

# **Maryland's Dairy Industry: 2013**

**A Report  
To  
Governor Martin O'Malley**

**From**

**The Maryland Dairy Industry Oversight and Advisory Council**



**January 2014**

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## Executive Summary

### **Regional differences in milk truck weights key issue for industry dairy farms continue decline, significant changes in processing sector occur**

The Governor's Dairy Advisory and Oversight Council is charged with improving and sustaining the economic viability of Maryland's dairy industry. With representation appointed by Governor Martin O'Malley, the Council meets to hear from experts in various areas of interest to the industry.

In 2013, the Council has focused significant time looking into the unresolved issue of milk truck weights. As in 2012, the Council recommends that the State of Maryland consider developing an exceptional weight permit for milk trucks to address a seasonal fluctuation of milk production. States throughout the region have varying allowances for milk haulers, understanding that milk is a perishable commodity which must be hauled from farm to processor in a short amount of time. Milk processing plants in Howard County, Frederick County and Baltimore City are recipients of milk from dairy farmers throughout the state and the region. Trucks carrying milk to plants are limited to 80,000 pounds. By comparison, other states in the Northeast allow milk trucks to carry up to 97,000 pounds depending upon the state. More detail on this issue is in Recommendation 2.

The dairy industry continues to contract within the State. In 2012, for the first time since records have been maintained, the number of dairy farms fell below 500 to 496 dairy farms registered with the Maryland Department of Health and Mental Hygiene to sell milk. In 2013, the number of dairy farms declined to 476. Washington County has the largest number of dairy farms. By county, the number of dairy farms in 2013 is: Allegany 2, Baltimore 9, Caroline 7, Carroll 48, Cecil 30, Frederick 99, Garrett 66, Harford 25, Howard 5, Kent 14, Montgomery 6, Prince George's 2, Queen Anne's 8, St. Mary's 18, Talbot 5, Washington 130, Wicomico 1 and Worcester 1.

According to the U.S. Department of Agriculture, Maryland had approximately 52,000 dairy cows in 2011, down from 64,000 in 2006, a 12 percent decline.

Maryland's current milk processing capacity includes 9 large, commercial dairy processors, and 12 on-farm processors. Processors in the state annually process more than 3.36 billion pounds of milk according to the Maryland Department of Health and Mental Hygiene and the Federal Milk Market Order. More than 40,000 loads of milk are hauled from farms throughout the Mid-Atlantic to Maryland processors each year. The Mid-Atlantic is a milk deficit area. While in the past the region's dairy farms had provided milk to Southern states, the situation has now reversed. There is increasing demand for milk in the region as Greek yogurt production and other processors expand and locate in the region. Anticipated expansions and plant openings are in New York, Vermont and Pennsylvania.

Also in 2013, Dairy Maid Dairy in Frederick was purchased from the Vona family by the nation's largest dairy cooperative, Dairy Farmers of America. DFA announced the purchase in September and said it fits the cooperative's goal to increase its fluid milk processing capacity in the region. Founded in 1946, Dairy Maid employs 146 at its plant.

