

California dairy industry gives N.Y. a sour taste

By Kristen V. Brown, Times Union

A few months ago, a new product appeared in the aisles of Price Chopper supermarkets. The store's plainly-packaged private-label butter now also bore a seal heralding its primary ingredient, "Real California Milk."

This new item – California-made butter in a Northeast supermarket chain – is only a more visible expression of a longstanding issue for New York dairy farmers: Even on home turf, California's super-sized dairy industry presents some hearty competition.

"It's so hard for us to compete," said Jeff Wysocki, 50, a dairy farmer in Hoosick Falls.

California has long been the nation's largest producer of milk. But with a milk pricing system that offers up California milk cheaper than many other states and an aggressive national advertising campaign spending millions annually to promote the value of "real" California dairy, some New York farmers like Wysocki worry that California's competitive edge may one day shut New York dairies out of more than deals for private-label butter.

"Competition from California has traditionally been a problem for New York farmers," said Laura Ten Eyck, senior manager of New York projects and outreach for the American Farmland Trust. "Dairy is a particular issue as the western states have recently gotten into it in a very big way."

Wysocki owns Wysocki Farm, a small, 70-cow dairy farm that has been in the family since the 1930s. In the back of his mind, Wysocki said he stresses constantly that California dairy's

strong presence in the Northeast will make it hard for New York state dairy farms to stay in business in the future – especially small family farms like his own.

“We just won’t be competitive,” Wysocki said, referring to California’s ability to produce dairy products more cheaply. “We’ll be out of business.”

A large part of California’s dairy edge stems from its milk pricing system, which is set by the state, rather than using the federal milk pricing system that most states utilize, including New York. Dairy farmers in California are often paid up to several dollars less per hundred pounds – about 12 gallons – of milk than farmers in New York. In December, preliminary average milk prices paid to farmers were \$18.80 per hundred pounds of milk in California, according to the USDA’s National Agricultural Statistics Service. Farmers in New York received \$22.20 per hundred pounds of milk in the same month.

Those milk prices often result in California-made dairy products that are sold at a lower cost than dairy produced in other states, giving California a competitive advantage nationally.

At Schenectady-based Price Chopper, spokeswoman Mona Golub said “quality comes first, cost comes second” in considering bids from suppliers for private-label products. Recently, Price Chopper advertised a pound of its private-label butter as retailing for \$1.99; coupons from the California Milk Advisory Board (CMAB) were available on the Web to slash an additional 55 or 35 cents off any products carrying the “Real California” seal.

“We always feel a push from California,” said Doug DiMento, spokesperson for Agri-Mark, the New England dairy cooperative which makes Cabot brand dairy products. DiMento said that Price Chopper’s California-made private-label butter is “a

blow to Northeast dairy farmers.”

Agri-Mark declined to bid on the Price Chopper butter contract, though DiMento said it does supply other supermarket private labels in the Northeast.

“Expanding markets for our California products is part of our charge,” said Jennifer Giambroni, spokeswoman for the CMAB, which began using the “Real California” seal in 2007 as a way to increasing awareness of California dairy.

“The Northeast is a big area for us,” she said. “That’s really happened over the past few years.”

According to the CMAB, Northeast supermarkets that carry the Real California product seal include Price Chopper, Big Y, Market Basket and Giant Eagle. While New York has a good hold on the local fluid milk market and the national yogurt market, nationally California far surpasses New York in production of products such as butter and cheese.

Eric Sheffer, of Sheffer Grassland Dairy in Hoosick Falls, said California dairy’s ability to market its products vigorously is one of the biggest threats to dairies in the Northeast.

“When it comes down to it, their marketing is out-competing ours,” he said. “We can make quality products.”

The CMAB’s award-winning advertising campaigns have included the original Got Milk? slogan, developed in 1993, as well as the now ubiquitous “Happy Cows” ads first aired in 2002. The CMAB’s national advertising budget is about \$20 million annually.

Rick Naczi, CEO at the American Dairy Association and Dairy Council in Syracuse, said Northeast dairy promotions instead tend to focus on marketing products in supermarkets and at schools rather than advertising them, partially due to lack of

funding.

ADADC performs similar functions to the CMAB for New York, New Jersey and Pennsylvania. Though the organization does market and promote generic dairy products, like the CMAB, it does “almost no” advertising, Naczi said.

National ad campaigns for milk do run in New York, such as the Milk Processor Education Program’s 30-second spot planned to air on CBS during Sunday’s Super Bowl and the national Got Milk? campaigns featuring celebrities with milk mustaches (the slogan is licensed from CMAB).

“California is an anomaly,” said Naczi. “Most states don’t do that kind of state advertising.”

Northeast dairy operations, said DiMento, of Agri-Mark, are left with one option going forward.

“We just have to step up and continue,” he said.