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## SAVING STATE'S DAIRY INDUSTRY

### State Lawmakers Trying To Save Dairy Farms

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State lawmakers say they are making the most ambitious push ever to save the state's 157 remaining dairy farms.

The troubled industry is caught in a system in which the federal government tells farmers every month what they may charge for their product, but farmers' production costs are consistently higher than that. As a result, Connecticut's dairy industry is literally losing ground — from 136,000 acres devoted to dairy farms in 1990 to 72,000 in 2007.

Despite the drop, milk is still a \$1.1 billion industry in the state, employing more than 4,200 workers. But the declining numbers are staggering. Connecticut has lost more than 50 dairy farms since 2007, and the state has fewer than 30 percent of the farms that it had in 1990.

State Rep. Bryan Hurlburt, D- Tolland, and a handful of legislators from both parties are proposing four bills this session that they say could save the industry. Their four-part strategy would charge stores more to sell milk, give tax credits to farmers, distribute subsidies to farmers four times a year rather than once and establish a fund for farm relief.

Given the dire numbers, this might be one of the last chances the industry has to survive, Hurlburt said. The legislators are using a demonstration — a dairy cow from Durham will be paraded outside the Legislative Office Building in Hartford today at 10:30 a.m. — to show just how bad the situation is getting.

"This [legislation] is an opportunity to protect this industry and our local farms," Hurlburt said. "If [the farmers] continue to lose money, they're just going to go under."

Suffield farmer Megan Hastings says she can use all the help the state can offer. The fourth-generation farmer is up every morning at 6 to milk and feed 118 cows by 9. Next, she washes the milking apparatus, hand-milks an injured heifer and cares for the calves. Every afternoon the milking starts again at 3.



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In the summer she works quickly so she can tend the fields that feed her herd of 300 cows, not all of which give milk at the same time of the year.

The worst part about all the work isn't the hard labor or the dirty boots — it's that for all her efforts, Hastings is losing money.

"We can't even break even sometimes," she said.

## **A Failing Industry**

Between 30 percent and 50 percent of the milk that Connecticut residents consume comes from local farms. The rest is shipped in from New York and the rest of New England.

Most local farmers send their milk to a dairy co-op or to large dairy plants such as Hood or Guida's, where it is bottled and sold to retailers. The co-op distributes the milk wherever it is needed, either for use domestically for all kinds of dairy products or overseas as dry milk.

Farmers sell their milk in 100-pound portions, a little more than 11 gallons, at a price set monthly by the federal government. This month, it's costing farmers roughly \$17 to make that "hundred-weight," but they receive only \$11 for it. Farmers' production costs are high because other expenses, for feed and equipment, for example, have skyrocketed recently. Meanwhile, said Bob Wellington, an economist with dairy co-op Agri-Mark in Massachusetts, "There has been an absolute crash in [milk] prices over the last few months."

Another major problem endemic to the industry, Wellington said, is that demand can't be measured or addressed quickly. Every cow in its lactating cycle has to be milked, even if there's no demand for the milk it is producing.

"If you have even 3 [percent] to 4 percent too much supply, prices will fall 30 [percent] to 40 percent" for the farmer, Wellington said.

Other New England states are also taking measures to protect their farms, he said. Massachusetts recently passed a bill giving tax breaks to farmers and setting up a loan program.

"[Legislation] is a step that needs to be taken if we're going to keep farmers in Connecticut," Wellington said.

## **Legislative Help**

Every retail outlet that sells milk in Connecticut pays the state a \$30 annual fee for the right to do so. The legislature's environment committee is drafting a fee increase bill that would charge retailers between \$500 and \$3,000 a year, depending on how much milk they sell.

Hurlburt said that the fee revenue — he estimates as much as \$4 million more a year — would be pooled and given to farmers based on how much milk they produce.

He said the committee is worried that charging the stores more would compel them to pass on the costs to shoppers, so they are crafting language that would protect consumers from high per-gallon increases and stores from overly burdensome fees.

In addition, the environment committee has proposed handing out any available surplus funds quarterly instead of yearly and setting up a fund to help farmers in danger of failing. Hurlburt said that details of the fund have not been worked out yet, but that a revenue stream would be chosen by lawmakers — possibly the revenue from the increased fees.

The tax credit bill proposed in the Senate is based on programs already in place in Massachusetts and Maine that give farmers a tax credit when they lose money on milk sales.

Lawmakers say they believe that stores earn enough money in milk sales that the new fee structure would be fair.

February data from the University of Connecticut Food Marketing Policy Center shows that on a gallon of milk that sells for \$3.82, the farmer's cut is \$1.21. The bottler gets 73 cents, and the stores make an average of \$1.88.

"The stores are making plenty of money on milk," Hurlburt said. As federal prices to the farmers drop, the prices in the stores do not go down proportionally, he said, and some experts expect milk prices to keep plummeting in coming months.

This month, farmers are expected to get an average of \$1.10 a gallon, and the Enfield Stop & Shop was selling its private-label milk Tuesday for \$3.79. The store would be expected to make about \$1.96 on a gallon. Bottling costs generally stay level.

## **Fair To Stores?**

Regardless of milk pricing, supporting the state's farms shouldn't come at the expense of stores, said Stan Sorkin, president of the Connecticut Food Association, which represents stores of all sizes.

"Increasing the fee from \$30 to \$500 or \$3,000 is a little out of proportion and a little unjustified," Sorkin said. "It's especially onerous on the small stores, where a larger percent of their sales come from milk. It's the mainstay of their business."

Sorkin said that even if milk prices do not rise at all under the fee increase bill, prices on other products would have to go up to cover operating costs, and shoppers would lose in that way.

Hastings said that she's encouraged by the legislative efforts and by the growing awareness of the importance of local foods, but that more needs to be done to brighten the bleak future of the state's dairy industry.

"There needs to be a base price set," Hastings said. "We need to at least operate in the positives, not the negatives."

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## Gallon Price Breakdown

March 12, 2009

### Gallon Price Breakdown

Stop & Shop private-label milk



SOURCE: University of Connecticut Food Marketing Policy Center

Gallon Price Breakdown

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