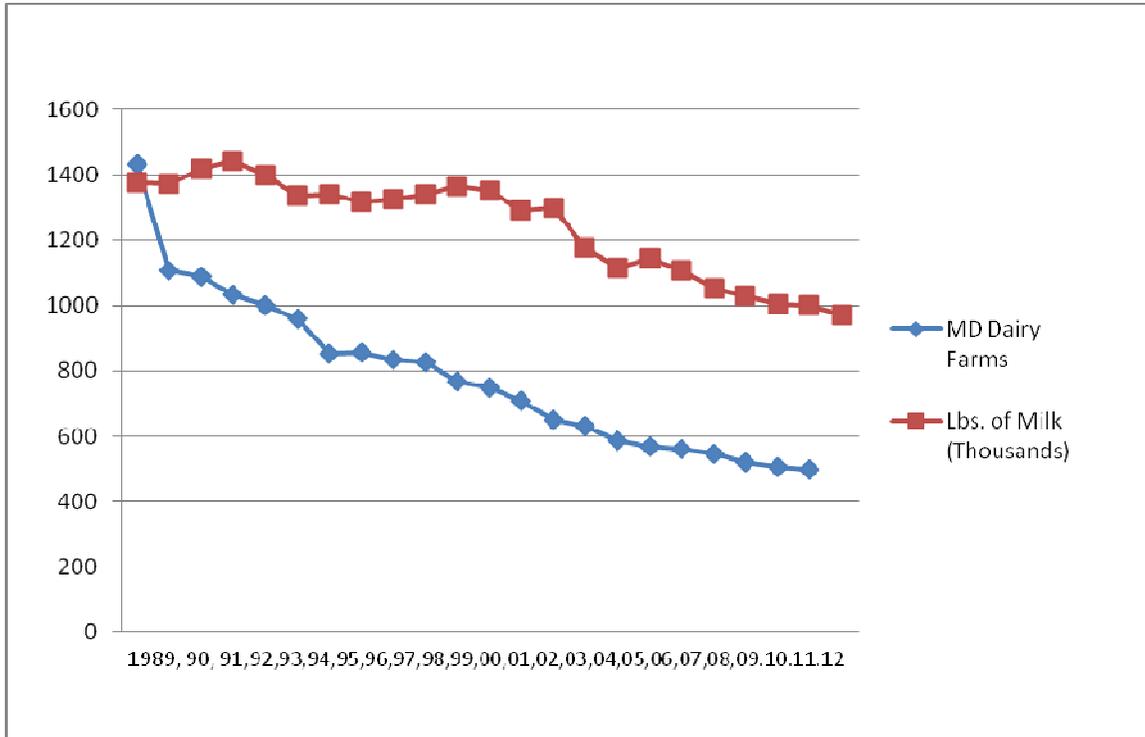
Attachment 2 to this report is the Department of Health and Mental Hygiene's recommendation to expand a pilot program allowing on-farm processing of some raw milk cheeses. The Council supports the growth of this niche sector of dairy farming in the state and welcomes DHMH's recommendation.

The Advisory Council offers four recommendations to Governor Martin O'Malley to support the State's dairy industry.

1. Promoting milk consumption in schools, including flavored milk
2. Develop a seasonal permit to allow milk trucks to haul up to 90,000 pounds of milk on 5 axles during peak production in spring months
3. Oppose legislation that would authorize the sale of raw milk

4. Provide adequate resources to help dairy farmers conform to the newest state nutrient management regulations

*Number of Maryland Dairy Farms, Production of Milk in State*



## **2013 Recommendations**

Similar to 2012, in 2013, the Advisory Council has four recommendations to Governor Martin O'Malley that would be beneficial to the goal of retaining and encouraging a healthy dairy industry:

### **Recommendation 1:**

**The State of Maryland should work to increase consumption of milk in schools to provide better nutrition to the State's children and support the dairy industry. The State and Counties should support sales of flavored milk in schools.**

The Council learned as this report was being drafted that Montgomery County schools will no longer offer strawberry-flavored milk to its students. This is a concern as it reduces the potential for consumption of milk among Maryland children. According to the National Institute of Child Health and Human Development, calcium deficiency is a dietary concern for American children. The U.S. Department of Agriculture reports that 86 percent of teenage girls and 64 percent of teenage boys are "calcium deficient." Milk competes with soft drinks and juices unsuccessfully among children. By maintaining the availability of flavored milk in schools (now required by the USDA to be skim milk), dieticians have increased opportunity to increase milk consumption among children.

