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## Got competition?

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Hein Hettinga is the proprietor of Sarah Farms, a collection of 15 dairy operations in the Southwest and California. Apparently he's a brilliant businessman, and his competitors don't like that. Usually we could say to his competitors: Tough, welcome to free enterprise. But not in the milk business.

At most dairy farms in this country, raw milk is shipped to manufacturers to be processed into bottled milk, ice cream, cheese and other dairy products. Hettinga does it differently. He skips the middlemen. He milks the cows, bottles the milk, makes the plastic bottles and even trucks the product to groceries.

As reported by the Tribune's Andrew Martin, Hettinga has kept prices low by controlling all stages of production. The Sam's Club in Yuma, Ariz., sells two gallons of Hettinga's whole milk for \$3.99. That's about what many retailers in the Chicago area charge for a single gallon.

So the bottles must be flying off the shelves as Hettinga's operation basks in accolades from agriculture officials as a shining example of ingenuity, right? That's only half right.

At the prodding of Hettinga's competitors, the U.S. Department of Agriculture has proposed new rules that would penalize Sarah Farms for being efficient. In essence, Hettinga and other large top-to-bottom milk producers would be required to share savings from their operations with their competitors instead of passing them on to customers through lower prices. Hettinga estimates it would cost him \$3.5 million a year.

All of this is an outgrowth of an antiquated regulatory system for dairy products known as the federal milk market order. Set up during the Great Depression, it was designed to ensure reliable milk supplies by keeping milk prices high enough so dairy farmers could stay in business.

Processors buy raw milk at a minimum price set by the USDA, and dairy farmers in given regions of the country get the same price for their products regardless of whether it is bottled, spun into butter or turned into Rocky Road.

The regulations included an exemption for farmers who bottled their own milk. Hettinga's critics, among them processing giant Dean Foods, say the loophole wasn't designed for big operations like Hettinga's. It was designed for Ma and Pa Kettle who sold a little milk to the neighbors. A lawyer for Dairy Farmers

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of America, the nation's largest dairy cooperative, complains Hettinga is exploiting the loophole, depressing prices for competitors and courting chaos in the nation's milk markets.

We prefer a simpler explanation. The big guys are hiding behind an outdated and confusing regulatory system to try to squash a competitive threat. They have persuaded an administration that preaches the virtues of free trade to erect what is tantamount to an internal tariff on milk producers who don't play along with the system.

The proposed USDA rules can't go into effect until they're approved by farmers in the regions where Hettinga and other so-called producer-handlers operate. Here's hoping they vote to promote competition and reject the rules. Here's hoping, too, that Hettinga would like to set up an operation in Illinois, home of the \$3.99 per gallon bottle of milk. Just a thought.

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