of agriculture and markets to conduct a study on the impact of hauling costs on dairy farmers"

APPROVED

This bill directs the Department of Agriculture and Markets ("Department") to: (1) study the impact of hauling costs on dairy farm net income in the State; (2) create a report based on the study; (3) present the report at hearings conducted by the United States Department of Agriculture (USDA) in connection with the drafting of the 2007 federal farm bill, and publish the report to specified State officials by August 1, 2007; and (4) work with the Legislature to draft any statutory changes necessary to carry forward efforts consistent with Department's findings.

I share the sponsors' concerns about the impacts that rising transportation costs are having on our State's dairy farmers, and agree that the Department should study this important issue. The study could yield useful information that will help to inform the Department, the Legislature and federal officials about how milk hauling costs are affecting New York's dairy farmers, and facilitate a better understanding of milk marketing challenges for New York producers.

However, the bill presents some technical issues. First, the Department obviously cannot complete the study and report by August 1, 2007. Second, the USDA and other agencies long ago concluded their drafting of the farm bill, and the House of Representatives just recently passed the bill. Thus, the results of the study cannot help to inform the USDA on the drafting of the farm bill.

Moreover, I am troubled by the bill's directives that the Department: (1) participate in the USDA hearings and take positions on behalf of the State; and (2) help to "draft any statutory changes necessary to carry forward efforts consistent with (D)epartmental findings." While the first directive is moot, in my view, both mandates improperly intrude upon Executive branch authority and raise serious separation of powers concerns.

Fortunately, the Assembly and Senate sponsors of this bill have agreed to enact a chapter amendment that will eliminate the objectionable portions of the bill, and instead will simply require the Department to undertake the study and report its findings by February 1, 2008. As a result, I am signing this bill based on the Legislature's commitment to enact the chapter amendment, which addresses the aforementioned issues and concerns.

The bill is approved. (signed) ELIOT SPITZER

Appendix 2

MEMORANDUM

To: Vermont House and Senate Committees on Agriculture

From: Roger Allbee, Secretary

Re: Recommendations for S.226 An Act Relating to Dairy Hauling Fees and Stop Charges

Date: January 1, 2007

Summary: Information was requested from the five major milk cooperative/companies buying milk directly from farmers in Vermont for FY 2005 and FY 2006. Information was received from all 5 companies. Aggregate information compares the amount of total money collected from Vermont dairy farmers related to hauling versus amount paid to Vermont Haulers. The competitiveness of the northeast milk pool and the commercial nature of milk purchasing contracts are critical considerations for Vermont milk buyers. The Agency of Agriculture, Food and Markets has no recommendations for legislative action regarding the ability of milk buyers to charge hauling and stop fees to dairy farmers.

The Vermont Agency of Agriculture, Food and Markets supports efforts to improve the price paid to dairy farmers. One example is a change to the Northeast Milk Marketing Order as requested by the National Milk Producer Federation and member cooperatives serving Vermont that to increase the price for Class I and Class II milk for the entire Federal Order System in the United States. This would be of benefit to all Vermont Dairy Farmers.

Method: Representatives from the Vermont Agency of Agriculture, Food and Markets met with representatives from Legislative Council and Senator Giard on October 16, 2006 to review S.226 An Act Relating to Dairy Hauling Fees and Stop Charges. It was determined at this meeting that the Vermont Agency of Agriculture would survey the 5 largest milk buyers in Vermont for Fiscal Year 2005 and 2006 to determine what amount was collected from farmers in three categories - Total dollars collected from dairy farmers for per hundredweight hauling charge; Total dollars collected from dairy farmers for stop charge; and Total dollars collected from dairy farmers for fuel surcharge. Information was also requested for total dollars paid to Vermont milk haulers. Letters were sent to the Chief Executive Officers of each of the five buyers of Vermont milk and follow-up contacts were made by phone and e-mail to explain the request and to encourage each to supply the information. This data is proprietary information for these companies and was supplied on a voluntary basis.

