

64 Main Street, Room 21
Montpelier, Vermont 05602

Daniel Smith
Executive Director



OFFICERS
Mae S. Schmidle, Chair
Peter Petrone, Vice Chair
Douglas Morris, Secretary
Colon Durrell, Treasurer

Approved Minutes
Northeast Dairy Compact Commission
Regular Monthly Meeting
June 6, 2001 – Wenham Museum, Wenham, Massachusetts

Commissioners in Attendance:

RI: Al Bettencourt, Aaron Briggs, Ron Newman, and Peter Petrone
MA: Gordon Cook, Jay Healy and Sam Shields
VT: Jacques Couture, Andy Dykstra, Harold Howrigan and Robert Starr
NH: Powell Cabot and Douglas Morris
ME: Colon Durrell, Fred Hardy and Stan Millay
CT: Robert D'Allesandro, Robert Jacquier, Neil Marcus, Shirley Ferris and Mae Schmidle

Commission staff in attendance:

Dan Smith, Executive Director; Tom Lehner, Staff Counsel; Carmen Ross, Regulations Administrator; Nancy Audette, Office Manager; Amy Mandeville, Public Information Administrator

Chair Mae Schmidle called the meeting to order at 10:25.

I. Communications from Acting Governor Jane Swift

Chair Schmidle read a letter from Acting Governor Jane Swift regarding the Compact.

(Statement attached.)

II. Introduction of Guests

Guests Present: Tracy Dion; Tim Hollander, Massachusetts Society for Promoting Agriculture; Buffy Cole, Wenham Museum; Karl Norris, dairy farmer; Bill Gillmeister; Damon Gray; Gregory Cooper, The Patriot Ledger; John Wholoy, Agrimark; Ray Christiansen, New York State Department of Agriculture and Markets; Maggie Murphy, office of New York State Senator Lorraine Hoffman; Steve Lockhurst; Patrick Norton, office of Congressman McGovern; Paul Willis, dairy farmer; Kent Loge, Massachusetts Department of Agriculture; Bob Smith, Northeast Farm Credit; Gabe Moquin,



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Connecticut Department of Agriculture; Jim Heinz, Massachusetts Department of Food and Agriculture; Priscilla Brooks, Conservation Law Foundation; Bruce Tarr, Massachusetts State Senator; Dick Addelin; Pat Green, Country Folks; Kelly Fuerstenberg, New England Farmer; Leon Graves, Commissioner of Vermont Department of Agriculture; Lorraine Merrill, Farming; Carol Groom, Sierra Club; Jay Lindsay, Associated Press; Paul Willis, Agrimark; Beth Foly, Federal Milk Market Administration; Erik Rasmussen, Federal Milk Market Administrator; Bob Yonkers, International Dairy Foods Association.

III. Other Communications

Chair Schmidle read a letter from Senator James M. Jeffords and Senator Patrick L. Leahy, and a letter from Andrew Meyer, Executive Director of the Governor's Council for Interstate Compacts.

(Letters attached)

IV. Consideration to approve Minutes of May 6, 2001 meeting:

Minutes revised per the recommendation of Commissioner Ron Newman to reflect that dairy farmers Frank Kenyon and Fred Kenyon are from Rhode Island.

Motion 6/6-1 by Ron Newman with revisions/ Second by Bobby Starr

Moved to approve the minutes of May 11, 2001 monthly meeting with revision to reflect the two dairy farmers present being from Rhode Island.

MOTION PASSED 6 TO 0

V. Reports

A. Recommendations of Committee on Administration

Commissioner Peter Petrone, on behalf of the Committee on Administration, recommended the reallocation of previously budgeted funds for the Congressional Impact Report from the hiring of one person to contracting with several consultants.

B. Recommendations of Committee on Finance

Colon Durrell, on behalf of the Committee on Finance, recommended the approval of the Committee on Administration recommendation to reallocate previously budgeted funds for the Congressional Impact Report.

Commissioners and staff introduced themselves to the assembled public.

