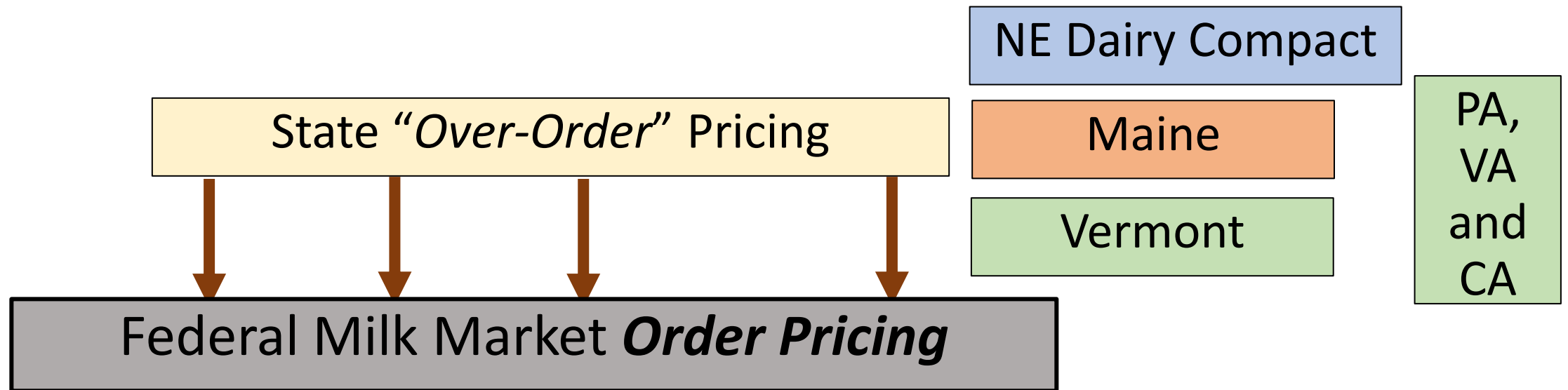


How the Market Structure of the Vermont Dairy Industry Might Support State Over-order Price Regulation

Part 2 - Pricing

Daniel Smith Esq.
Founding Executive Director
Northeast Dairy Compact Commission
(Task Force Vice-chair)

State “Over-Order” Milk Market Price Regulation



State Over-Order Market Regulation - Issues

Part 1

Over-Order Pooling

- What is the objective?
- What is the regulated “**pool**” of Vermont milk to be priced?
- **Is it legal** to price this pool of milk?

Today's Presentation

Over-Order Pool Pricing

- What is the Objective
- What is the pool pricing formula
 - Regulation/Handler Fee*
- How would the pool pricing formula be **calculated**
 - What are the criteria
 - *How to Factor Environmental Compliance Costs*
- How would proceeds/fee be imposed and collected **to pay pooled farmers the pool price**

Next Presentation

What is the **Administrative Procedure** to Set the Price and Oversee the Pool

What Might Be the Impact On the Market

- VT Farmers Consumers
- VT Companies
- Non-Vermont Market Participants

Dan's Notes

- Jackie and Randy
 - Price farmers can see
 - What is impact on market

- Bobby

New value added industry flourishes while farmers exit

- John

Is there a Vermont way

- FMMO: regulated milk supply
 - Stability; cost only
- Compact: milk supply and include all farm that supply
 - Consumer impact, supply management
- Maine
 - Milk supply Economic development; tiered payments
- Vermont
 - 90% Products go out of State

Return \$0.62-.67/dollar charged
Compact = 42%; ME = 33%

Over-Order Pricing

Pooling Recap

- What is the Objective
- What is the Pricing formula
 - What are the criteria
 - How is the price calculated
 - How are proceeds paid and collected
 - How do farmers get paid the
Over-order Producer Price

Federal Milk Market Order Pricing Pooling Recap

- Objective
- Marketing Area
- Pool Supply – Class I Plants
- Pool Supply – Producers
- Pool Reporting and Calculations

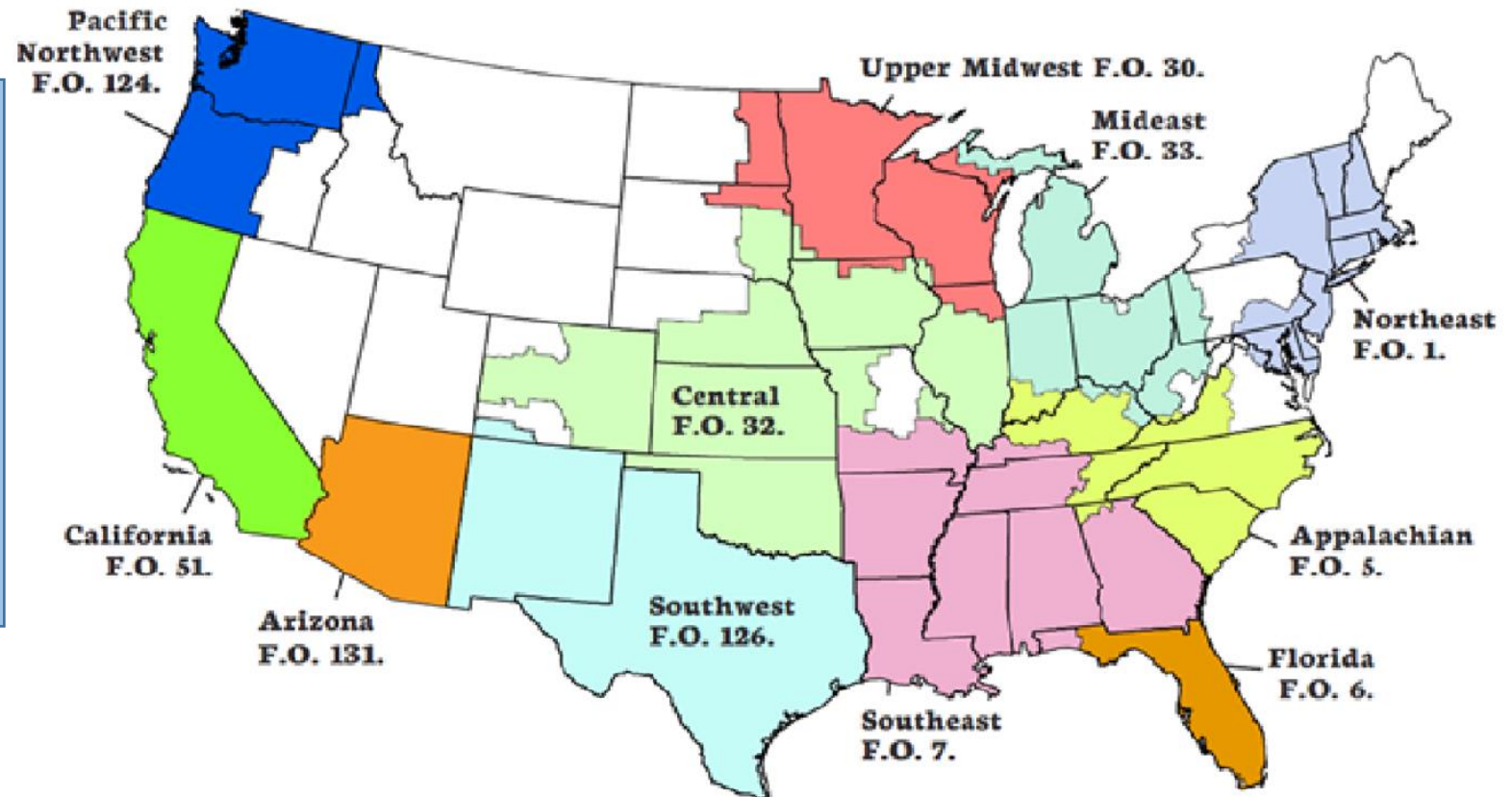
Objective - Federal Milk Marketing Order Regulation

Objective is to create market conditions that will ensure:

1. orderly marketing activity; markets that function smoothly, predictably, and at a reasonable cost
2. price stability (or is it reduce uncertainty?)
- ➔ 3. adequate, and wholesome supplies of fluid milk
4. equitable returns to farmers