Results: Information was voluntarily provided by all five major milk buyers in Vermont for fiscal year 2005 and 2006. The months incorporated in each buyer's fiscal year may or may not have been the same but 24 months of data was obtained. The information is shown below in aggregate form:

	FY 2005	FY 2006	Change from FY 06 to FY 05
Total Dollars Collected from Farmers per cwt. Basis	$11,671,194.88	$11,538,590.70	$(132,604.18)
Total Dollars Collected from Farmers from Stop Charges	$1,250,746.00	$1,391,670.00	$140,924.00
Total Dollars Collected from Farmers from Fuel Surcharges	$1,257,556.00	$1,536,063.70	$278,507.70
Grand Total of Dollars Collected from Farmers	$14,179,496.88	$14,466,323.70	$286,826.82
Total Paid to Vermont Haulers	$20,596,296.00	$21,931,736.00	$1,335,440.00
Difference Paid to VT Haulers Vs. Collected from Farmers	$6,416,799.12	$7,465,412.30	$1,048,613.18

The results show that the money collected from the buyers of milk in Vermont in total from Vermont dairy farmers was less than the amount paid to Vermont Haulers. Vermont dairy farmers do not pay the entire cost of hauling milk. Milk buyers cover some of the hauling cost themselves or push the hauling cost up the value chain. The major milk buyers in Vermont include three cooperatives and two independent milk buyers.

The five buyers of milk from farms in Vermont in turn market that milk to several processors in Vermont and throughout the Northeast. Milk buyers negotiate propriety agreements with processors that may contain premiums to pay for additional hauling cost or fuel surcharges. The milk from Vermont must be competitively priced in comparison to milk from other states in this greater Northeast milk pool. The milk supply within the northeast fluctuates throughout the year as does demand for this milk by processors.

Vermont sells the majority of its milk production out of state for further processing. Market share in and out of state for Vermont milk is competitive. If Vermont creates a unilateral change in the pricing of milk produced by Vermont farmers through the elimination of dairy farmer hauling costs it will put Vermont milk at a competitive disadvantage, risking market share. Loss of market share will ultimately result in lower prices and market premiums for Vermont dairy farmers.

Recommendations:
The Vermont Agency of Agriculture recommends no legislative changes regarding the ability of milk buyers to charging hauling and stop fees to dairy farmers.

Additional Information:
A hearing on changes to the price calculations for Class I and Class II milk was held on December 11, 2006. At this hearing, recommendations were made by the National Milk Producers Federation and supported by St. Albans Cooperative Creamery, Agri-Mark, Inc. Dairylea and Dairy Farmers of America (four major cooperatives marketing 75-80% of Vermont milk) to improve the price of these classes of milk. These price changes were recommended through looking at the cost-based elements of the national minimum price which include hauling, assembly and Grade A standards. These costs are primarily born by producers, directly through the cooperatives that they own or directly by independent producers. Hauling costs have increased but the formula for calculating these prices has not changed. The recommendation from these groups is to increase the Class I price by $0.77 per hundredweight. This increase in price would benefit dairy producers through higher overall prices.

Appendix 3

NO. 50. AN ACT RELATING TO THE VERMONT MILK COMMISSION ESTABLISHING AN OVER-ORDER PREMIUM AND A MINIMUM PRODUCER PRICE.

(S.78)

Sec. 1. FINDINGS

The general assembly finds:

(1) Dairy farmers contribute $1 million a day to the economy of Vermont, provide about 7,500 farm jobs, account for $426 million annually in sales for Vermont businesses that interact with dairy farmers, and support businesses, including veterinarians, grain dealers, equipment sales, farm insurance, and other dairy suppliers.

(2) In January of 2007, there were 1,137 dairy farms with 142,000 milking cows, generating over $2 billion annually in Vermont's economy through production, employment, and business interaction.

(3) Vermont's conventional dairy farmers have lost purchasing power in recent decades because the farm gate price paid for their milk has not kept pace with inflation. In 1980, the average price paid was $13.06, which, when adjusted for inflation, is equivalent to $30.95 in 2006 dollars. The average price for milk in 2006 was $12.88.

(4) Many farmers continue to receive a price for their milk that is below the cost of production.

(5) Milk and milk products are used as ingredients in thousands of foods, including baked goods, snack food, baby formula, and pet food. Milk products are used in sit-down and fast food restaurants. Dairy products are featured in a large proportion of the space in supermarkets.