C. Executive Director's Report

Mr. Smith reported he has been concentrating on three areas during the past month: coping with the press barrage resulting from Senator Jeffords party switch, the Congressional impact report and the budget. He said he will make a presentation about the Congressional Impact Report, and discussed the ongoing preparation for the administration of the Supply Management Program. He said the next meeting will be on July 9 in Maine, and reviewed the past four months of price announcements.

Commissioner Neil Marcus asked for a prediction of federal pricing through the fall. Mr. Smith said prices are expected to climb and stay up at least until the end of the year. He speculated, however, that the recent tilt adjustment might change that projection.

Commissioner Andy Dykstra asked how the situation with Senator Jeffords will affect the Compact. Mr. Smith said he does not have access to privileged information, and that he believes Senator Jeffords made his decision independent of considerations for the Compact. He said it is too early to tell the effect of his decision.

Commissioner Gordon Cook commented on the market tilt, and said it was likely the gap between Class 1 and Class 3 milk prices will narrow. He said he expects the price of beverage milk to go up as the price of cheese does. He does not expect a change in this trend unless there is a change in the price of feed.

Commissioner Harold Howrigan said the change in tilt was lobbied for strongly by processors, and estimated the cost to farmers at \$0.65 per cwt. He said that the tilt in combination with the loss of the Compact would be a major setback for farmers.

Commissioner Shirley Ferris asked for an overview of the reauthorization process. Mr. Smith gave a brief history of the authorization and reauthorization and explained that this reauthorization is different from the previous reauthorization because of the nature of the sunset date. He said it needs to be extended independent of the budget for the Compact to be extended.

VI. *New Business*

Recommendations of Committee on Finance

Motion 6/6-3 by Colon Durrell on behalf of the Finance Committee

Moved to file for audit the April 30, 2001 financial report

MOTION PASSED 6 TO 0

Recommendations of Committee on Administration

Motion 6/6-2 by Peter Petrone on the behalf of the Administrative Committee

Moved to approve reallocation of previously budgeted funds to the hiring of additional consultants for the impact report

MOTION PASSED 6 TO 0

VII. *Informational Review and Updates*

Chair Schmidle thanked Massachusetts for the gifts of hats and bags, and recognized Commissioner Healy.

Commissioner Healy thanked the Commission, and complemented the Wenham Museum on the exhibit, "Cows in the Parlor." He referred to the Dairy Compact as another tool in Massachusetts' toolbox for maintaining farms and open space. He said he was pleased to have a strong partnership with various environmental groups like the Conservation Law Foundation.

A. Presentations on Open Space and Environmental Concerns

Economist Priscilla Brooks of the Conservation Law Foundation presented a statement about the Conservation Law Foundation's perspective on the Northeast Interstate Dairy Compact.

(Statement attached.)

B. The Legislative Experience in Massachusetts

State Representative Stephen Kulik gave a summary of activities of Massachusetts legislators and the Dairy Compact.

(Statement attached.)

State Representative Daniel Bosley also discussed the Massachusetts legislative process.

(Statement attached.)

C. Continuation of Presentation on Open Space and Environmental Concerns

Carol Groom, Chair of the Vermont Chapter of the Sierra Club, presented the Sierra Club resolution regarding the Dairy Compact.

(Statement attached.)

VIII. Presentations by Massachusetts Congressional Delegation

Patrick Norton of the office of Congressman James McGovern read a statement on behalf of the Congressman.

(Statement attached.)

2001 Recognition Awards

Patrick Norton on behalf of Congressman James McGovern, State Representative Daniel Bosley and State Representative Stephen Kulik were present to accept 2001 Recognition Awards. State Senator Marc Pacheco, State Senator Stephen M. Brewer and Congressman John Olver were also honored, but were unable to attend.

IX. Massachusetts Department of Food and Agriculture's Toolbox and the Dairy Compact

Jim Putnam of First Pioneer Farm Credit gave a lender's perspective of the Northeast Dairy Compact Commission.

(Statement attached.)

Commissioner Dykstra asked Mr. Putnam if the return on investment is better on large farms than small ones. Mr. Putnam indicated that on average large farms do yield a better return.