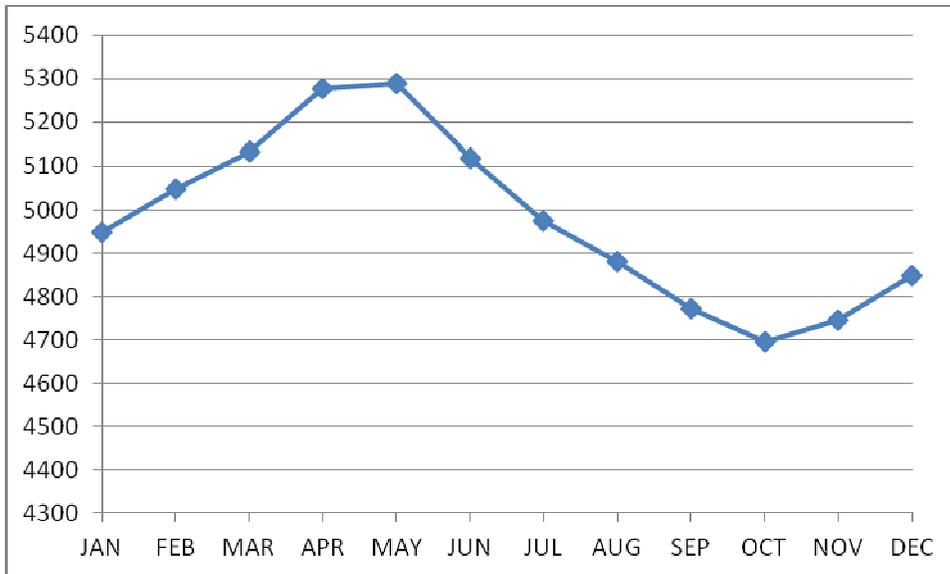
### **Recommendation 2:**

**The Maryland Department of Transportation should establish a seasonal permit to allow milk haulers to carry up to 90,000 pounds on 5 axles during the 4 month period March – June to address the need to handle peak seasonal milk production volumes.**

As discussed in the 2008 report to Governor O'Malley, and repeated since then, Maryland's dairy farmers, milk processors and consumers rely upon the ability of milk haulers in the State to transport milk from farms to processing plants. The efficiency of

this process is hampered by laws which prevent trucks from carrying more than 80,000 pounds. This issue affects the profitability of the state's dairy farmers and the milk processing plants which employ more than 2,000 with an annual payroll of about \$104 million and produce 1.3 billion pounds of dairy products. This problem has become more acute as diesel fuel prices have risen. There is a patchwork of varying milk truck hauling weight limitations on highways and state and federal roads throughout the Northeast. A number of Northeastern states allow milk haulers to run up to 95,000 pounds on designated state roads. Meanwhile, New York and Maine allow for gross weight limits up to 99,000 pounds on some Interstate highways. Maryland has developed an exceptional hauling permit for up to 87,000 pounds for agriculture. However, this permit requires six axles. Milk trucks are not commonly outfitted with six axles and it would cost approximately \$10,000 per retrofit to install this equipment. The additional axle would also increase the truck weight by about 2,500 pounds reducing the amount of milk that can be carried by that amount. This additional cost for the amount of milk that could be carried is not cost effective.

Because of the regional nature of the milk market, milk trucks have to cross state lines as they pick up milk at farms along their routes and transport to processing facilities. Thus the various rules and Maryland's lighter load limits, create inefficiencies for milk haulers on their routes to the State's 476 dairy farms. Further complicating this issue is the seasonality of milk production, with large swings in production volume varying depending upon the season, heat, feed quality and other factors. This can make it hard to predict the volume of milk (and thereby the truck's weight) that will be picked up at each farm. Working to create uniform standards can help address transportation inefficiencies, whose costs are passed on to dairy farmers and consumers. *The chart below shows average pounds of milk shipments per farm in Federal Milk Market Order 1 by month from 2008-2012. Order 1 includes most of Maryland, minus Garrett and part of Allegany counties. The chart shows the seasonality of milk production, with a peak between March and June. (Source USDA Federal Milk Market Order I, Northeast)*



**Figure 1: Average lbs. of Milk Shipped Per Dairy Producer Per Day by Month (2009 – 2012)**

**Recommendation 3:**

**The Governor and the General Assembly should not allow the sale of raw milk in the State of Maryland. This is currently the law in our State and this Council believes that it should remain the law.**

As discussed in the 2012 report to Governor O’Malley, there is a push from some quarters for the sale of raw milk in the State. The Council however, strongly believes that the health concerns associated with raw milk sales are well documented, and repeats its recommendation against allowing the sale of raw milk. Milk that is processed and pasteurized is a healthy, wholesome food product. However, in its raw form, there are potential health risks. Additionally, should raw milk be allowed for sale, it is expected that the State will incur significantly more costs, according to the Department of Health and Mental Hygiene.