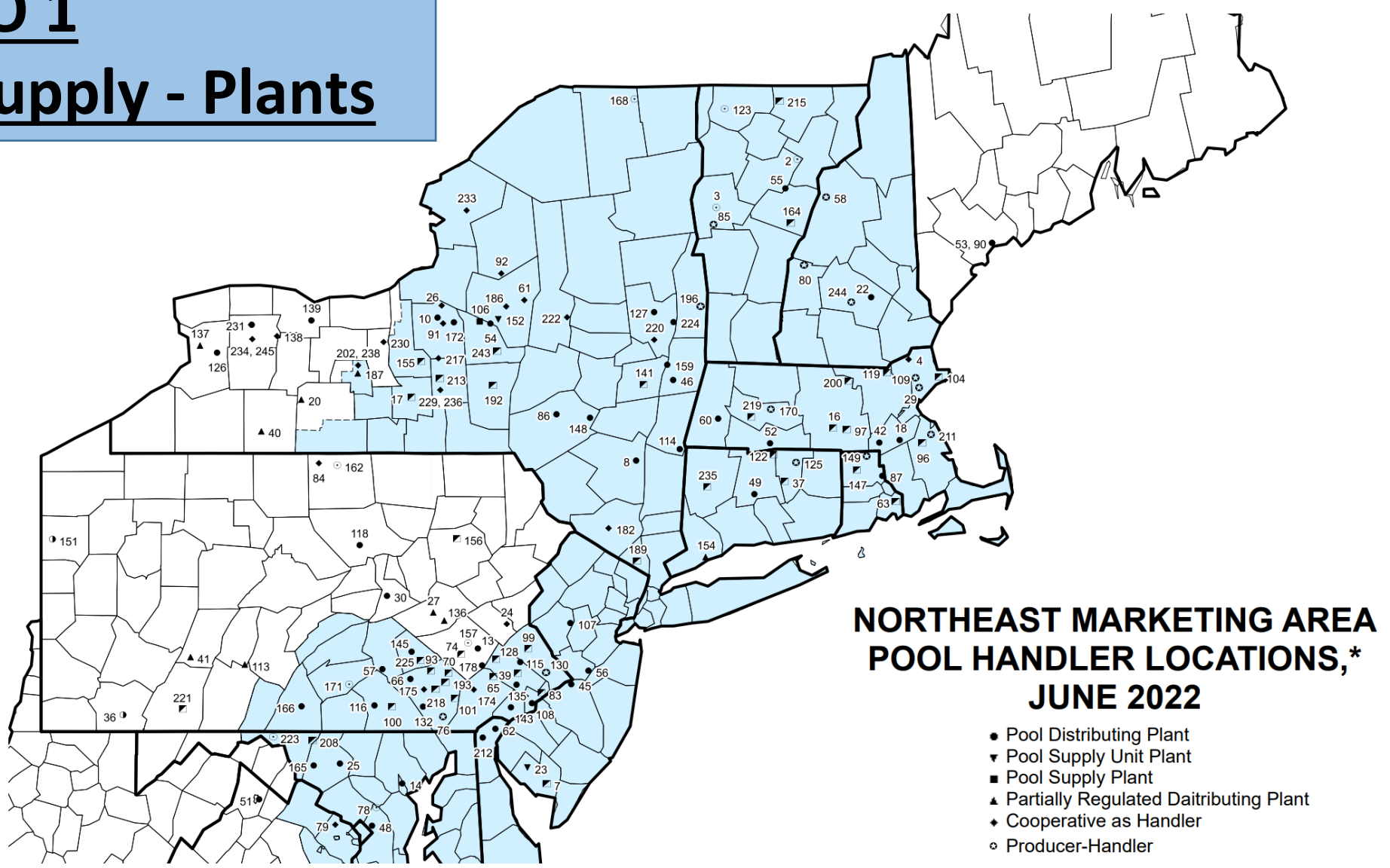
POOL RECAP - FMMO Map

Class I
Marketing Areas
Beverage (fluid)
milk



FMMO 1

Pool Supply - Plants



FMMO 1 Pool Supply - Producers

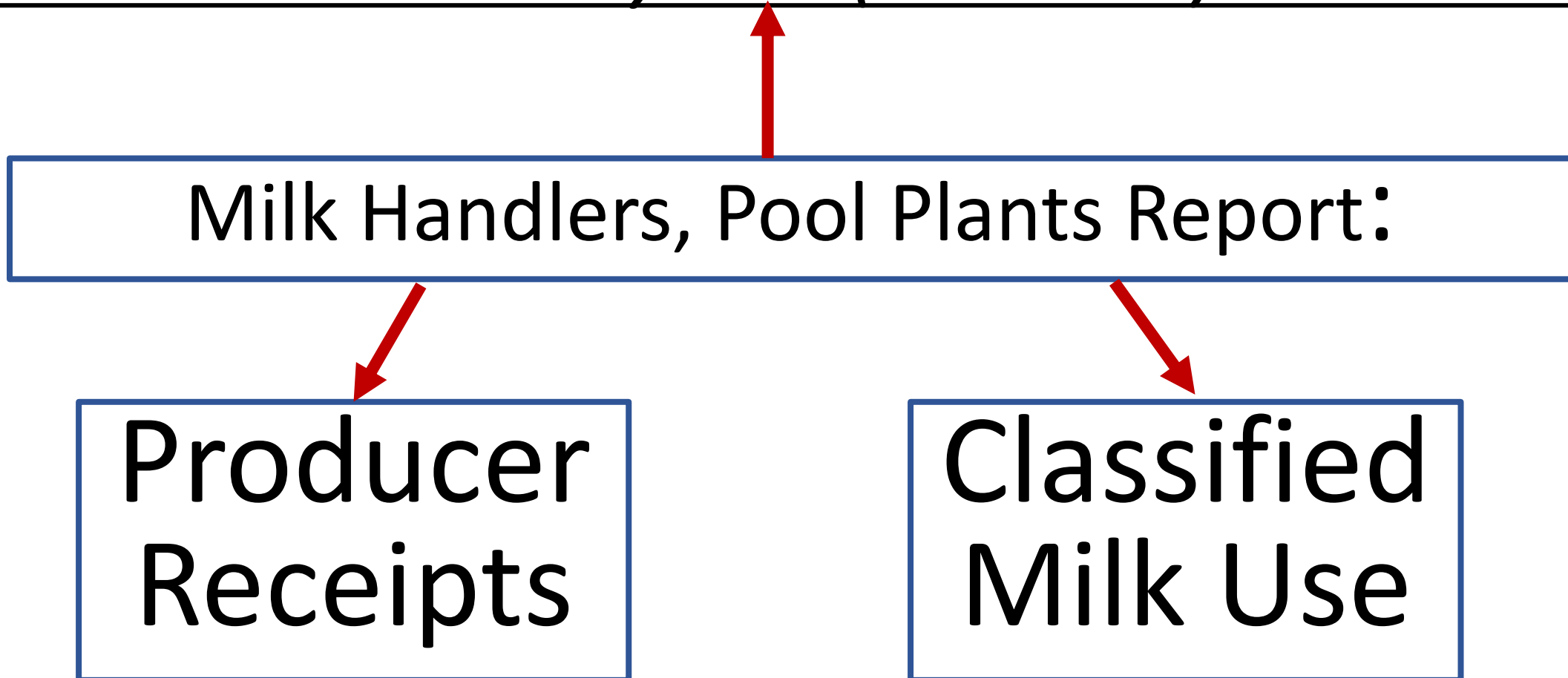
Table A33. Order No. 1—Number of Producers, by State, For the Year*

	CT	DE	ME	MD	MA	NH	NJ	NY	PA	VT	VA	WV	Other NE States	Other States***	
2021	averaged number for the year														TOTALS
	71	##	177	259	78	72	##	3,217	3,924	520	##	##		492	8,810

Table A32. Order No. 1—Milk Production, by State, For the Year*

	CT	DE	ME	MD	MA	NH	NJ	NY	PA	VT	VA	WV	Other NE States**	Other States***	
2021	million pounds														TOTALS
	418.7	##	557.2	722.4	177.3	210.2	##	13,981.9	8,117.1	2,532.8	##	##		327.7	27,045

FMM Order Monthly Pool (and Price) Calculation



Federal Milk Market One Pool, July 2022

Northeast Marketing Are

JULY 2022 POOL PRICE ANNOUNCEMENT		
Producer Milk	Percent	Pounds
Class I	26.9	615,863,018
Class II	24.3	556,310,773
Class III	30.1	687,108,621
Class IV	18.7	427,167,127
Total Producer Milk	100.0	2,286,449,539

FMMO Pool Price Calculation

- Objective
- Pricing formula
 - What are the criteria
 - How is the price calculated
 - How are proceeds paid and collected
 - How do farmers get paid the *pooled Minimum Price*

Objective is to create market conditions that will ensure:

1. orderly marketing activity; markets that function smoothly, predictably, and at a reasonable cost
2. price stability (or is it reduce uncertainty?)
- ➔ 3. adequate, and wholesome supplies of fluid milk
4. equitable returns to farmers

Criteria – FMMO Regulation

7 U.S.C. § 608c(18)

The Secretary of Agriculture, prior to prescribing any term in any marketing agreement or order, or amendment thereto, relating to milk or its products, if such term is to fix minimum prices to be paid to producers or associations of producers, or prior to modifying the price fixed in any such term, **shall ascertain the parity prices of such commodities. The prices** which it is declared to be the policy of Congress to establish in Section 602 of this title shall, for the purposes of such agreement, order, or amendment, **be adjusted to reflect the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk or its products in the marketing area** to which the contemplated marketing agreement, order or amendment relates.

(18) Milk Prices.

Whenever the Secretary finds, upon the basis of the evidence adduced at the hearing required by section 608b of this title or this section, as the case may be, that **the parity prices of such commodities are not reasonable in view of the price of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk and its products in the marketing area to which the contemplated agreement, order, or amendment relates, he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk to meet current needs and further to assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs, and be in the public interest.** Thereafter, as the Secretary finds necessary on account of changed circumstances, he shall, after due notice and opportunity for hearing, make adjustments in such prices.

