

## Marin organic dairies squeezed by tightening prices



Randy Lafranchi, manager of the Lafranchi Ranch in Nicasio, said milk prices are in a state of “turmoil.” The price of organic milk in Marin fell 22 percent in 2017 from the prior year, according to the county agriculture department. (Robert Tong/Marin Independent Journal)

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Facing increasing competition, Marin County’s organic dairy farmers are struggling to hold their place in an overcrowded market.

“It’s really in turmoil right now,” organic dairy farmer Randy Lafranchi said of the market. “I don’t know what it’s going to take to get the prices to straighten out.”

Many conventional milk producers in Marin County made the switch to certified organic over the past decade to cash in on the premium price for milk. But that swung the supply from a shortage to an overabundance, driving down prices that some distributors are paying organic milk producers.

To add to that, large corporations are buying out — and in some cases edging out — small organic dairy producers regionally.

Lafranchi — who manages the Lafranchi Ranch, an organic dairy in Nicasio — said his ranch produces about 34,000 gallons of milk a day, selling 85 percent to Clover, a Sonoma-based distributor. Whatever isn’t sold to Clover, Lafranchi uses to make cheese to be sold under the label Nicasio Valley Cheese.

Lafranchi said he’s been fortunate to work with a local distributor, because he is able to secure at least a market-rate sale. If he was selling the product to other buyers, he could end up having to let go of his certified organic milk at conventional prices.

“So what’s going on doesn’t affect us directly,” he said. “But it has put a burden on the market as a whole.”



Cows feed at the Lafranchi Ranch. The dairy produces about 34,000 gallons of milk a day. (Robert Tong/Marin Independent Journal)

Overall, though, California organic dairies are bearing the brunt of it, said Richard Matthews, executive director of the Western Organic Dairy Producers Alliance.

“It’s more than just a crisis,” he said. “We’ve got farmers who are making too little at the farm gate to pay their bills.”

Industry experts say one solution to help Marin’s organic dairy farmers stay afloat is to encourage consumers to buy local.

“Buying local is a great thing to do,” said Robert Eyler, chief economist of the Marin Economic Forum. “It’s making sure that those businesses are supported.”

Eyler said that within the next four to five years, he sees organic dairy farmers consolidating their businesses, with some local producers selling out or closing up shop.

“There is increasing pressure regionally, it’s not just in Marin County, it’s Sonoma dairies,” Eyler said. “The threat is rising.”

Marin’s dairy industry suffered a 21 percent plunge in gross value last year, driving a 10 percent decline in the overall agricultural sector, according to data in the annual livestock and crop report by the Marin County agriculture department.

The dairy value was calculated at nearly \$34.2 million in 2017, down from \$43.1 million the prior year. Dairy is still the most valuable agricultural sector in Marin, but its share fell to 39 percent last year from 45 percent the year before.

When looking specifically at organic milk, the price was at \$30.02 per hundred pounds in 2017. That represents a 22 percent drop from the previous year.

Eyler said that in order to remain relevant in the market, local organic dairy farmers are going to have to diversify their product.

That means not just producing milk and milk products such as cheese, yogurt and ice cream, but to look into poultry and other avenues, said Stefan Parnay, deputy commissioner of the agriculture department.

“Our dairy producers are a savvy bunch,” Parnay said. “I have faith without a doubt that they are going to find a way to weather the storm.”

Albert Straus, the proprietor of Marshall-based Straus Family Creamery, the first certified organic dairy in the county, not only is a milk producer but also buys milk from eight other dairies in Sonoma and Marin.

Straus said that though milk prices are fairly flat, this year he has seen a slight uptick of about 2 to 3 percent from last year. He said that has caused tension between some dairy owners and the larger buyers.

That’s because the dairy owners want to sell at the highest market price point. But if there is an oversupply of milk, the buyers won’t pay it, and sometimes will offer to buy the milk at the conventional rate, which is about \$15 per hundred pounds, instead of the organic price.

“What happens is that buyers want a lower price, but the dairymen want a higher price,” he said. “It creates an adversarial relationship.”

But that’s not the case with his business, he said, because he has built a relationship with the farmers who sell their product to Straus Family Creamery.

“Because we are a producer and a buyer, we understand the challenges,” he said. “We get together with all our dairies and talk about ongoing challenges, then we agree on volume and price.

“We work on stabilization, so that we buy from our producers only what we can sell.”

As for Lafranchi, his family ranch is celebrating its centennial next year and he intends to continue the family business for years to come.

“People need to be buying more organic milk from the local dairies,” he said. “We’ve been here for 100 years, and hopefully we will continue here for a long time.”