**Recommendation 4:**

**New environmental regulations have the potential to decrease farm profitability. The Governor and the General Assembly should work to ensure that any new regulations are reasonable, equitable, achievable, and based on sound science.**

The Governor's Dairy Advisory Council is concerned that the Phosphorus Management Tool implementation needs to be an extended period of several years.

We believe that the health of the Chesapeake Bay is important to Maryland, but agriculture has been working for years to help address nutrient management concerns. As the science keeps changing, dairy farmers adapt to improve their operations. But it takes time and resources.

Maryland's dairy farms could face huge hurdles as dairy manure is primarily liquid and is difficult to transport any significant distance. It seems unclear how many dairy farms will be immediately affected as the PMT is not yet tested significantly.

We also believe that Maryland dairy farms and dairy industry face economic disadvantages with surrounding states in the Chesapeake Bay Watershed as they do not have the same regulatory environment. We ask for an economic impact study of the PMT and financial assistance to help offset the economic impact of these continually evolving nutrient management regulations.

## Attachment 1

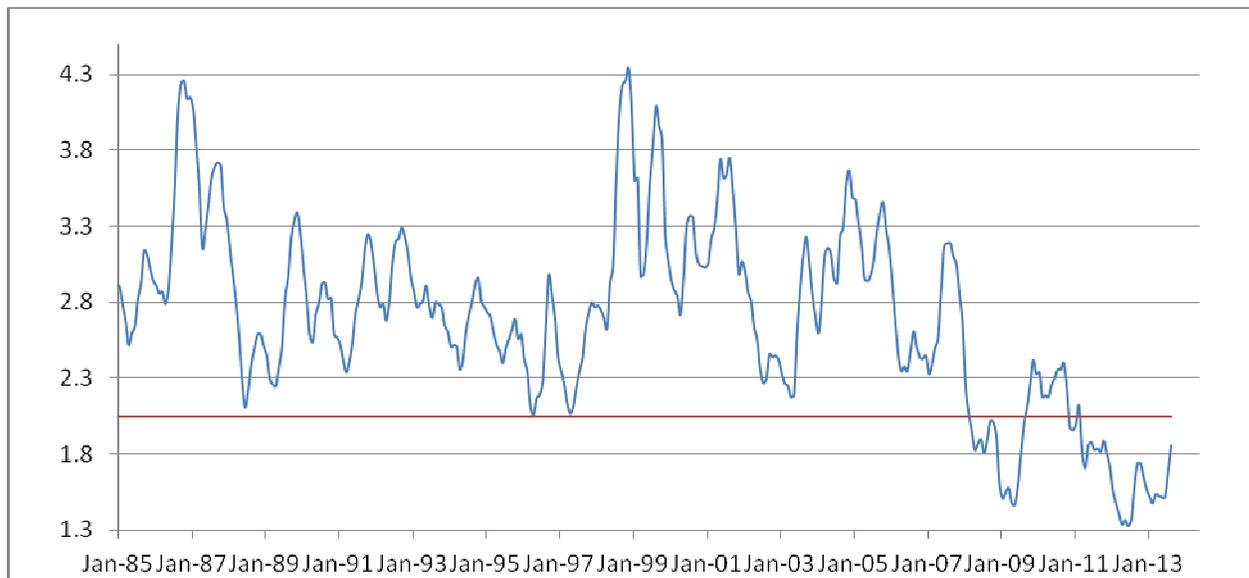
### Dairy Situation and Outlook, October 2013

**Howard Leathers**  
**University of Maryland, College Park, Md.**

The outlook for Maryland's dairy farmers promises continued challenges, but with some good news in terms of lower feed costs.