Producer Price Calculation

Characteristics of Producer “Uniform” (Blend) Prices

1. Minimums that Handlers must pay to their supplier – an individual farmer or a cooperative. These set the bottom, market sets the top
2. Weighted average of Class prices, with some small adjustments
3. Component based – 3 or 2 component model, depending on the importance of protein to milk buyers
4. Timing: a partial advance payment is made early in the month, but final payment is not made until about half-way through the following month. It takes time to calculate.
5. Location: Prices are typically adjusted for location

Source: A. Novakovic

Northeast Marketing Area July 2022

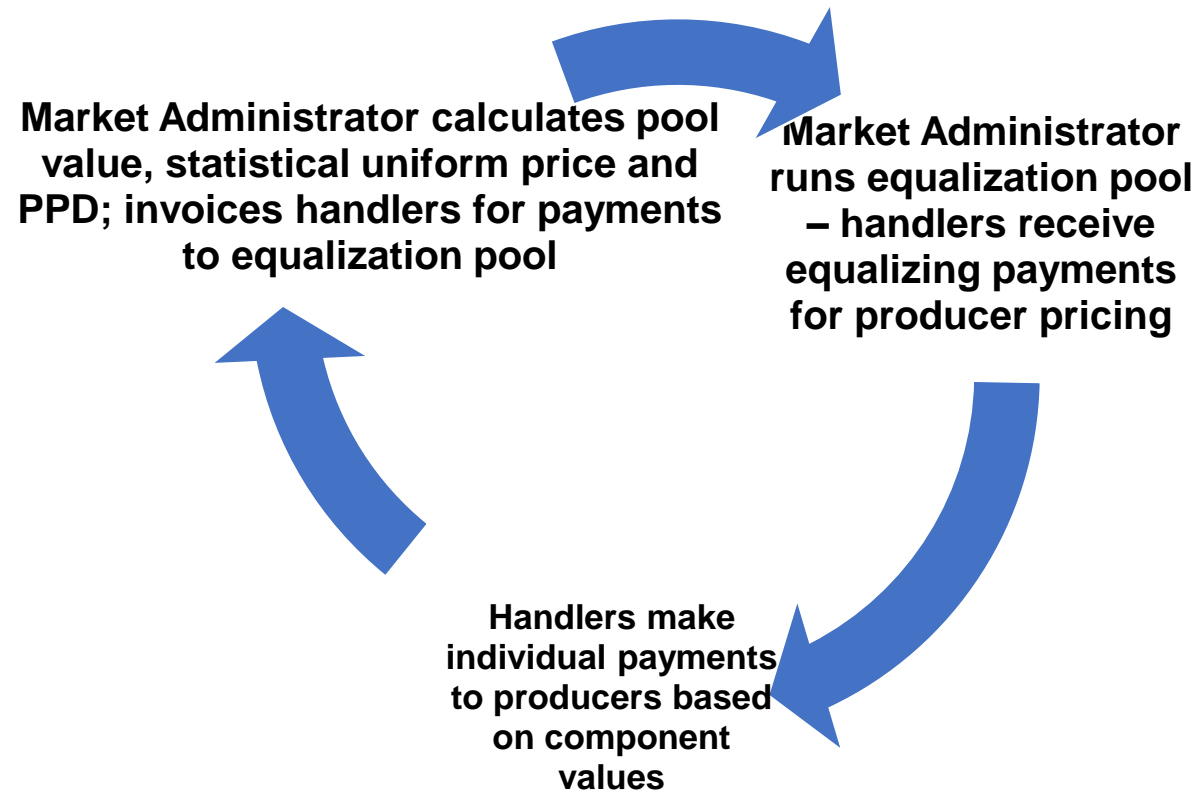
JULY 2022 POOL PRICE ANNOUNCEMENT

Producer Milk	Percent	Pounds	Minimum Class Price
Class I	26.9	615,863,018	\$29.12
Class II	24.3	556,310,773	26.66
Class III	30.1	687,108,621	22.52
Class IV	18.7	427,167,127	25.79
Total Producer Milk	100.0	2,286,449,539	Total Pool Value \$428,136,618.57
Computation of Uniform Price (per cwt @ Suffolk County, MA)			Component Prices
Producer Price Differential	\$3.84	Butterfat Price	\$3.3600 /lb
Class III Price (@ 3.5% Butterfat)	\$22.52	Protein Price	2.9116 /lb
Statistical Uniform Price (@ 3.5% Butterfat)	\$26.36	Other Solids Price	0.3596 /lb
Statistical Uniform Price (@ Average Pool Component Tests)	\$27.89	Nonfat Solids Price	1.6160 /lb

Note: component averages 3.89% fat, 3.06% protein, 5.77% other solids

How Are Proceeds paid and Collected

Equalization Pool



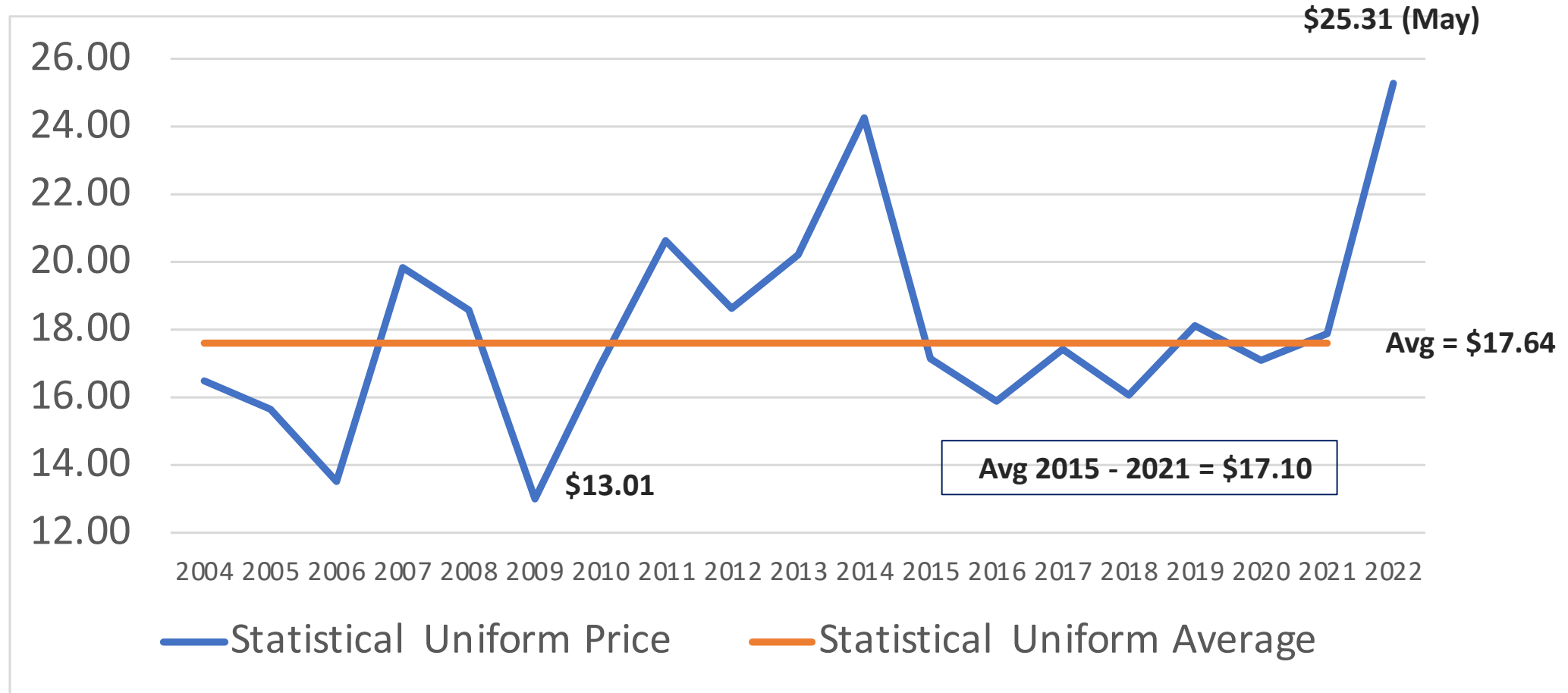
Example Farm Milk Price

- Located in Addison County, Vermont
- Marketed 400,000 lbs (4000 cwt) of 4.0% butterfat and 3.05% protein milk in July 2022

Component	Price	Component lbs	Value
4.0% butterfat	Butterfat price \$3.36/lb	16,000 lbs	\$53,760
3.05% protein	Protein price \$2.91/lb	12,200 lbs	\$35,502
5.7% other solids	Other solids price \$0.36/lb	22,800 lbs	\$8,208
		Total component value	\$97,470 (\$24.36/cwt)
PPD	\$2.60/cwt	4000 cwt	\$10,400

Federal Order Milk Value = \$107,870/4000 cwt = \$26.97/cwt

Statistical Uniform Price, 2004 – 2022 (May)