Commissioner Jay Healy, Massachusetts Department of Food and Agriculture, discussed the diversity of agricultural activity in Massachusetts and the efforts of the Massachusetts Department of Food and Agriculture to preserve farms and open spaces. He discussed the success of the department's business training efforts for farmers, and the benefits to farmers of consumers buying products locally.

Chair Schmidle awarded Commissioner Healy a 2001 Recognition Award.

Commissioner Healy thanked Kent Loge, Diane Baedeker and the rest of his Massachusetts staff for their assistance in preparing for the meeting.

Commissioner Gordon Cook discussed his successful experience starting a farm-based ice-cream business with the help of a farm viability program run by the Massachusetts Department of Food and Agriculture. The program, which requires farmers stay on their land for either five or ten years, results in \$20,000 to \$40,000 worth of financial assistance from the department. Commissioner Cook said he and his wife started the ice-cream business in 1998, and it has been profitable every year since.

Commissioner Cook said that the Compact is important to the whole region, and is the correct vehicle to support the dairy industry. He thanked Representative Kulik and Representative Bosley for their assistance with Compact legislation in Massachusetts.

X. Review of Dr. Ron Cotterill's study on the Compact and its impact on the wholesale and retail markets

Mr. Smith said he has been trying to assess the consumer impact of the Compact Price Regulation from a number of angles. He indicated that the discussion in the political community has increasingly centered on the study done by Dr. Ronald Cotterill of the University of Connecticut. He said he is trying to engage as many perspectives as possible in review of Dr. Cotterill's study. He explained that Dr. Robert Yonkers from the International Dairy Foods Association was invited to comment on the study as a direct opponent of the Compact. He said he is also having an economist in Washington D.C., who is removed from the politics of the Compact, look at the study, and that Ken Bailey has also agreed to review it, along with Bill Gillmeister. He is requesting the economists look at both the math and the methodology of the study.

A review by Reenie DeGeus from the Vermont Department of Agriculture of the Cotterill study was read by Mr. Smith. Ms. DeGeus concluded the methodology and the math of the study is sound.

(Statement attached.)

Dr. Robert Yonkers, economist of the International Dairy Foods Association said the Cotterill study yielded three conclusions: dairy farmers have benefited considerably from the Compact Price Regulation, the impact of the regulation on consumers is minimal and processors and retailers have benefited from the regulation. Dr. Yonkers challenged that points two and three can't be true if point one is true. Dr. Yonkers questioned the validity of Dr. Cotterill's methodology as well as his math.

(Statement attached.)

Commissioner Healy said no one is certain of the impact of the Compact Price Regulation on consumers. He asked why it wouldn't be possible for all of the experts to pool opinions and information to form a cohesive conclusion.

Commissioner Howrigan urged all present to recognize that Dr. Yonkers speaks on behalf of the International Dairy Foods Association.

Mr. Smith invited Dr. Yonkers to keep the lines of communication open in the hope of obtaining a balanced and accurate determination of the effect of the Compact Price Regulation on the consumer.

XI. Staff Reports

Congressional Impact Report

Mr. Smith gave a brief summary of the recent data developed as part of the Impact Report. He said 73 percent of farms in the region have fewer than 100 cows, and those farms produce 37 percent percent of the region's milk. The remaining 63 percent of the milk is produced on farms with over 100 cows. Mr. Smith also reported very preliminary farm loss estimates. He said the analysis indicates that there is a 4.5 percent farm loss regardless of the Compact price regulation, but estimated the percentage would be two to three times that without the Compact.

Mr. Smith reported on data recently developed regarding the net income of farms due to the Compact Price Regulation.

XII. Announcements: Opportunity for Individual State Comment

Commissioner Healy said that State Senator Marc Pacheco, State Senator Stephen Brewer and Congressman John Olver were unable to attend the meeting but he thanked them in their absence, and announced their 2001 Recognition Awards.

Commissioner Howrigan thanked Commissioner Healy for his hospitality and leadership.

XIII. *Adjournment*

Chair Schmidle adjourned the meeting at 3:20.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "D. Morris", written in a cursive style.

Douglas Morris