Looking backwards, we can see that the last year has been hard for dairy farmers. One commonly used measure of economic health of the dairy industry is the milk-feed price ratio which shows the ratio of milk price to the price of a feed cost ration. A high ratio means that milk prices are high relative to feed prices, and therefore times are good for dairy farmers. A low ratio means times are bad. In the 22 years from January 1985 to March 2008, the milk-feed price ratio had never fallen below 2.06. But in the 4+ years since April 2008 it has been below 2.06 in 39 of 54 months. During 2012, the ratio reached new record low levels, falling below 1.4 during the summer months of May-August. In early 2013, the ratio reached a new record low.

Milk Feed Price Ratio by month 1985-2013



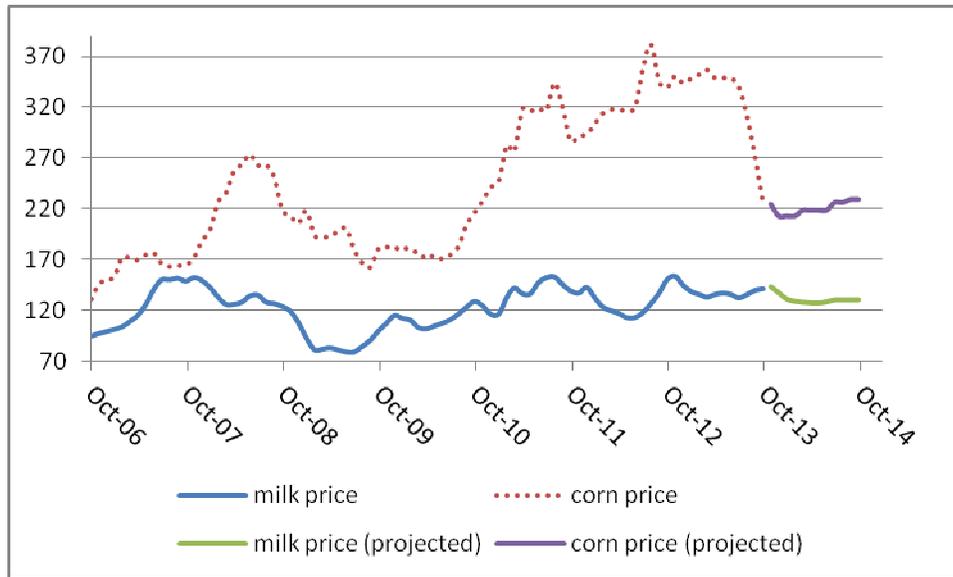
As we anticipated in last year's report, milk prices did strengthen temporarily in late 2012 peaking at \$22.10 in November. During 2013, prices have been stable between \$19.10 and \$19.90, averaging \$19.50. Feed prices have remained high, slightly below their August 2012 peak. The 2013 harvest has brought corn prices down somewhat – from about \$7 in the first 6 months of the year to \$5.28 in September 2013. As the milk-feed

price ratio graph above shows, the indicator remains well below \$2 – a level not seen before 2008; but the level for September 2013 is higher (stronger) than any month since 2011.

The prospect for the upcoming year is for both milk and feed prices to continue at about the levels we see in fall of 2013. As noted above, the current feed prices reflect a significant drop for the 2013-14 crop year. So the overall outlook for dairy farm profitability is moderately positive, compared to the experience of the past few years.

The figure below illustrates the stress that has been faced by dairy farmers from 2010 to 2013, and the recent relaxation of that stress in recent months with the sharp decline in corn prices.

Indexes of Milk and Corn Prices, January 2006 = 100.



The trend toward fewer and fewer dairy farms in the state continues. The 2007 Governor’s report contained a prediction that 100-220 Maryland dairy farmers would exit the industry between 2006 and 2015. Now, eight years into that ten-year projection, we find that the number of farms registered with the state Department of Health and Mental Hygiene as licensed to sell milk has fallen by 149, from 631 in 2006 to 482 in 2012.

Year	Number of dairy farms in Maryland	Maryland Milk production (mill. lbs)
2002	750	1301
2003	710	1232
2004	667	1162
2005	649	1161
2006	631	1093

2007	582	1045
2008	561	1029
2009	555	1004
2010	524	999
2011	505	970
2012	496	979
2013	482	969 (est.)