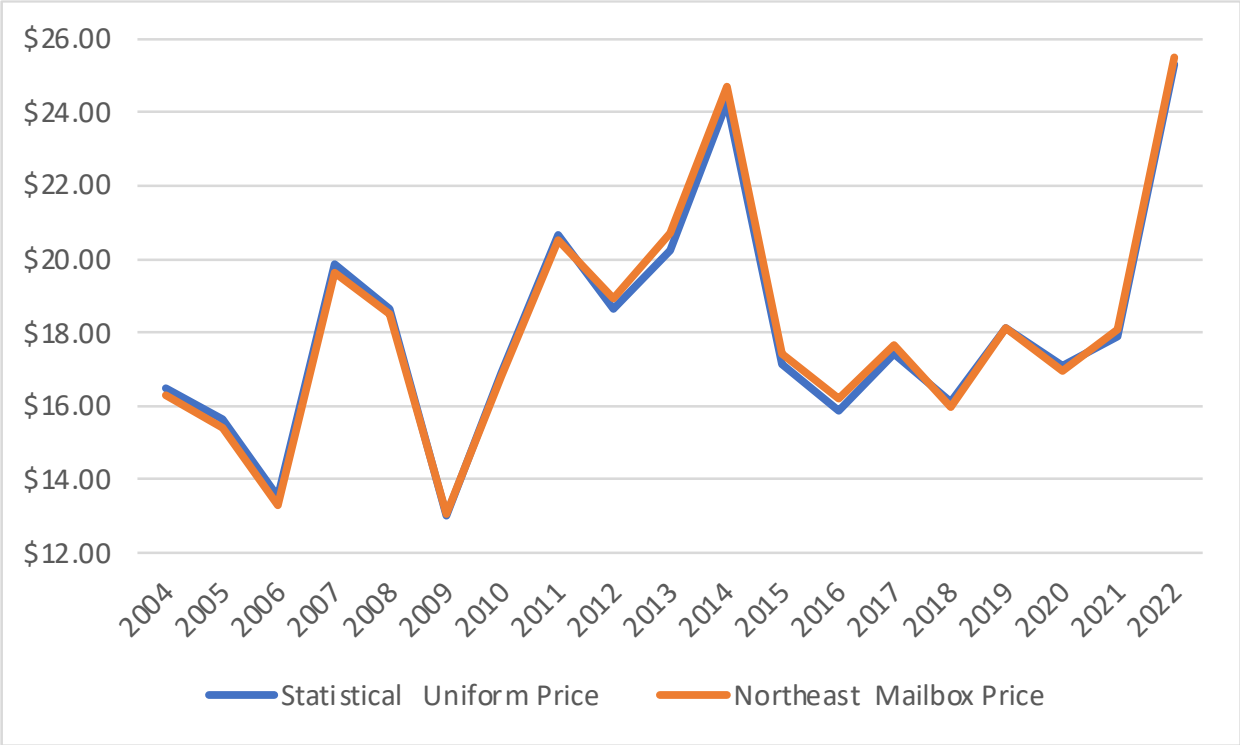


Mailbox Price

- Mailbox price – calculated by AMS from actual payment data collected from regulated handlers and cooperatives.
 - For cooperative members and independent farmers, it may be higher than the minimum because of premiums
 - For cooperative members, it may be lower because of deductions or reblending
 - All farmers pay hauling costs and the National Dairy Promotion Order assessment

- Premiums
 - ✓ Competitive or market
 - ✓ Volume
 - ✓ Quality
 - ✓ Hauling subsidies
 - ✓ rbST free
 - ✓ Organic (flat rate, not a premium, per se)
- Deducts
 - ✓ Promotion assessment
 - ✓ Hauling
 - ✓ Coop dues and similar charges (e.g., CWT)
 - ✓ Coop “reblends”

Compare Statistical Uniform and Mailbox Prices



Statistical Uniform Price	Northeast Mailbox Price
17.14	17.40
15.90	16.21
17.44	17.65
16.09	15.99
18.12	18.13
17.10	16.97
17.88	18.06
25.31	25.48

FMMO Producer Pricing Summary

**Avg 2015 – 2021
Statistical Uniform
Price =
\$17.10/cwt**

Very Close to Mailbox Price

State Over-Order Pricing Program

?

Regulated Charge and
Premium Payment

and/or

Milk Handler Fee and
Subsidy Payment

?

- Objective
- Pricing formula
 - What are the criteria
 - How is the price calculated
 - How are proceeds paid and collected from milk plants
 - How do farmers get paid the *pooled Over-order Price*

Northeast Dairy Compact Over- Order Pricing

Objective

Sec. 1. STATEMENT OF PURPOSE, FINDINGS AND DECLARATION OF POLICY

The mission of the commission is to take such steps as are necessary to assure the **continued viability of dairy farming** in the northeast, **and to assure consumers of an adequate, local supply of pure and wholesome milk.**

The participating states find and declare that the dairy industry is the paramount agricultural activity of the northeast. Dairy farms, and associated suppliers, marketers, processors and retailers, are an **integral component of the region's economy**. Their ability to provide a stable, local supply of pure, wholesome milk is a matter of great importance to the health and welfare of the region.

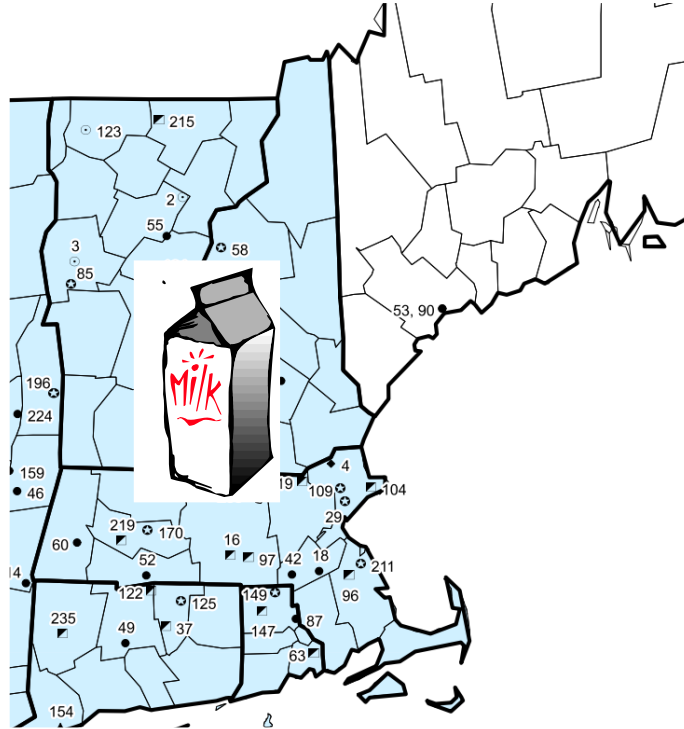
By entering into this compact, the participating states affirm that their ability to regulate the price which northeast dairy farmers receive for their product is essential to the public interest. Assurance of a fair and equitable price for dairy farmers ensures their **ability to provide milk** to the market and the vitality of the northeast dairy industry, with all the **associated benefits.**

Compact Marketing Area and Pool

Class I Milk Used to Process Class I Products Sold in the Northeast Marketing Area (42%)

❖ ***Price Regulated***

NE Class I Products Were Sold Almost Exclusively In the NE Marketing Area



Non Class I Milk used in the Marketing Area (58%)

❖ ***Price unregulated but milk was part of the pool***

✓ **4200 Producers**

(All NE ***and NY*** producers who supplied Compact pool plants)

✓ **6 billion pounds of milk (28% NY)**

Compact Criteria

`Sec. 9. EQUITABLE FARM PRICES

(e) In determining the price, the commission shall consider the **balance between production and consumption of milk and milk products in the regulated area**, the **costs of production** including, but not limited to the price of feed, the cost of labor including the **reasonable value of the producer's own labor** and management, machinery expense, and interest expense, **the prevailing price for milk outside the regulated area**, **the purchasing power of the public** and the price necessary to yield a reasonable return to the producer and distributor.

`(f) When establishing a compact over-order price, the commission shall take such action as necessary and feasible to ensure that the **over-order price does not create an incentive for producers to generate additional supplies of milk.**

Compact Over-Order Price Regulation

- Price Stability – Procurement Cost and Producer Income
- Marginal Producer Revenue Enhancement

