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**Milk Pricing and the Vermont Dairy Industry**

**History of Dairy Pricing**

Federal Milk Marketing Order (a system still in place) that “stabilize[s] the marketing relationship between dairy farmers and handlers and to ensure a sufficient quantity of fluid milk.”<sup>5</sup> In

The Milk Price Support Program, mandated in the 2002 farm bill through the Commodity Credit Corporation, supports the price of fluid milk received by dairy producers through purchases of dairy products. The current milk price support rate is \$9.90 per hundredweight (cwt) for milk testing 3.67 percent butterfat (milk fat). The Milk Income Loss Contract (MILC) is another

\$68 million in state and local taxes.<sup>14</sup>

The Vermont Milk Commission, a quasi-judicial body, was established in order to document and assess the Vermont dairy industry. The Commission “has authority over milk prices as well as equitable minimum producer prices and will hold public hearings in order to be informed of the status of the state's dairy industry.”<sup>23</sup>

The Commission plays an important role in tracking the dairy industry, combating falling milk prices and in supporting Vermont dairy farmers. Dairy farmers have also received economic assistance in recent years when milk prices have been especially low. This occurred as recently as December of 2009, when Senator Bernie Sanders reported that \$5.7 million dollars in emergency assistance had been secured for Vermont dairy farmers, meaning each dairy farmer in the state will receive close to \$8,000.<sup>24</sup>

In addition to the economic problems the Vermont dairy industry faces, there are also large social and economic effects the trade has on the state. It is estimated that there are about 2,000 undocumented immigrants (primarily from Mexico) who do the bulk of the dairy farming in Vermont, most of them making around \$8.00 an hour.<sup>25</sup> The environmental impacts of dairy farming are exhibited in the form of greenhouse gas emissions and eutrophication of waterways. Methane is the main gas emitted by cows, which occurs due to enteric fermentation in all ruminant animals. Eutrophication is the process of the nitrogen levels of nearby waterways increasing rapidly as the feces and urine of the cows leach into the groundwater. This leads to an explosion of plant and algae growth in the waterways, which can be toxic.<sup>26</sup>

### **Future of Vermont Dairy Industry: Possible Paths Forward**

One of the main issues that the Vermont dairy industry faces is the imbalance in supply and demand of dairy products. The United States Department of Agriculture outlines the basic economic necessities for dairy markets to have balanced supply and demand in three points:

1. producer prices must be high enough to maintain production, yet not so high as to encourage surplus production;
2. there must be a willingness of consumers to pay for dairy products; and,

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<http://www.vermontagriculture.com/milkcommission/documents/07-23-09VMCDairyStatus.pdf>.

3. there needs to be an i

farmers.<sup>30</sup> The Secretary of Agriculture and an economist would also oversee the project. DFWT stresses that this program would not use tax-payer money, but rather offer dairy farmers benefits like tax incentives for reducing their herd count and overall milk production.

### **The Organic Market**

Many dairy farmers in Vermont and other states have opted to operate within the organic niche market, where milk can usually be sold at higher prices. Former dairy farmer James Maroney of Leicester, VT advocates small dairy farmers filing for Chapter 12 bankruptcy.<sup>31</sup> This form of bankruptcy allows filers to propose ways to repay their debts; he believes it provides an opportunity for farmers to switch to the higher-paying organic market.

Recently there has been a sharp decline in the demand for organic milk, following a decline in demand for milk in general. A projected 15% decline in the demand for milk in 2009 affected the nation's organic farmers to an even greater degree because of the smaller number of operations. This downturn may simply be a result of the larger economic recession; organic dairy farmers must decide for themselves whether the long-term market for organic dairy products will remain strong enough.

Another possible niche market for Vermont farmers is in raw milk sales. As of last summer, Vermont farmers can sell up to 160 quarts of milk without requiring a milk handler's license.<sup>32</sup> The consumption of raw milk has been cautioned against by the Food and Drug Administration, the Center for Disease Control, and the American Medical Association but as a farmer's advocacy spokesman noted, raw milk can mean a "minimum of \$5 per gallon for raw milk, triple the price they [farmers] get in the commodity market." Additionally, the sale of raw milk is restricted to the farm, meaning consumers "buy local" and farmers enjoy all of the profits.<sup>33</sup>

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This report was produced in response to a request from Representative Kitty Toll. The report was produced by Matt McKeon, Kate Sease, and Jesse Simmons under the Supervision of Professor Anthony Gierzynski on