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Douglas tuned in to farmers' needs

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(from the *Opinion* section)

Gov.-elect James Douglas has shown agriculture will be an important issue to him, naming a leading dairy expert, Stephen Kerr, to be the new commissioner of agriculture.

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Douglas has also said he hopes to elevate the position of agriculture commissioner to the cabinet level, giving greater prominence to farm issues. It is none too soon.

OPINION

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Dairy farming is one of the most important sectors of the state's economy, and at present dairying is in deep crisis. Prices received by farmers have plunged to levels not seen in decades, and estimates are for the price to fall even further. A new federal price support system will offer help, but Vermont dairy farmers are living on the edge.

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Consumers are probably not aware of the low prices going to farmers. That's because supermarkets and dairy processors exert enormous market power, and when milk prices to farmers drop, retailers and wholesalers maintain high prices, scooping up the difference for themselves.

THE WIRE

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Kerr is no doubt aware of the work of Ronald Cotterill at the University

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of Connecticut who has studied the dairy price issue, concluding that consumers have been subject to significant price gouging by retailers and wholesalers. According to Cotterill, consumers in New England are being overcharged by \$144 million per year.

New York state has a law capping the prices retail outlets can charge at twice what the processor paid the farmer. Thus, if farmers were receiving 90 cents a gallon, the retailer could charge no more than \$1.80.

In fact, prices charged at the retail level vary widely. Cotterill found that Midland Farms of Menands, N.Y., was charging \$1.49 per gallon for 1 percent milk last August. At the same time, prices at New England stores ranged from \$2.54 to \$3.39. The average supermarket price in New England was \$3.01 per gallon.

It is no surprise that processors and retailers are able to maintain high prices. Dean Foods, a dairy processor formerly known as Suiza Foods, controls 70 percent the milk market in New England. As prices for farmers fall, processors and retailers have little incentive to lower the price to consumers.

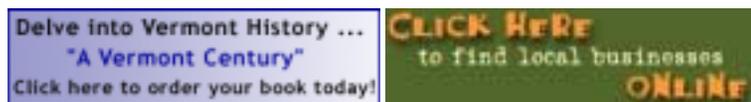
Douglas may be more sensitive to the plight of the dairy farmer than most Vermont politicians. His in-laws operate a large dairy farm in Middlebury, and he is no doubt aware that the entire dairy infrastructure – equipment dealers, feed and seed operations and all related businesses – suffer when the farmer is not making money. And at present many farmers are not even covering the cost of production.

One of the reasons that high retail prices hurt farmers is that high prices discourage consumption, and reduced consumption weakens the price that farmers receive. It is particularly galling for retailers and wholesalers to exploit the farmers' troubles by gouging consumers.

Kerr has wide experience in the dairy industry. He previously worked in the Vermont Department of Agriculture and for Sen. James Jeffords and at present is executive director of the U.S. Department of Agriculture's Farm Service Agency.

It is hard to know what Douglas and Kerr might do to alleviate the dairy crisis, but understanding the problem facing the dairy industry is a first step. A second step may be measures to prevent price gouging.

During his campaign, Douglas promised to improve the business climate. Defending the interests of dairy farmers against the predatory practices of those who buy their product would go a long way toward fulfilling that promise.



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