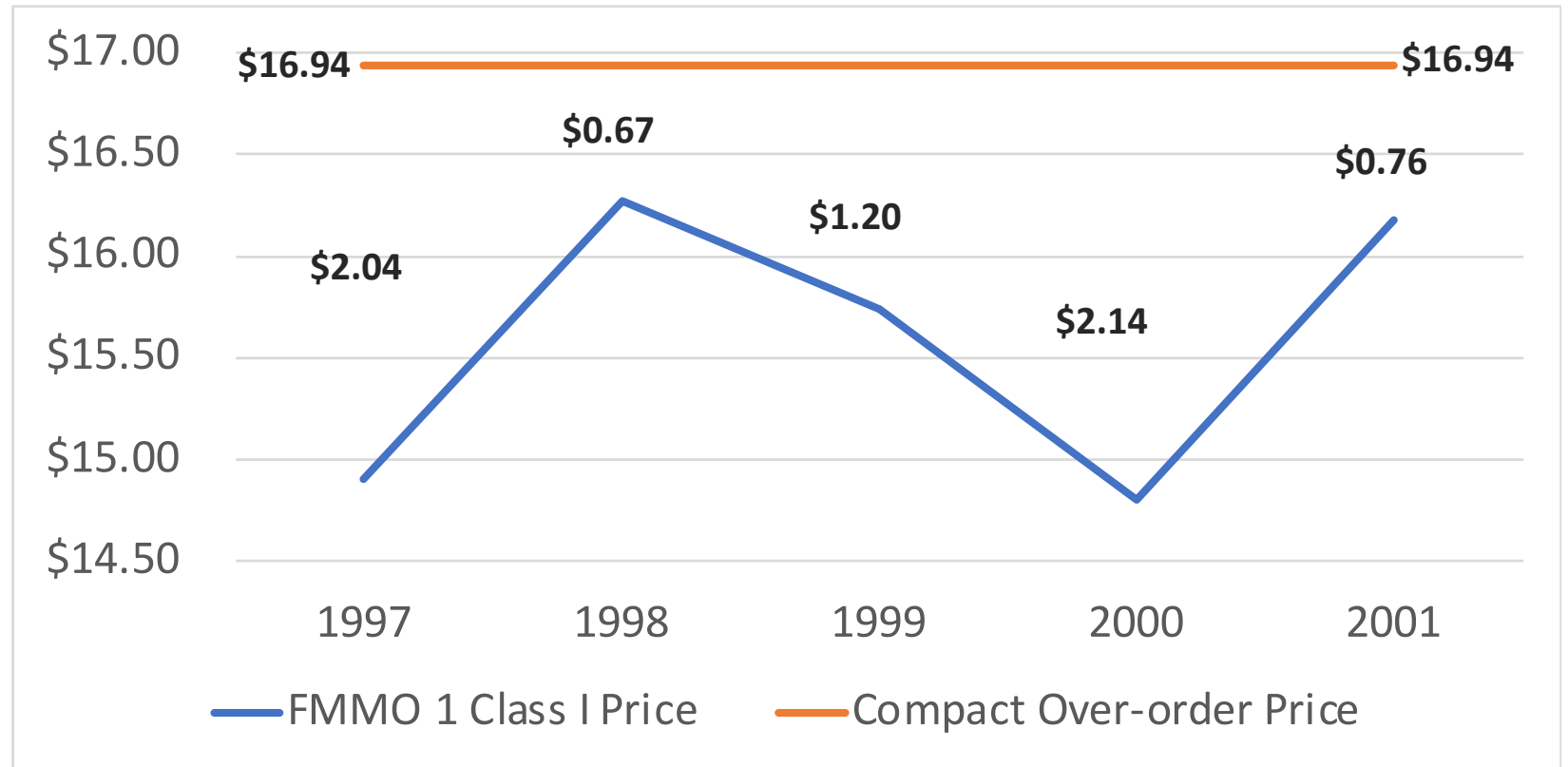
Market Impact for Next Presentation

Compact Processor Over-order Price Calculation

Compact Over-Order Price

- Average of FMMO#1 Class I Price 1991 – 96 Adjusted for Inflation

= \$16.94



Compact Commission
Monthly Pool (and Price) Calculation

Milk Handlers, Pool Plants Report:

Producer
Receipts

Classified
Milk Use

Compact Processor Over-order Charge Calculation and Pooling

Compact Over-Order Charge

	Compact Over-order Price	FMMO 1 Class I Price	Compact Over-order Class I Charge
1998	\$16.94	\$16.27	\$0.67
2000	\$16.94	\$14.80	\$2.14
Average	\$16.94	\$15.58	\$1.36
<i>Avg Regulated Price Percent Increase</i>			8.7%

Average Compact Pool Values, 1997 - 2001

Producer		Pounds	Compact Over-order Price	Compact Over-order Class I Charge	Average Annual Pool Value
Milk	Percent	(mil)			
Class I	42%	2,500,000	\$16.94	\$1.36	\$34,050,000
Non-Class I	58%	3,500,000	\$0.00	\$0.00	

Compact Producer Over-order Payment

Regulated Minimum Price Percent Increase

	FMMO 1 Blend Price (cwt)	Compact Producer <u>Price</u>	Combined Producer <u>Price</u>
1997 - 2001			
<i>Average</i>	\$13.84	\$0.57	\$14.41

Average Regulated Minimum Price Percent Increase 4.1%

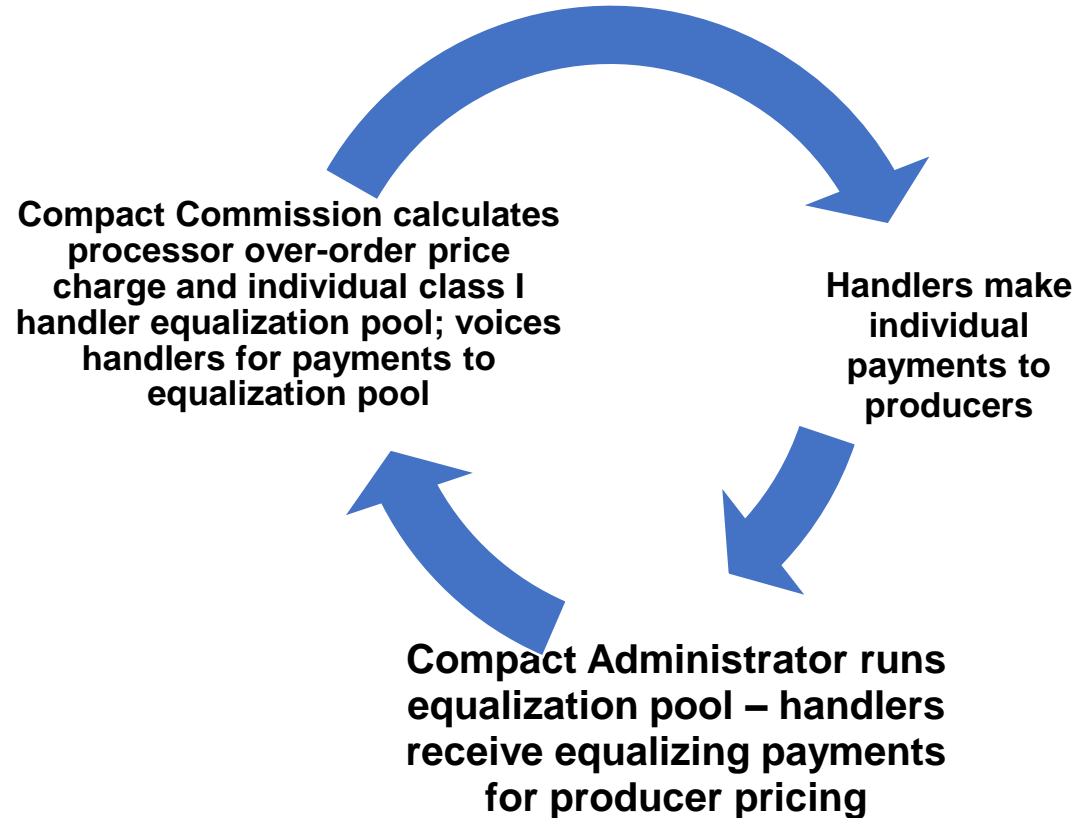
Regulated Milk Pool Value Increase*

	FMMO Milk <u>Value</u>	Compact Milk <u>Value</u>	Combined Producer <u>Price</u>
1997 - 2001			
<i>Average</i>	\$166,080	\$6,840	\$172,920

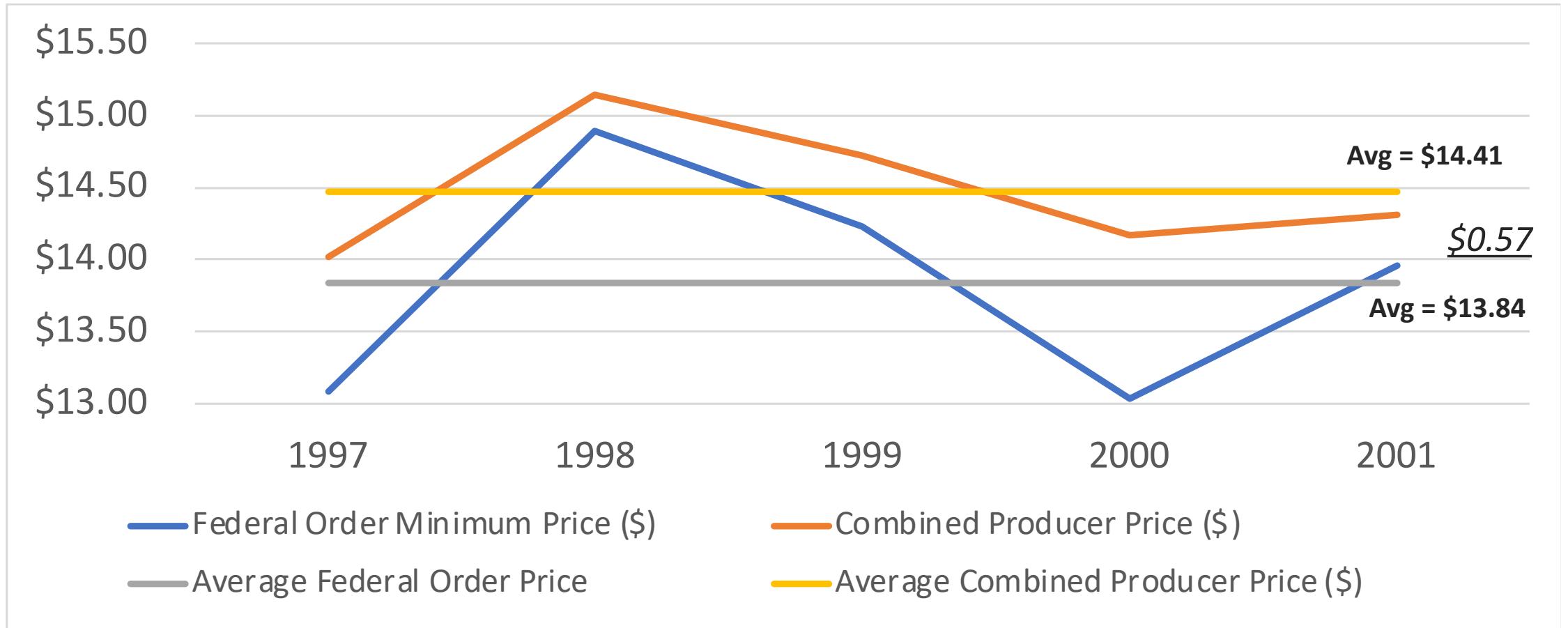
Average Regulated Milk Pool Value Percent Increase 4.1%

