



AGENCY OF AGRICULTURE, FOOD & MARKETS

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Vermont Milk Commission Continues Deliberations

Montpelier, Vt - The Vermont Milk Commission will conduct further hearings as part of its deliberations about whether to issue a retail fluid milk premium. The Commission has also started a separate review of chain supermarket milk prices in Vermont.

The Milk Commission met on October 16, 2008 to review the evidence gathered during the recent hearing held on the Commission's proposed Order to establish a retail fluid milk premium. The Commission's proposed Order would establish a surcharge on all beverage milk sold at retail in Vermont. The surcharge would be imposed on the sale of raw milk used by milk processing companies for the Vermont retail sales, and be collected from the processors. The surcharge proceeds would be distributed to Vermont producers, and also to out of state dairy farmers who provide raw milk used for retail beverage milk sales in the Vermont marketplace.

Based on the hearing record, the Commission made three decisions at the follow up October 16 meeting: The Commission

1. Amended the proposed Order by removing the fixed dollar amount that would have been used for calculating the amount of the surcharge and substituting a monthly hearing process for determining the surcharge amount.
2. Continued its deliberations on the proposed Order by scheduling an additional hearing to collect further testimony about the possible impact on the marketplace of the proposed distribution of the surcharge's proceeds among in-state and out-of state producers.
3. Initiated a second, separate inquiry and hearing into chain supermarket milk prices in Vermont.

The Commission initiated the new inquiry into retail milk prices based on the evidence presented with regard to the proposed Order's preliminary findings about the retail margin for Vermont supermarket milk sales. The Commission had found in the proposed Order that the retail margin for chain supermarket milk sales in Vermont was substantial, and could easily absorb the Order's proposed surcharge on the procurement cost of raw milk without any downstream increase in consumer prices.

The evidence submitted during the hearing strongly contradicted the proposed Order's findings. An expert witness for the International Dairy Foods Association, the trade organization representing milk processors, testified that the retail margin was slimmer than found by the Commission. The President of the Vermont Grocer's Association testified further that any

regulatory increase in the procurement cost of milk, if not absorbed by the processor, would be passed on directly to consumers by retailers rather than absorbed in the margin.

Based on this testimony, the Commission determined to open an inquiry into the pattern and resulting margins of Vermont chain supermarket milk prices. The Commission will attempt to resolve the difference between its findings with regard to the existing margin for those retail milk sales and to clarify further the pricing dynamic between the procurement cost for raw milk established under federal law and the downstream chain supermarket retail outlets.

“The Commission has received a lot of good and very useful testimony during our hearing process,” commented Roger Allbee, Secretary of the Agency of Agriculture, Food and Markets and Chair of the Milk Commission. “We want to make sure that any regulation the Commission imposes does not distort the market or create competitive problems for in-state or out-of-state businesses and farmers, and we have scheduled a further hearing to promote this purpose.”

“The record we have developed also indicates the need to inquire further into the specific, additional issue of consumer milk prices. There are obvious, significant discrepancies in the current record about retail fluid milk prices and margins that must be resolved as a matter of the public interest,” continued Allbee.

The Commission will hold both its hearing on retail milk prices and its hearing on the proposed disbursement process for the retail fluid milk premium on November 18, 2008. Formal notices for the two hearings will be issued not later than November 3.

Current information on the Commission’s proposed Order to establish a fluid milk premium may be found at the Commission’s web page: <http://www.vermontagriculture.com/milkcommission>.

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