

As Milk Prices Soar, Farmers Don't Get To Share The Profits

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With five kids at home, Lou Harper buys a lot of milk. And every time he grabs a gallon off the store shelf, Harper gets angry thinking about how little Connecticut farmers will get of the nearly \$4 a gallon he pays.

"It's not right," said the Griswold man. "It's just not right."

The average price of milk in the state right now is about \$3.92, according to the state's Department of Agriculture. The Connecticut farmers who supply the milk, however, get paid just \$1.28 per gallon.

So who's reaping in the profit?

Your local Stop & Shop, Big Y and Shaw's supermarkets, along with other food retailers, get the lion's share of it, economists say.

One expert at the University of Connecticut calls profits from the retail milk markup "stratospheric."

Ronald Cotterill, director of the Food Marketing Policy Center at UConn, said retailers are making nearly \$1.50 profit for every gallon of milk they sell, triple what he estimates retailers need to cover their costs and earn a competitive return.

"It's just outrageous," Cotterill said in a recent interview.

At one point in 2003, the profits that retailers earned for every gallon of milk equaled the wholesale amount farmers were paid per gallon, Cotterill said in a report he issued on milk prices last year.

Retailers, Cotterill said in an interview, also charge nearly the same amount per gallon for all milk products — from skim to whole — even though they pay about 50 cents to 60 cents less per gallon for any milk that is not whole.

That pricing scheme, he said, means that consumers don't have any financial incentive to buy healthier milk products.

"It's what they should be drinking because it has less butter fat," Cotterill said. "It costs less to produce, yet it's just as expensive" as whole milk.

Kumi Sato, the interim executive director of the Connecticut Food Association, which represents supermarkets, said Cotterill's studies do not take into account complexities within the retail industry.

For instance, she said, retailers do not focus pricing strategies and potential profit margins on just one item, such as milk. Instead, they consider entire categories of products when it comes to marketing and pricing. In addition, she said, supermarkets offer coupons and other discounts on milk. Those factors, she said, were not taken into account in those studies.

"As an extremely competitive segment itself, supermarkets understand the plight of dairy farmers in the state and we support initiatives ... to help them," she said.

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Connecticut dairy farmers and their lobbyists say the wide disparity between the money they get for their milk and the price it

fetches on the market comes at a time when many farmers are deep in debt and struggling to stay in business.

As a result, they add, some state residents and policymakers are clamoring for ways to preserve Connecticut's remaining open spaces and farms.

In 1990, Connecticut had 367 dairy farms. Today, it has 169, according to a report by Connecticut's Milk Regulation Board.

There are, however, moves afoot to address the retail price of milk.

The Milk Regulation Board is considering a proposal for a surcharge, or tax, on milk that retailers would have to pay. That revenue collected by the state would go to farmers.

Such an initiative needs legislative approval, and at least one member of the milk regulation board isn't sure the proposal would work.

Jack Tiffany, who owns the 200-acre Tiffany Farms in Lyme, said he's concerned the tax, which could be as much as 10 cents per gallon, might be too complicated and expensive to administer, because not all of the milk sold in Connecticut comes from here. The state's dairy farmers, he said, produce only about 40 percent of the milk sold and consumed in Connecticut.

Cotterill, who is preparing research for the milk board's policy initiative, has in the past called for an even more aggressive way to help farmers and limit what he has called "excessive" profit margins by retailers. He has suggested that northeast states, including Connecticut, pass laws to force retailers to share excess milk profits with farmers and, at the same time, cap their milk prices.

According to an April 2006 report by the Milk Regulation Board, Connecticut's dairy farmers collectively grossed \$65.9 million in 2004 on the milk they produced. Retailers, the report added, grossed about \$255 million on milk that year.

Retail milk profits caught Attorney General Richard Blumenthal's interest in 2003. Calling it price-gouging, he, Cotterill and others proposed legislation to stop "unconscionable profits that exploit both consumers and dairy farmers." The measure they proposed would have capped retail milk prices at 140 percent of what retailers pay for the product. The bill, however, died in the legislature.

Whatever form it takes, the state must enact some kind of policy that provides dairy farmers with a living wage, Cotterill said.

"Without it, they'll be out of business," he said.

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Until recently, wholesale milk prices in Connecticut, were at an all-time low for about 18 months, hovering around \$12 per 100 pounds of milk. In the last month or so, the price increased to about \$14 per 100 pounds.

But that price is still significantly lower than what it costs farmers in Connecticut to produce milk. Just to cover expenses, dairy farmers here say they need to get between \$15 and \$17 for every 100 pounds of milk, according to the Connecticut Farm Bureau.

Most farmers say they can hardly pay their bills lately.

Arthur Spielman, who's owned 252 acres in the Baltic section of Sprague for 50 years, said he's holding off on buying spring seed and fertilizer because he's already so far in debt. He said he's had to take out loans against his property to pay bills and he and his sons, who operate the farm with him, are becoming more discouraged daily.

"We're losing all the equity in our land," he said.

There were several other farms along the section of Plain Hill Road where his is located when he started 50 years ago. Today, his is the only farm that remains. He said he's hoping the state comes up with some kind of plan to help farmers like him.

"Anything would help," he said.

Tiffany, the Lyme farmer, said he is deep in debt and is considering getting out of the business. His landmark farm on Route 156 has been in his family for more than 150 years. Now he's asking the town to forgive up to 50 percent of the overdue \$12,000 property tax bill he has owed since July.

Besides the Milk Regulation Board's policy initiative, the Connecticut Farm Bureau, which lobbies on behalf of farmers, will propose legislation this year to assist farmers, said Bonnie Burr, the bureau's spokeswoman.

Details of the proposal, she said, have not been worked out, but it would call for the state to refund farmers the difference between what it costs them to produce milk and what the federally set wholesale price is.

The issue, experts say, goes far beyond providing a subsidy to farmers. Connecticut's dairy farmers, according to the Milk Regulation Board study, lease or own about 83,000 acres in Connecticut. That's a substantial amount of open space that could be lost and developed if dairy farming dies.

"This is about land-use philosophy," said Burr. Many of the farms that have folded in Connecticut have been developed into housing, which brings more families with children who need schools. Schools, she pointed out, are a big expense for towns.

"Do we want to have a conversation about saving farms, or do we want to have a conversation about building more schools?" Burr said.

Harper, the Griswold father of five, buys about two-to-three gallons of milk every week for his family. He said he would support a milk tax if he knew the proceeds would go directly to help farmers. He grew up on a farm in Maine and said he understands the problems facing dairy operations.

"If I could be sure the farmers would get it, I'd be glad to pay the extra money," he said.

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Arthur Spielman is delaying buying fertilizer and spring seed for his dairy farm in Baltic because of lingering debt.