* Farm with 1.2 Million lbs of production

How Compact Proceeds Were Paid and Collected From Milk Plants and Distributed to Producers (Equalization Pool)



Compact Producer Pricing Summary





Maine Over-Order Pricing

- Milk Commission Over-Order Price
- Producer Margin Payment
- Milk Handler Fee and Tier Payment

Maine Pool (Corrected)

Class I Supply to ME Market

Over-Order Price and Producer Margin

	2000	2021
ME Population	1,275,000	1,340,000
Class I milk consumption per person, per year (raw milk equivalent, lbs)	200	141
ME Class I consumption per year (raw milk equivalent, lbs)	255,000,000	188,940,000
ME raw milk production (lbs)	665,000,000	565,000,000

**Milk Charged = % Dairy Products In-state
Consumed In-state/production**

38% 33%

**Milk Not Charged But Still Part of Pool
= % Export Out of State**

62% 67%

Packaged milk products to Boston, other markets

All ME Milk Production

Tier Program

	2021
Raw Milk Production Per Year lbs	565,000,000
<u>Pool</u>	<u>100%</u>

2000 milk production and %% in-state and export corrected after presentation; see presentation 10/24/2022



Objectives

State Over-Order Pricing

Under the law, a Maine Milk Commission was created to arbitrate differences, establish minimum prices in designated areas after proper hearings and exercise general supervision over the milk industry. Its basic function was, and still is, **to ensure that there will be a plentiful supply of pure, wholesome milk available at all times, in all places, at reasonable prices.**

Maine Milk Pool – Producer Margin

The Maine Milk Pool was created by state statute in 1983, to allow the Commission to assess a Producer Margin (also known as a “Cost of Production adjustment”, or “an Adjustment for Maine conditions”) as needed through the Maine Minimum Price setting system.



Tier Program
Objective –
Promote
Regional
Development
Tied to Dairy
Industry

The Impacts are **HUGE !**

Milk Haulers



Fuel Dealers



Feed & Fertilizer Dealers



Equipment Dealers & Mechanics



Professional Services
– Banks, Insurance,
CPAs, Attorneys ...



Veterinarians & Other
Ag/Livestock Specialists



Maine's Rural Communities



Criteria

- **State Over-Order Pricing**

- Prevailing Premium in Boston Market-Monthly Testimony to Milk Commission

- **Producer Margin**

- Cost of Production Study; 3 year Rotation (Ch. 26)
- Part of Producer, Wholesale and Retail Pricing Set By Milk Commission

- **Tier Program**

Maine Farmer Short-run
Breakeven Cost of Production



Pricing Amounts **Charged to Maine Milk Plants**

- **State Over-Order Price = \$1.04**
- **Producer Margin = \$1.63**

Initially limited to 15-cents/cwt, the Producer Margin is established each month through rulemaking, after a public hearing during which testimony can be offered to update the Commission on the financial conditions of Maine farms. In later years, the Producer Margin has risen as high as \$1.68/cwt, however, declines in



Current Handling Fee Schedule

Effective March 2010

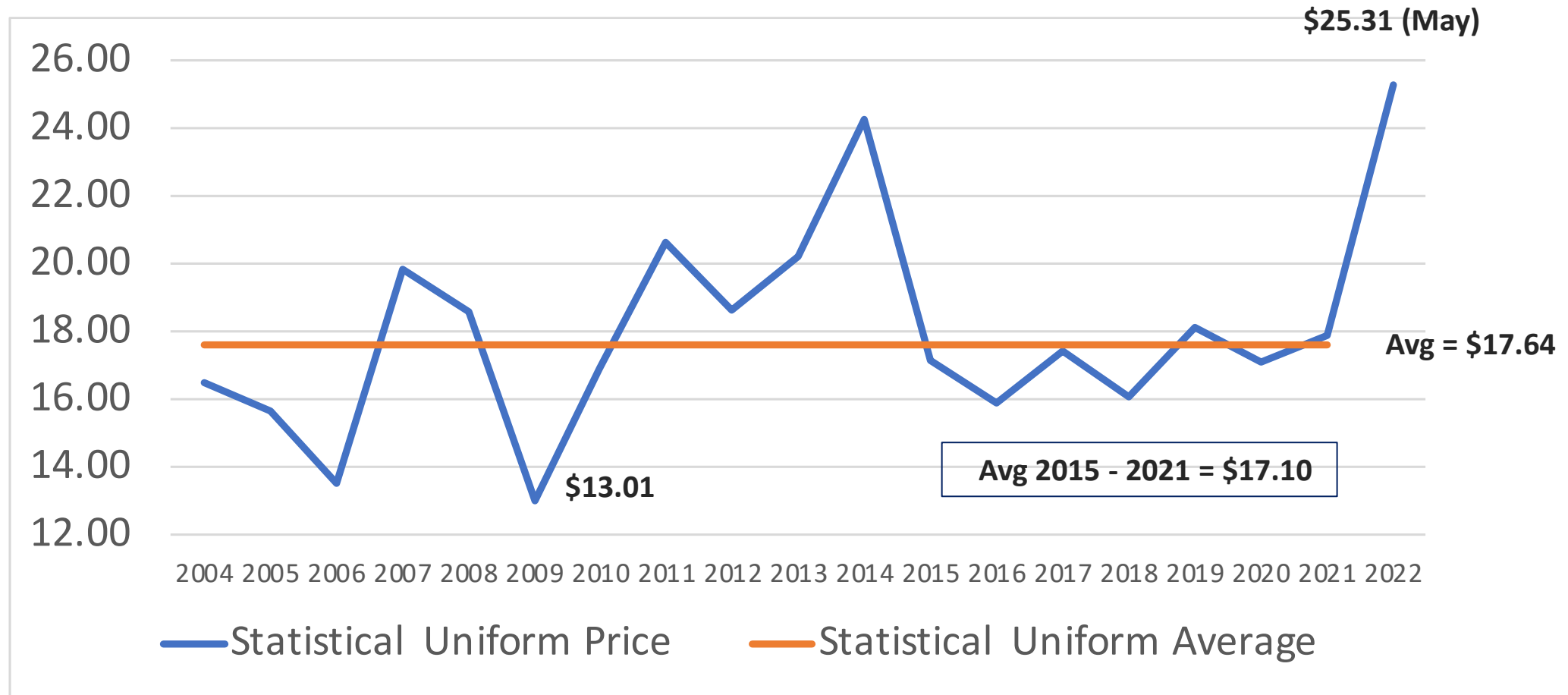
Class I Price of Milk		Class I of Milk	Per Gallon Fee	Per Cwt Fee
\$21.00	and over		\$ 0.04	\$0.46
\$20.00	to	\$20.99	\$ 0.08	\$0.93
\$19.50	to	\$19.99	\$ 0.12	\$1.39
\$19.00	to	\$19.49	\$ 0.16	\$1.86
\$18.50	to	\$18.99	\$ 0.20	\$2.32
\$18.00	to	\$18.49	\$0.24	\$2.78

Handling Fee increases incrementally by \$.04 every \$.50 of Class I price

Maximum Fee Rate = \$0.84 / gal

(reached when Class I price falls below \$10.99/cwt)

Statistical Uniform Price, 2004 – 2022 (May)





Over-Order Prices Paid to Producers

- *State Over-Order Price*

Over Order Premium for + \$.34
(average / 33% Class I utilization of \$1.04)

- *Producer Margin = \$1.63*

Also average/ 33% of Class I Utilization + \$.54



Understanding How to Calculate the Tier Payments

(August 2021 prices)

Basic Price for Milk (Statistical Blend) \$17.69

Over Order Premium for + \$.34
(average / 33% Class I utilization of \$1.04)

= \$ 18.03



Understanding How to Calculate the Tier Payments

(August 2021 prices)

	<u>Support Level</u>	<u>Minimum Price</u>	<u>Tier Payment</u>		<u>w/\$0.54</u>
Tier 1	\$21.00	\$18.03	= \$2.97 / cwt	16.5%	19.5%
Tier 2	\$20.36	\$18.03	= \$2.33 / cwt	12.9%	15.9%
Tier 3	\$18.01	\$18.03	= no payment (-\$.02)		
Tier 4	\$17.83	\$18.03	= no payment (-\$.20)		