(6) 6 V.S.A. § 2676 states that the ownership of milk passes from the farmer to the buyer when the milk is transferred from a farm tank to a tank truck.

(7) Stop and hauling charges currently paid by Vermont dairy farmers result in a decrease of approximately $0.60 per hundredweight for fluid milk picked up at the farm.

Sec. 2. PURPOSE

The purpose of this act is:

(1) to enable Vermont dairy farmers, processors, and retailers and their supporting infrastructure to achieve a positive return on their labor and investment.

(2) to ensure the continuing economic vitality of the dairy industry by stabilizing the price received by farmers for their milk at a level allowing them an equitable rate of return.

(3) to assure that the cost of hauling and handling milk is not charged to or paid by the producer.

Sec. 3. VERMONT MILK COMMISSION ESTABLISHING AN OVER-ORDER PREMIUM

(a) The Vermont milk commission shall establish by rule, pursuant to its authority under chapter 161 of Title 6, an over-order premium on Class I fluid cows' milk, consistent with accepted pricing mechanisms at the farm gate.

(b) In establishing the over-order premium, the commission shall investigate, ascertain, and include in establishing such premium the reasonable costs and charges for producing, hauling and stop charges, handling, processing, and any other services performed in respect to fluid dairy products.

Sec. 4. VERMONT MILK COMMISSION ESTABLISHMENT OF A MINIMUM PRODUCER PRICE

The Vermont milk commission shall establish by rule pursuant to its authority under chapter 161 of Title 6 a minimum producer price that is designed to achieve a price by which the cost of picking up the milk and hauling the milk from the farm to the purchaser will be paid by the purchaser. Notwithstanding 6 V.S.A. § 2925(d), hauling and stop charges of milk loaded at the farm shall not be charged back to the selling dairy farmer. No additional charges shall be made, and no costs may be shifted from other benefits the farmer receives to contravene the purpose of this act. Nor shall any funds be transferred away from the farmer in paid producer differentials or any premiums the farmer would receive, but for this act.

Sec. 5. 6 V.S.A. § 2937 is added to read:

§ 2937. ANNUAL REPORT

The commission shall report annually on its activities to the house and senate committees on agriculture on or before January 15, beginning in 2009.

Sec. 6. EFFECTIVE DATE; RULES

(a) This act shall take effect on passage.

(b) The milk commission shall commence the rulemaking process necessary to implement the provisions of Sec. 3 of this act within 60 days of the effective date. Each of the rules required shall take effect only if, by rule or legislation, New York and Pennsylvania have enacted substantially comparable provisions for their dairy farmers.

(c) The milk commission shall commence the rulemaking process necessary to implement the provisions of Sec. 4 of this act within 60 days of the effective date of this act. The rule shall take effect when, by rule, legislation, or other agreement, New York and one other state in the Northeast Marketing Area, Federal Order 1, have accomplished the purpose of this act or on January 15, 2009, whichever comes first.

(d) The milk commission shall report the progress being made on implementing this act to the house and senate committees on agriculture on or before November 1, 2007.

Approved: May 26, 2007

Appendix 4

Vermont Milk Commission Issues Final Decision and Report

Contacts:
Diane Bothfeld, Vermont Agency of Agriculture, (802) 828-3835
Kelly Loftus, Vermont Agency of Agriculture, (802) 828-3829
Monday, January 14, 2008

Montpelier, Vt. - The Vermont Milk Commission, a quasi-judicial body appointed by Governor Douglas, has issued its final decision and report. The final report will be given at a meeting that is open to the public, Tuesday, January 15, 2008, at 10:30 a.m. in Room 10 of the Statehouse in Montpelier.

"The Vermont Milk Commission undertook an aggressive schedule of hearings over the last six months that created a body of evidence on the economic status of the dairy industry in Vermont," commented Governor Douglas. "A strong dairy economy is important to the overall economy of Vermont. A more stable milk price system would benefit everyone involved in the dairy industry as well as consumers. I appreciate the Commission's efforts."

