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HEADLINE: Got **Milk?** Yes, but That's Not the Issue

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BODY:

LIKE Connecticut's struggling dairy industry, David Jacquier's farm, a bucolic spread dotted with hundreds of cows, is shrinking.

"I'm starting to sell real estate," said Mr. Jacquier, who has been forced to sell off parcels of his Elm Knoll Farm in East Canaan to keep the cash-strapped operation afloat. "That's the worse thing you can do in this business."

Mr. Jacquier said he didn't have a choice, and many of Connecticut's dairy farmers are facing the same predicament. The prices dairy farmers are getting for milk are at their lowest point in 25 years and production costs are skyrocketing.

"We started the year with 200 farms, and already we've lost five," said Gabe Moquin, who heads the dairy division at the state's agriculture department. "They just can't make a profit."

Connecticut's dairy farmers are getting paid about \$1 per gallon of milk, a drop from the \$1.65 they were getting a year and a half ago. At the same time, consumers are paying the same prices for milk at the grocery store -- about \$3 a gallon -- which led to accusations that the retailers are price gouging.

"Something is desperately wrong with the picture now," said Richard Blumenthal, the state attorney general, who has recommended legislation that would limit what milk retailers and processors can charge for fluid milk.

Under the legislation, An Act Concerning the Fair Pricing of Milk, if the wholesale price charged to a retailer by a processor is 40 percent above the price paid to the farmers, the processor will be investigated. If the retail price is 40 percent above the wholesale price paid the processor, then the retailer would be investigated.

"Our aim is to help both the farmer and the consumer by eliminating unconscionable profits resulting from price gouging, and to restore competition to the industry," Mr. Blumenthal said. "Essentially the legislation guarantees the farmer will be paid a fair price, or at least a fairer price, because it reduces the amount it could be marked up and pegs the final price paid by the consumer to the price paid to the farmer. In other words, if the price in the supermarket rises, the price paid to the farmer also rises."

Not everyone, however, thinks the legislation in its current form would solve the problem.

At a public hearing at the Capitol in Hartford on Wednesday, dairy farmers, lawmakers, food industry officials and academics gathered to present their views on how best to save the state's industry, while also giving consumers a break at the grocery store.

The number of dairy farms in the state dropped from 6,233 in 1940, to 663 in 1980, to 195 today. While some wonder why such a small industry matters to a state where agriculture represents only a fraction of the economy, others stress the peripheral benefits of a dairy industry presence.

"The dairy industry is an integral part of our economy and quality of life," Mr. Blumenthal said. "We spend a lot of money to preserve farmland, and helping farmers stay in business when they provide an essential item that is important."

The state's dairy farms are mostly in New London, Windham and Litchfield counties, in scenic rural areas. In the Quinebaug-Shetucket Heritage Corridor, which encompasses 32 towns and was designated a national heritage site by Congress in 1994, the farms are part of the open landscape.

"We lose farms and they can be developed, and let's face it, with the population push, we would end up looking like Newark," said Andrea Ader, of Quinebaug-Shetucket Heritage Corridor Inc., which oversees the area. "That's fine if you want to look like Newark, but there are fewer and fewer family farms. You impact the character of the valley, and it's not just open space. It takes something to be dedicated to milking cows twice a day."

Bonnie Burr, the director of government relations for the Connecticut Farm Bureau, noted the dairy industry in Connecticut earned \$74 million in 2001, while keeping roughly 175,000 acres as open space.

Under the state's Farmland Preservation Program, Ms. Burr said, the state buys the development rights to farmland, which allows the farmer to continue farming the land while guaranteeing that it never gets developed. Many farmers, however, when strapped for cash, end up selling land to developers anyway. It is faster

than going through a government sale, and it is more lucrative.

"If the prices don't come back by July, I'll be done; I'm losing roughly \$300,000 a year," said Mr. Jacquier, explaining that it costs him \$13.75 to produce a hundredweight of milk, or 100 pounds, though he is being paid only \$11 for the amount by processors.

"If I sell my cows and real estate, I'll break even," he said. "I'll go get a job. Once they put blacktops and driveways on it, it's over with. We'll grow houses."

The reasons for the recent drop in milk prices -- from about \$17 dollars per hundredweight two years ago to between \$11 and \$13 these days -- are varied and complex. The industry says production has increased nationally, with milk flooding the market from huge producers in western states, while consumption of dairy products has dropped.

In the Northeast, where land and labor costs are considerably higher than elsewhere, the expiration of the Northeast Dairy Compact in 2001 has compounded the problem by removing federal price supports for all farmers. Many in the industry believe another regional compact to reinstitute federal support could be the answer, but in the meantime, northeastern states are trying to address the problem through their own legislatures.

Not everyone agrees on the approach.

"Price gouging is a consumer issue, not so much a farmer issue," said Bob Wellington, an economist with Agri-Mark, a cooperative of New England dairy farmers. "But the problem is the shares the farmers are getting are shrinking, and they're getting crushed by the lower milk prices. Most farmers are saying this is the worse financial situation in decades. There are a lot of auctions lined up."

Mr. Wellington explained that while the farmers are struggling, their troubles are creating a domino effect, and related services, like equipment and grain sales, are also suffering. "It's almost like a spiraling cycle now," he said.

Ms. Burr, of the farm bureau, also questions the legislation. "When you look at the bill, while it certainly addresses the consumer needs it doesn't really have the ability to put money back in the farmers' pockets," she said. "We don't think this will do anything for the farmers."

Another price support program, part of the 2002 Farm Bill, guarantees price supports, but critics say it only helps smaller producers.

Once a farmer has produced 2.4 million gallons in a given year, they are no longer eligible for federal cash.

"It's a safety net lying flaccid on a concrete floor," Mr. Wellington said. "If you hit it you're already dead."

Ronald W. Cotterill, who has published many studies on the dairy industry, said he believed the legislation would indeed raise the prices paid to farmers while keeping retail costs at a fair point.

"I've concluded the proposed legislation addressed the farmer end probably more strongly than the consumer end," said Mr. Cotterill, director of the Food Marketing Policy Center at the University of Connecticut.

Mr. Cotterill also said that he believed lower prices at the retailer would result in higher consumption by consumer.

Mr. Blumenthal agreed.

"Certainly price is a consideration when you're considering whether to buy the extra quart," he said.

For some, though, the legislation is just a start.

"Right now we're addressing the consumer's concerns," said George Wilber, a state representative and former dairy farmer who is co-sponsoring the bill. "The next step is working toward putting money in the farmers pockets."

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GRAPHIC: Photos: For some dairy farmers around the state, there has been a struggle. But legislation has been proposed to help out the farmers. Above, a scenic view of Graywalls Farm in Lebanon and, right, cows lined up during feeding time at the dairy farm.; Above, cows positioned near a milking machine at the Graywalls Farm. Bottom right, plastic containers making their way through the bottling production line at the Mountain Dairy in Storrs. Below, a carton of milk being filled at the plant. (Photographs by C.M. Glover for The New York Times)

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