2019 Cost of Production Study

Tier levels

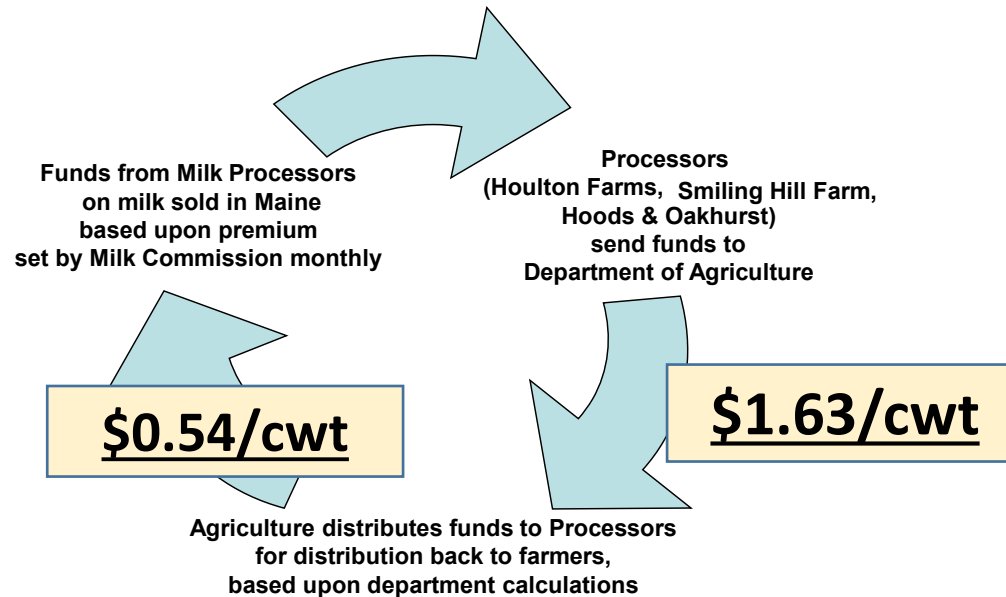
Tier Level:	Annual Production Range:	Cash Operating Costs / Average Short-run Breakeven Costs:
Tier 1	0 – 16,790 CWT	\$23.05
Tier 2	16,791 to 49,079 CWT	\$21.44
Tier 3	49,080 to 76,803 CWT	\$20.93
Tier 4	Over 76,803 CWT	\$20.21

Methods of Payment and Collection
From Maine Milk Plants
and
Distribution to Maine Producers



Maine Milk Pool Program

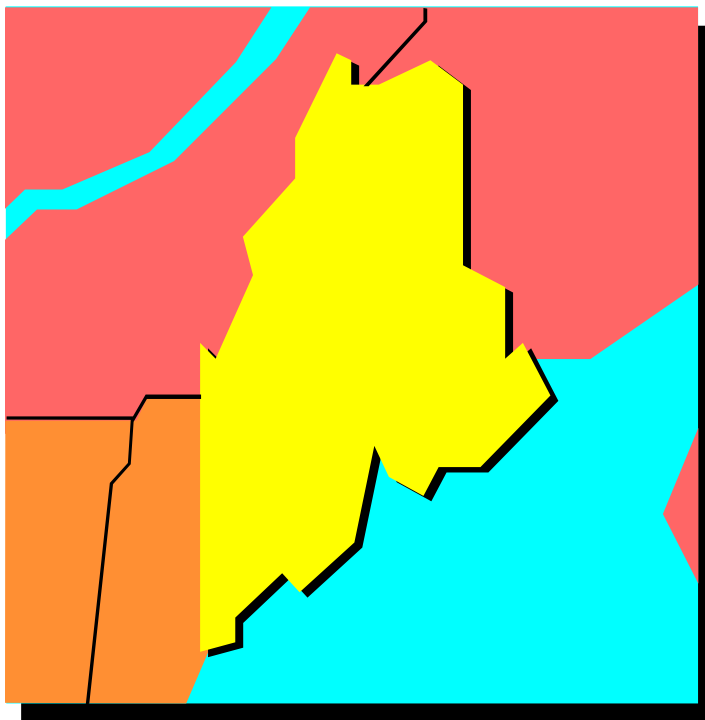
Flow of funding



Over-Order Premium

- Price paid by each milk plant based on individual Class I in-state utilization
(average = 33% = \$0.34/cwt)

Milk Money – Part 2

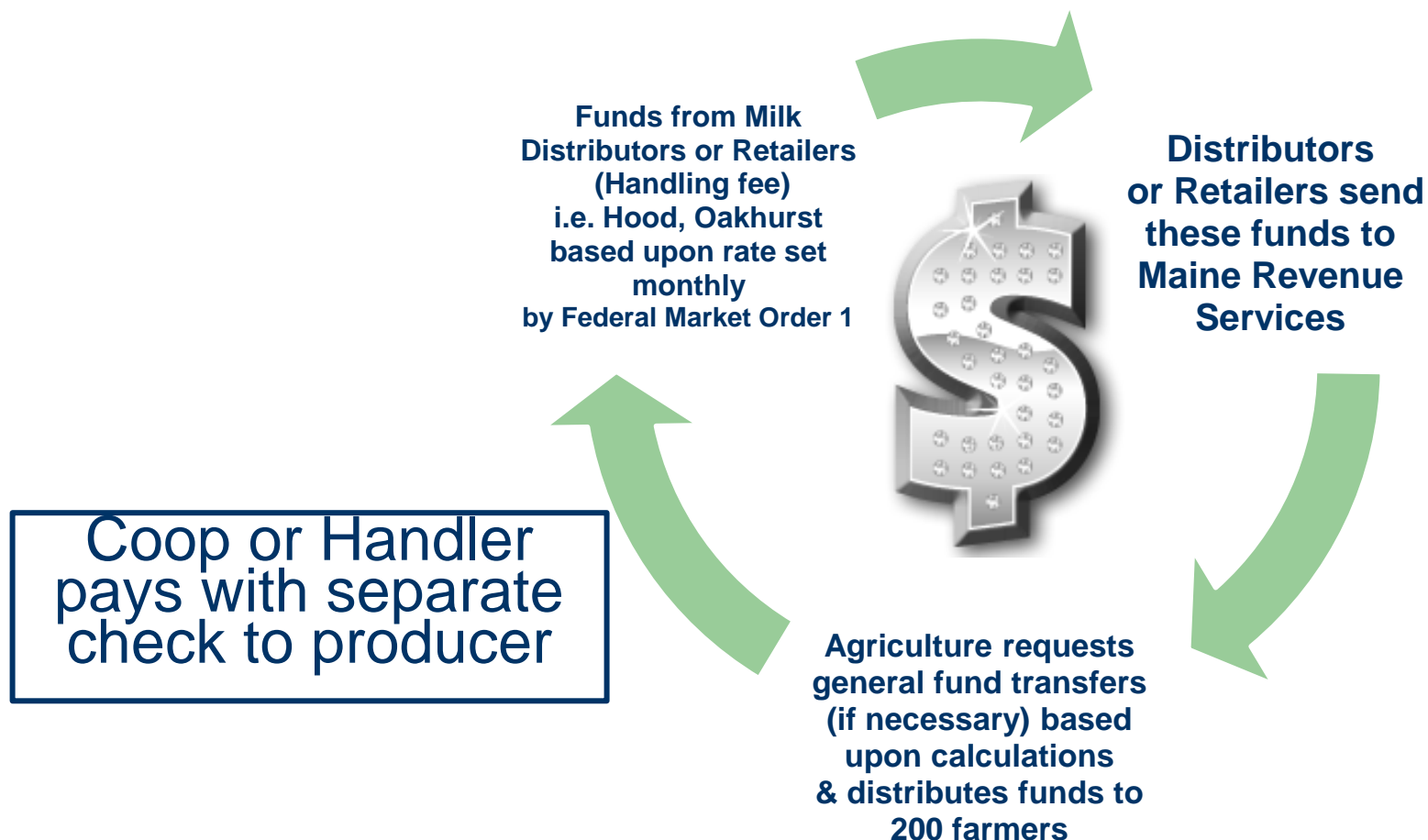


Milk Handling Fee

First entity to touch
milk, pays fee to
state of Maine
(*general fund*)

Milk Tier Program Flow of funding

Money *In* is NOT Money *Out*



Total Cost of the Tier Program 2003-2021

Total Dairy/Tier Program
State Expenditures (19 years) \$150,942,692

Average Spent Per Year \$ 7,944,352

Annual General Fund
Budget Line \$ 2,500,000

*Requires Additional
General Funds*

Total Handling Fee Receipts
(Aug. 2005-Dec. 2021) \$ 58,907,159

Average Collected Per Year \$ 3,681,697

Vermont Over-Order Pricing Program

?

Regulated Charge and Premium Payment
and/or
Milk Handler Fee and Subsidy/Tier Payment

?