This information was utilized by the Commission to establish an "over-order" premium and a decision regarding the payment of hauling charges, pursuant to its authority, to be paid to farmers for fluid milk. The Commission investigated the movement of milk in the Northeast and the effect or consequences of an over-order premium and a minimum price on the industry to include processors.

The Vermont Milk Commission was directed by legislation, Act 50(S.78) of 2007, to establish by rule, pursuant to its authority under chapter 161 of Title 6, an over-order premium on Class I fluid cows' milk, consistent with accepted pricing mechanisms at the farm gate and establish by rule a minimum producer price that is designed to achieve a price by which the cost of picking up the milk and hauling the milk from the farm to the purchaser will be paid by the purchaser. Considerations of other states' actions specifically New York and Pennsylvania with regard to the over-order premium, and New York and one other Northeast Marketing Order Area for Federal Order 1 state with regard to the minimum producer price are legal contingencies in enacting any rule.

"I want to thank the very hard work and dedication exhibited by the Milk Commission members to find ways of making the dairy industry in Vermont more profitable and less volatile," said Roger Allbee, secretary of Agriculture. "The Commission was diligent and thorough in their proceedings and the findings are important for Vermont's dairy future."

The hearing schedule began with an organizational meeting on June 19, 2007 and progressed through November. Sixty-five people associated with the dairy industry in Vermont as well as representatives from surrounding states, provided testimony and exhibits to the Vermont Milk Commission. Testimony from these individuals covered several topic areas which included but were not limited to: Milk Pricing, Milk Utilization/Movement/Supply, Hauling Cost for Milk, Federal Order System, Cost of Producing Milk, Processing Costs and Margins, Retail Costs and Margins, Dairy Statistics, Milk Promotion Programs, and the overall Health of the Industry.

The Commission members reviewed the hearing information as it pertains to Act 50 and the Commission's general authority. The following findings, decisions, statements and recommendations from the Milk Commission as it relates to the legislative directive, and the commissions independent authority, are based upon factual evidence from the hearing process.

From this body of evidence the following decision, orders and recommendations are herby made:

III. a. Decision and Order Number 1
Over-Order Premium on Fluid Milk – from farms in Vermont, processed in Vermont and sold in Vermont

In deliberation of the testimony, the Milk Commission concludes that the implementation of an over-order premium on fluid milk, produced on farms in Vermont, processed by Vermont companies and sold to Vermont consumers will be implemented if the State of New York implements a similar regulation. Pennsylvania has a Milk Marketing Board that is implementing this type of regulation.

III. b. Decision and Order Number 2

Minimum Producer Price
In deliberation of the testimony, the Milk Commission concludes that the implementation of a minimum producer price on all milk sold in Vermont at the farm gate will be implemented when and if both the States of New York and Pennsylvania implements similar regulation.

III. c. Decision Number 3
A Different Approach

The Vermont Milk Commission will conduct further investigation into a different approach to an over-order premium. Further investigation of a multi-dimensional approach would involve a premium on all milk for fluid bottling transactions at the farm gate, contributions by dairy farmers and donations by businesses and individuals in Vermont to build a fund to stabilize milk prices and provide the safety net for Vermont farmers. This type of program will provide a pool of funds to be distributed to dairy farmers when the milk price drops below a preset level – making this program a counter cyclical method to stabilize milk prices.

III. d. Decision and Recommendation Number 4
Hauling Charges Paid by Purchaser of Milk

The Vermont Milk Commission recommends that the Vermont Legislature repeal that portion of Act 50 regarding charges for the hauling costs of milk, and the passing of those charges unto the purchasers of milk, and the restrictions on cooperatives and handlers from changing benefits and deductions in the payment interaction with dairy farmers and the requirement to adopt such a rule or order by January 15, 2009 notwithstanding the actions of any neighboring states. The Milk Commission makes this recommendation due to testimony of the adverse affects on Vermont farmers, cooperatives and processors in the state.

The Vermont Milk Commission takes very seriously the need for a financial safety net for Vermont farmers. Due to the complexity of the issues relative to development of a safety net, the Milk Commission will undertake further study and consideration of this issue. The first meeting of the Vermont Milk Commission to discuss this issue will occur in January 2008.

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