



SNOWE CALLS ON THE GAO TO INVESTIGATE MILK MARKETS IN THE NORTHEAST

Says widening disparity between farm and retail milk prices is causing undue hardship for Northeast dairy farmers

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WASHINGTON, D.C. – Citing the financial hardship Northeast dairy farmers are facing due to the continuing decline of farm milk prices, U.S. Senator Olympia J. Snowe (R-Maine) has asked the General Accounting Office (GAO) to conduct a study to investigate the discrepancy between farm level and retail prices for fluid milk in the Northeast.

"Many of Maine's dairy farmers have watched their livelihoods collapse before their eyes as they struggle to stay afloat while prices for their milk continue to drop. In order to handle the financial strains, many farmers in my state are being forced to postpone critical repairs and cut needed laborers in order to make ends meet," Snowe said. "Our dairy farmers are getting less and less of the consumer dollar. There is no reason that the price for farm milk should be declining, while the price for retail milk remains unchanged. I want to get to the bottom of this problem so the 400 dairy farmers in Maine are not being treated unfairly."

Snowe cited statistics from the U.S. Department of Agricultural Marketing Service (AMS) to make her case: AMS states that upon the expiration of the Northeast Interstate Dairy Compact on October 1, 2001, dairy farmers were receiving a minimum price of \$18.81 per hundredweight (cwt) for their Class I fluid milk and the corresponding retail price for milk was \$3.08 per gallon. Over the past 18 months, the federal order minimum price for Class I fluid milk has fallen to \$13.06 cwt – a drop of \$.50 a gallon. Despite the precipitous fall in farm prices, retail milk prices have fluctuated only a few cents and remain priced around \$3 per gallon.

"The fact dairy farmers are receiving the lowest price for milk that they have seen in twenty-five year while consumers continue to pay \$3 dollars-a-gallon for the product suggests that our dairy markets are seriously flawed and unfair to both consumers and farmers," Snowe said.

In her request to GAO's Comptroller General, David Walker, Snowe specifically asked the GAO to investigate:

The impact of the expiration of the Northeast Interstate Dairy Compact on October 1, 2001, on retail prices.

The change in the retail price of milk since the expiration of the Compact.

The decline in the price of Class I fluid milk received by farmers over the past eighteen months.

The proportionate breakdown of the retail price of a gallon of milk received by farmers, cooperatives, wholesale milk processors, and retailers at the expiration of the Compact and the following eighteen months.

Snowe is actively supporting the renewal of the Northeast Dairy Compact, which expired on October 1, 2001. The Compact established a fund aimed at stabilizing the dairy industry, providing a safety net for family farmers when milk prices dropped below a set price. Funds came through a Compact Commission to the producers from a handling charge paid by the processors of the fresh, fluid milk.

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