Franklin County Cheese (Enosburg Falls)
 Swan Valley Cheese Swanton
 DFA/St Albans Coop Plant (Butter, Powder)
 Ben and Jerry's Homemade, Inc. (St Albans)

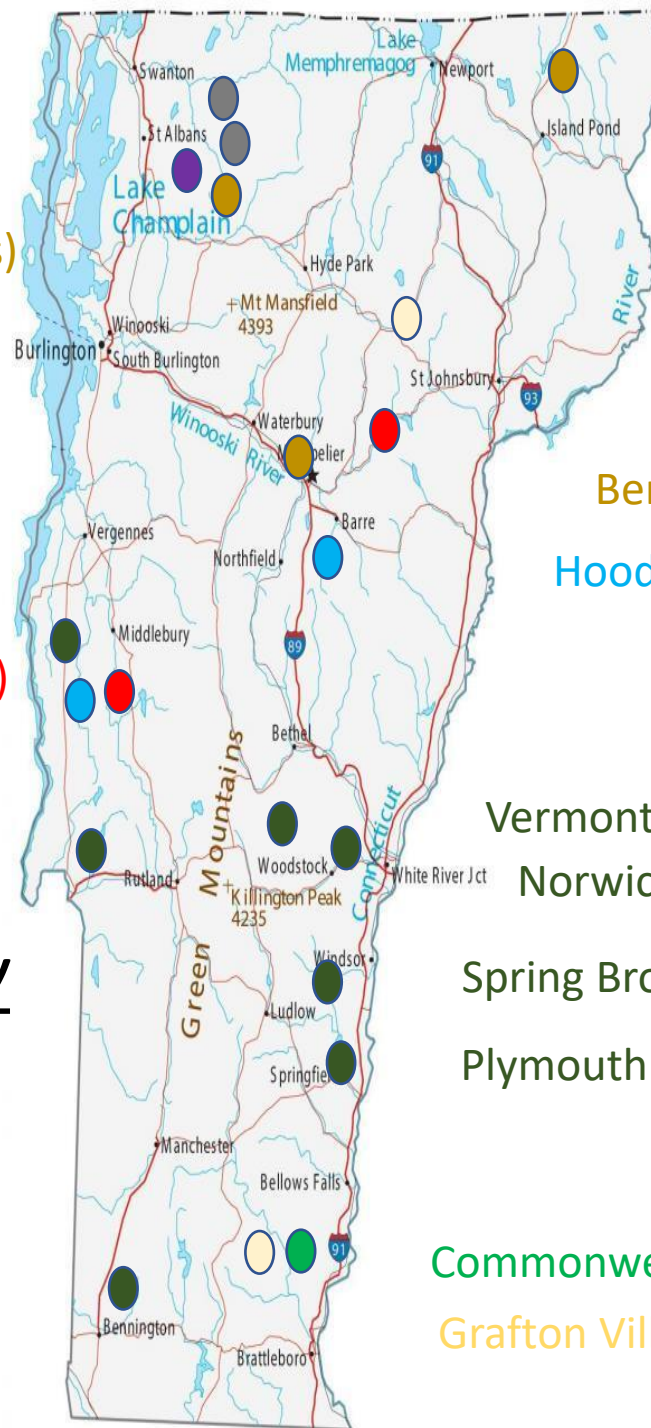
Monument Farms (Beverage Milk)
 Agrimark/Cabot Cheese Plant (Middlebury)
 Champlain Valley Creamery (Middlebury)

Crowley Cheese, Inc (Healdville)

Vermont's Dairy Industry

"Pool Plants"

Maplebrook Farm (Bennington)



Butterwork Farms (Westfield)

Jasper Hills Farm; cheese caves (Orleans)

Agrimark Cabot Cheese Plant (Cabot)

Ben and Jerry's Homemade, Inc. Waterbury

Hood/Booth Bros (Beverage milk)

Vermont Farmstead Cheese (S. Woodstock)

Norwich Farm Creamery

Spring Brook Farm (Reading)

Plymouth Artisan Cheese

Commonwealth Dairy Plant (Yogurt)

Grafton Village Cheese Brattleboro

Vermont Packaged Dairy Products

**90% of Products
Are Sold
Out-of-State**

Class I

- Bottled Milk
- Cultured Buttermilk
- Eggnog



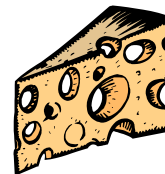
Class II

- Ice Cream
- Hermetically-Sealed Containers
- Pkg. Cream



Class III

- Cheese
- Cream Cheese



Class IV

- Butter
- NFDM



Vermont “Pool”: Producers and Milk

FMMO 2021

- 520 Pooled Producers
- 2.52 Bil lbs Pooled Milk

Organic 2022

- 155 Producers
- 165 Mil lbs Milk (est)

VT Agency of Ag 2020

- 558 Cow Dairies

NASS 2020

- 2.602 Bil lbs Milk

On-Farm (incl. cow, goat, sheep)

- 70 Producers
- 124 Mil lbs Milk

Pooled Milk Subject to Over-Order Price Regulation

All VT (est) and Non-VT Supply

FMMO 1 Pool Milk Received by Plants in Vermont (Audited)

	2020	
	<i>Pounds</i>	<i>%</i>
From VT Source	1,578,952,843	81.2%
From Outside VT	365,002,671	18.8%
Total	1,943,955,514	

All Milk Received by All Vermont Plants (est)

	2020	
	<i>Pounds</i>	<i>%</i>
VT FMMO 1 Supply	1,578,952,843	79.4%
Non-FMMO 1 VT supply (est*)	44,200,000	2.2%
Total VT Supply (est*)	1,623,152,843	81.6%
FMMO 1 From Outside VT	365,002,671	18.4%
Total VT Plant Supply (est)	1,988,155,514	

*NASS - FMMO

MA Presentation at 36;
NASS

All Vermont Milk Pool

POOL (VT PRODUCERS, ONLY)

	2020
	<i>Pounds</i>
Total VT Supply (est*)	1,623,152,843
Total VT Milk Production (NASS)	2,602,000,000

***Pool Milk Subject to
Pricing Charge: % In-
state use/production 62%***

***Pool Milk Not Subject to
Pricing Charge: % In-
state use/production 38%***

Raw Milk to Out-of-State Milk Plants

**Pooling and Minimum
Producer Price Sharing**

VT Producers Only

	2020
	<i>Pounds</i>
Total VT Supply (est*)	1,623,152,843
Total VT Milk Production (NASS)	2,602,000,000
% Uniform Producer Price Sharing	62%

**Pooling and Minimum
Producer Price Sharing**

All Supplying Producers

	2020
	<i>Pounds</i>
All VT Plant Supply (est*)	1,988,155,514
All Milk Production (NASS)	2,967,002,671
% Uniform Producer Price Sharing	67.0%

Objective *Can't* be:

“[A] plentiful supply of pure, wholesome milk available at all times, in all places, at reasonable prices....”

<i>Class I % In-state use/production</i>	2021
<i>Population</i>	643,000
<i>Class I milk consumption per person, per year</i> (raw milk equivalent, lbs)	141
<i>VT Class I consumption per year</i>	90,663,000
<i>Raw milk production per year lbs</i>	2,564,000,000
<i>Class I % In-state use/production</i>	4%

Program Objectives

Stable Supply to VT
Milk Plants

Economic
Development
Tied to Dairy
Industry

*(Compact and
Tier Program)*

- “Cost of Production adjustment”
- “Adjustment for *Vermont* conditions”)
- *Internalize environmental costs*

- Culture
- Physical Landscape

Maintain Farm Viability

Criteria

1) In determining the price, the commission shall consider the **balance between production and consumption of milk and milk products in the regulated area**, the **costs of production** including, but not limited to the price of feed, the cost of labor including the **reasonable value of the producer's own labor** and management, machinery expense, and interest expense, **the prevailing price for milk outside the regulated area**, **the purchasing power of the public** and the price necessary to yield a reasonable return to the producer and distributor.

2) When establishing a compact over-order price, the commission shall take such action as necessary and feasible to ensure that the **over-order price does not create an incentive for producers to generate additional supplies of milk.**

3) *Prevent market dislocation – i.e in-state and out-of-state plants, organic; on-farm*

4) *Account for Environmental Compliance*



Pricing Charged to Vermont Milk Plants

- **State Over-Order Price ?**

- ✓ *Charged, Pooled and Disbursed to Producers*

- ✓ ***Return 62 % if VT produ***

- ✓ ***Return 67% if VT and NY producers***

- **Handler Fee?**

- *Charged, Deposited in General Fund*

- *Countercyclical;*

- *Better return than ME*

Pooling and Minimum Producer Price Sharing

VT Producers Only

	2020
	<i>Pounds</i>
Total VT Supply (est*)	1,623,152,843
Total VT Milk Production (NASS)	2,602,000,000
% Uniform Producer Price Sharing	62%

❖ *Return \$0.62/dollar charged*
Compact = 42%; ME = 33%

All Supplying Producers

	2020
	<i>Pounds</i>
All VT Plant Supply (est*)	1,988,155,514
All Milk Production (NASS)	2,967,002,671
% Uniform Producer Price Sharing	67.0%

❖ *Return \$0.67/dollar charged*



Understanding How to Calculate the Tier Payments

(August 2021 prices)

	<u>Support Level</u>	<u>Minimum Price</u>	<u>Tier Payment</u>		<u>w/\$0.54</u>
Tier 1	\$21.00	\$18.03	= \$2.97 / cwt	16.5%	19.5%
Tier 2	\$20.36	\$18.03	= \$2.33 / cwt	12.9%	15.9%
Tier 3	\$18.01	\$18.03	= no payment (-\$.02)		
Tier 4	\$17.83	\$18.03	= no payment (-\$.20)		

Sources

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Northeast Milk Marketing Area Statistical Handbook January 2000 - Present