Source: Farm numbers -- Maryland Department of Health and Mental Hygiene  
Milk production – monthly milk production reports, USDA  
[http://future.aae.wisc.edu/collection/MilkProduction/mprod\\_2013\\_10.txt](http://future.aae.wisc.edu/collection/MilkProduction/mprod_2013_10.txt)

As expected, the reduction in numbers of farms comes primarily from consolidation of existing herd. Since 2002, farm numbers have dropped by a third – to 64% of the initial level; but milk production has only dropped by a quarter – to 74% of initial level.

The decline in the number of Maryland dairy farms continues, and seems likely to continue at about the same rate over the next year, about 15-25 farms exiting the industry.

The outlook for policy is unchanged from last year. At that time, we anticipated passage of a 2012 farm bill. That passage never happened, and as of this writing, we now anticipate a passage of the 2013 Farm Bill (House and Senate versions currently being reconciled in conference). We still have reason to think that the new law is likely to bring substantial changes to the federal policies affecting dairy farmers. The new law will eliminate the dairy price support program and the Milk Income Loss Contract (MILC) program. In place of those programs, the law offer dairy farmers a safety net consisting of two parts. Part one is the “margin protection program” -- essentially a form of margin insurance similar to that already available commercially as Livestock Gross Margin (LGM) insurance for dairy – will pay farmers when prices fall below a minimum level determined by feed prices. Part two of the program is designed to encourage reductions in milk production when prices are low, by requiring farmers to pay into a government fund when prices fall to defined levels. The new dairy programs will probably not have any size or payment limitations; this could accelerate the trend toward consolidation into larger farms.

Maryland Department of Health and Mental  
Hygiene

# Farmstead Cheese Program Report

October 2013

Martin O'Malley,  
Governor

Anthony G. Brown,  
Lieutenant Governor

Joshua M. Sharfstein, MD  
Secretary



## **Background**

Pursuant to HB 243/ SB 808, Chapter 610 of the Acts of 2009, the Department of Health and Mental Hygiene (the Department) is required to submit a report on the status of the farmstead cheese program to the Governor and, in accordance with §2-1246 of the State Government Article, the General Assembly.

With dairy farms declining across the State, dairy farmers are seeking ways to add value to their raw milk by processing the milk into safe, marketable products. In 2006, one dairy farm producer in Talbot County worked with local Delegates, the Department and the Maryland Department of Agriculture (MDA) to create a bill that would allow the manufacture of raw milk cheese. In 2007, House Bill 865 – Farmstead Cheese Production – Pilot Study was passed establishing a pilot study for this dairy farm producer to be permitted to process farmstead cheese. Farmstead Cheese is defined as a cheese that is made on a dairy farm using only the raw milk produced by the herd on the farm and meets the definitions and standards of a hard cheese, as set forth in 21 CFR Part 133. . HB 865 was amended in the 2008 and 2009 legislative sessions with the following revisions:

### **2008**

- Subject to the availability of sufficient inspection and testing staff, equipment, and other resources, the Secretary may issue up to five milk processor – farmstead cheese producer permits under the pilot program;
- Limited the pilot study to five (5) years; and
- Established a Laboratory Testing Fund for the processing of laboratory specimens associated with the production of farmstead cheese.

### **2009**

- Removed the limitation of five (5) milk producers to participate in the pilot program;
- Removed the five (5) year limitation on the pilot study program; and
- On or before October 1, 2013, the Department shall submit a report on the status of the farmstead cheese program.

The Department, established a Farmstead Cheese Pilot Study program and developed regulations guiding the program (Pilot Farmstead Cheese Program Regulations – COMAR 10.15.08). This program is administered by the Department’s Center for Milk and Dairy Product Safety (CMDPS).

The Food and Drug Administration (FDA) recognizes aging of hard cheese as an effective means of destroying bacteria. Hard cheese can be safely made from raw milk, using a specialized aging process of not less than sixty( 60) days, where conditions such as pH, moisture, salt, time, temperature and other factors are carefully controlled and monitored to destroy pathogenic organisms which may be present. COMAR 10.15.08

requires the processor to monitor the pH, time, and temperature. The regulations also require the processor to add salt and to test for the presence of five (5) different pathogens at the end of the 60 day aging process.

