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## Fair prices could rescue dairy farms

Mark Winne

March 13, 2003

▶ News
▶ Business
▶ Sports
▶ Features
▼ Opinions
Opinions
▶ Special Sections
▶ Photo galleries
▶ Around the Area
▶ Classifieds
▶ Personals
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**Dairy farmers throughout New England are receiving payments for their milk that are lower than they have been in 25 years — little more than \$1 per gallon. Yet their actual production costs are more than \$1.50 per gallon.**

There are 195 operating dairy farms in the state, compared to 663 in 1980. If something is not done soon to address the problem, dairy farming in Connecticut will go the way of the village blacksmith.

So what is the problem? Suffice it to say that the global monetary system is easier to understand than the dairy business.

For instance, the price a farmer in Canaan or Lebanon receives for his milk is related in no small part to the price of cheese in Green Bay, Wis. The federal milk marketing order is the primary determinant of dairy prices, and those prices are directly influenced by the supply of milk nationwide.

There is now, and probably will continue to be, an oversupply. This is caused in part by the consumer, who has substituted sugary soft drinks for milk.

But it also is caused by the factory-scale dairy farms that have been established in New Mexico, California, and Idaho. Those farms operate at costs well below those of farms in the Northeast, in part because of federally subsidized water.

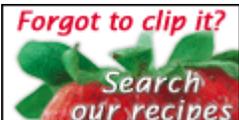
If the farmer is receiving record-low prices, shouldn't the consumer pay record-low prices as well? Unfortunately, the price of milk for the consumer has remained firm at or just below \$3 per gallon. This is where the rest of the dairy economic story unfolds.

Milk processors — there are only three large ones left in New England because of mergers and acquisitions — and food retailing, which is controlled by an ever-shrinking number of very big chain supermarkets, are making a whopping \$2 per gallon. That is far above their costs and the need to give a reasonable return to their shareholders.

What we have at work here, plain and simple, are market forces, and as the Harvard economist, John Kenneth Galbraith reminds us, "left to themselves, market forces don't always work out for the best, except perhaps for the most powerful."

This is precisely what is happening in Connecticut.

If the state of Connecticut or the federal government don't change the rules of the market, current forces will drive every dairy farmer out of Connecticut, and the rest of New England for that matter. Not only will that affect our food security (Connecticut dairy farmers currently meet about 60 percent of our fluid milk needs), it will take 100,000 acres of the state's remaining 360,000 acres of farmland out of agricultural use. And there's nothing a developer likes more than an empty field.



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The one bright light on the horizon is a bill introduced by Attorney General Richard Blumenthal.

Called "An Act Concerning the Fair Price of Milk," the bill would establish a simple price markup formula that if implemented at today's dairy prices would put the price of milk at about \$2.70 a gallon. It would also drive up the demand for milk, which we all know helps the producer, and, based on some finessing by a clever economist, would create an incentive for processors to pay farmers a price closer to their break-even price of \$1.50 a gallon.

Everybody wins. The farmer receives more, the consumer pays less for Mother Nature's best food, and the processors and retailers are given a fair margin that is well within industry standards.

No food store or processor will go out of business because of this bill. But if nothing is done soon to change the current rules of the game, dozens of Connecticut dairy farmers will go out of business this year, taking thousands of acres of farmland with them.

If dairy farmers are going to survive in this state, they will have to do as one old prairie populist suggested 100 years ago: "You farmers gotta raise less corn and more hell."

And if the other 3 million-plus of us who are not dairy farmers in Connecticut want fairly priced milk from nearby farms and the bucolic working landscape that we so treasure, then we better raise a little hell ourselves with our state legislators. Act now or the end is surely near.

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*Mark Winne is the executive director of the Hartford Food System, 509 Wethersfield Ave., Hartford, 06114, a nonprofit organization that works to make nutritious and affordable food available to lower income Connecticut residents. Readers can e-mail him at [mwinne@hartfordfood.org](mailto:mwinne@hartfordfood.org).*

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