

Crying Over Dumped Milk

Frustrated shoppers have reason to cry over spilled milk.

Dairy farmers are dumping [millions](#) of gallons of the stuff. Meanwhile, some dairy products are sold out at many grocery stores across the country, due to intense demand for basic household goods amid the coronavirus crisis.

[USA Today](#) reports on one farm in Wisconsin:

“About 7 o’clock Tuesday night, Golden E Dairy got the call that any dairy farmer would dread. They were being asked to dump 25,000 gallons of fresh milk a day because there was no place for it to go as the marketplace for dairy products has been gutted by the closure of restaurants, schools, hotels and food service businesses.

An hour later, the family-run farm near West Bend, Wisconsin, opened the spigot and started flushing its milk into a wastewater lagoon – 220,000 pounds a day through next Monday.”

No place to go? What about empty dairy aisles? Aren’t those better destinations than drainage pits?

Glut Milk?

According to analysts, it is tricky to switch from dead markets to a surging one. As [Gizmodo](#) explains:

“...although consumer demand for milk in grocery stores is booming, it isn’t easy for suppliers who normally make bulk products for restaurants to suddenly make the transition and make items for consumers. For example, it would cost millions of dollars simply to install the new equipment required to switch from making barrel cheese, used in restaurants, to

making cheese wedges, used by grocers, per Reuters.”

And the coronavirus crisis has made the shift especially challenging, as [Yahoo Finance](#) points out:

“Mass closures of restaurants and schools have forced a sudden shift from those wholesale food-service markets to retail grocery stores, creating logistical and packaging nightmares for plants processing milk, butter and cheese. Trucking companies that haul dairy products are scrambling to get enough drivers as some who fear the virus have stopped working. And sales to major dairy export markets have dried up as the food-service sector largely shuts down globally.”

Another issue is that it is illegal to sell unpasteurized milk in many states, Wisconsin included, so if dairy processors aren't buying it from farmers, it goes to waste.

And farmers have narrow time windows to solve all these problems, because milk is so perishable.

It all adds up to a glut of milk at the dairy even while there are shortages at the stores.

The Price Is Too Darn Low

The nasty little virus that is upending our lives bears much of the blame, but misguided policies are making a bad situation worse.

Grocery stores could take up more of the slack if they were free to price and sell milk according to consumer demand. But, laws against “[price gouging](#)” keep the retail prices of dairy products artificially low during a demand surge. Too-low prices encourage hoarding, which leads to shortages. It also limits the profits for selling dairy.

If a store were free to charge market prices, however high, it

would discourage hoarding, prevent shortages, and earn higher profits. The higher profits would increase the grocers' own willingness to pay for dairy products. This increased demand would ultimately translate into higher prices for farm milk, making it more affordable for farmers to bring their milk to market.

Since they can't charge market prices, stores instead prevent hoarding and shortages with purchase limits, which, among other bad effects (like punishing large families), reduce dairy sales and make the milk glut even worse.

A Spoiled Industry

It should also be noted that American dairy farmers have been frequently dumping milk long before the coronavirus. In 2016, [*The Wall Street Journal*](#) reported that:

"More than 43 million gallons' worth of milk were dumped in fields, manure lagoons or animal feed, or have been lost on truck routes or discarded at plants in the first eight months of 2016, according to data from the U.S. Department of Agriculture."

Dairy farmers blame diminishing demand. Liquid milk consumption has been declining for decades. And foreign demand has suffered thanks to the recent trade wars.

But these factors have been present for a while now. Why does the overproduction persist? Why haven't the farmers adapted by partially shifting to other agricultural products? A downward shift in demand does not alone explain chronic overproduction. For that, governmental "support" for the dairy industry is more likely to blame: [subsidies](#), [government-provided "margin insurance,"](#) minimum prices (USDA "[marketing orders](#)"), bailouts (like massive [government purchases](#) of surplus dairy products), and [more](#).

In the wake of the coronavirus, such market-distorting “support” looks set to expand even further. As [Gizmodo](#) reports:

“This week, dairy groups representing the Midwest wrote to the U.S. Department of Agriculture (USDA) and asked it to provide direct assistance to farmers and expedite the purchase of additional dairy foods amid the “unprecedented disruptions in supply and demand” caused by the coronavirus pandemic. Congress allocated \$9.5 billion for agriculture producers impacted by the crisis under the CARES Act, the \$2.2 trillion dollar coronavirus economic relief bill, among others.”

During the Great Depression, government interventions impelled farmers to [destroy crops and livestock](#) even while American children were suffering from food deprivation and malnutrition. As the coronavirus lockdown continues to hogtie the economy, and as the government gets even more deeply into agriculture’s business, let’s make sure history does not repeat itself.

Until the government starts respecting farmers enough to let them stand in the market on their own two feet, there will be a lot more spilled milk to cry over.

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