### **History of the Program**

The Department's CMDPS worked cooperatively with the MDA and other states that regulate raw milk cheese processing to develop a Farmstead Cheese Program in Maryland. As a result, CMDPS established criteria for participation in the program and developed the Pilot Farmstead Cheese Program regulations, COMAR 10.15.08.

The Department established the following criteria for participation in the Pilot Farmstead Cheese Program:

- The milk producer may not operate a dairy farm with more than 120 cows, goats or sheep in the herd;
- The cheese that is made on the dairy farm can only be from the raw milk produced by the dairy herd on that farm;
- Only hard cheese that meets the definitions and standards as set forth in the Code of Federal Regulations Title 21 Part 133, can be produced; and
- The milk producer must obtain a milk processor –farmstead cheese producer permit from DHMH as set forth in regulation.

In June of 2008 and 2009, CMDPS staff visited licensed raw milk cheese processors in Pennsylvania and New Jersey. Currently forty-five (45) states allow the production of raw milk cheese. Each state has their own set of regulation and policies. CMDPS spoke with milk program managers in other states to learn how raw milk cheese is made and regulated. This allowed the Department to review regulations in other states and criteria used to evaluate the manufacturing of raw milk hard cheeses, paying particular attention to hazard analysis, equipment usage, pH testing, salt content, moisture content, and bacteria that may be present. CMDPS staff received training from an expert raw milk cheese consultant. This training emphasized raw milk cheese production safety precautions. The Department studied FDA research papers and compliance guidelines, the Journal of Food Protection documents, Dairy Practice Council guidelines to Farmstead Cheesemaking, and United State Department of Agriculture guidance documents for Inspection and Sanitation regarding food safety in raw milk cheese processing. Based on the information learned, CMDPS promulgated COMAR 10.15.08, Pilot Farmstead Cheese Program. These regulations established a pilot farmstead cheese program and set forth standards for:

- Plan review of facilities and equipment;
- The permitting process for the manufacture of cheese made from raw milk; and
- Farmstead cheese production, labeling, record keeping, sampling and testing to ensure a safe finished product.

Specifically, the regulations require:

- All raw milk must be tested for the presence of inhibitors (antibiotics) prior to

- processing;
- The raw milk must be tested monthly for quality parameters (Standard Plate Count, Somatic Cell Count, Temperature, Odor, Appearance);
  - The finished, aged cheese must be annually tested for the presence of the following most common pathogens found in raw milk cheese: Salmonella, Escherichia coli, Listeria monocytogenes, Staphylococcus aureus and Enterohemorrhagic E. coli (0157:H7);
  - The pH of every batch of cheese must be measured at twenty-four (24) hours and at sixty (60) days;
  - The water used in the manufacturing of farmstead cheese must be tested every six (6) months to assure the water is potable;
  - Detailed recordkeeping and process make records; and
  - Product label requirements.

While CMDPS was developing the program and promulgating the regulations, MDA launched an outreach program to inform the dairy industry about the new Farmstead Cheese Program. After the regulations were established, CMDPS sent an interest letter to all persons who inquired about the program, setting a deadline of June 1, 2010 for plan review submittal.

### **Current Program**

There are currently three (3) Maryland permitted milk processor-farmstead cheese producers participating in the Pilot Farmstead Cheese program, producing six (6) different types of hard raw milk cheeses. They are located in Talbot County, Prince Georges County, and Carroll County.

The Department conducts a thorough analysis of the cheese making process at each site to help ensure safe food handling practices in an effort to prevent foodborne disease outbreaks. Each cheese producer must submit detailed plans which include: plant drawings, Standard Sanitation Operating Procedures (includes cleaning and sanitizing procedures, step-by-step processing, recipes, and testing procedures), label examples, pest control and preventive maintenance plans, equipment information, and record keeping procedures.

To ensure that all regulatory requirements are met, the Department's inspectors conduct inspections of the milk processor-farmstead cheese producer operation:

- During the plan review process (2-4 on-site inspections);
- At the start-up of farmstead cheese processing;
- Once every 6 months; and
- In response to complaints received by the Department or a local health department.

### **Challenges Identified in the Program**

Great care must be taken to ensure the safety of public health in the processing of farmstead cheese. Each time a farmstead cheese producer started a new operation, the Department expended significant amount of time and resources to assist the facility in ensuring the highest quality and safety of the cheese product. While the Farmstead Cheese Program has been a success, CMDPS has spent many hours, including on the phone and on the farm site, educating the processor about how to operate a processing plant, in addition to reviewing plans, and ensuring regulation compliance. As a result other regulatory duties, such as mandated inspections of milk tank trucks and mandated evaluations of bulk milk hauler samplers, were not completed in a timely manner. If the Farmstead Cheese Program expands, additional resources would be needed to maintain compliance with other requirements delegated to CMDPS. Adequate resources are imperative to provide the oversight needed to ensure a safe product. One foodborne disease outbreak from consuming raw milk cheese could have lasting repercussions on the Farmstead Cheese Program.

Knowledge of safe cheese making is necessary. Therefore, it is crucial for the applicant to attend approved training, which is not currently available in Maryland due to limited resources. Previously, the University of Maryland offered training, but as a result of budget constraints is no longer able to provide this service. Additional resources dedicated to the CMPDS would enable trainings to be offered on a more regular basis. Otherwise the required training would be incurred as an additional expense to participating producers.

### **Findings and Recommendations**

During the pilot study critical factors that determine the safety of raw milk cheese were monitored. Moisture control, pH control and salt content inhibit growth of pathogenic bacteria. Acidification (pH) is the most critical factor in testing and monitoring. Before aging the raw milk cheese, the pH must drop to 5.0 – 5.9 to help prevent pathogens from multiplying. With the addition of salt during the aging process, the moisture in the product is bound, to further prevent the multiplication of pathogens. As the product ages and dries, the pH may stay acidic or return to 6.5 – 7.0 depending on the type of cheese. The pH was monitored at all three permitted facilities participating in the pilot study. The pH results were satisfactory (See Table 1 attached for results).

The first three batches of each new raw milk cheese made were tested at 60 days (the end of the aging process) for the presence of Salmonella, Escherichia coli, Listeria monocytogenes, Staphylococcus aureus and Enterohemorrhagic E. coli (O157:H7). The cheese then was tested annually at 60 days for the same five (5) pathogens. The participants in the study complied with these testing requirements. All tests were negative for all five pathogens (See Table 2 attached for results).

The Farmstead Cheese Program participants have been successful with marketing and selling the cheese, although it has been a challenge to balance resources. Operating

both a dairy operation and a milk processing operation has, at times, been challenging for participants because of the amount of time and resources it takes to properly operate the production of raw milk cheese.

The issue of extending the aging process requirement from 60 to 90 days is under consideration at the federal level. The United States Food and Drug Administration (FDA) is currently studying the sixty (60) day aging process of raw milk cheese to determine if the aging process should be extended. The FDA has not indicated when results of this study will be released or if existing guidance will be revised.

Currently forty-five (45) states allow the production of raw milk cheese. The safety of raw milk cheese is reliable when production methods follow national standards and confirmed by laboratory testing. Based on the findings of this study, Maryland farmstead raw milk cheese processors were able to replicate the success of other state producers and produce a safe product for human consumption. The Department recommends the continuation of a Maryland farmstead raw milk program.

The Farmstead Cheese Program has been successful and well received by the producers and the community. The Department makes the following recommendations for the continuance of the program:

- Dedicate adequate resources for regulation oversight as needed to continue the Farmstead Cheese Program success;
- Expand this program by offering it to all Maryland dairy producers;
- At the request of the pilot study participants, revise some of the existing language in COMAR 10.15. to provide a clearer understanding of the testing requirements.

The Department looks forward to continue to work with the existing Farmstead Cheese Pilot Study participants as well as new participants to the program for future success of the program. The Department acknowledges the need to increase the production of value-added farm products in Maryland to allow the dairy farmers the option of marketing their products in different ways.