



Dairy: Discussions On the Farm and Around the World

By John Frey, Executive Director
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Editor's Note: This is a special feature from the Center for Dairy Excellence exclusively for the Farmshine newspaper.

People with any affiliation to dairy have become engaged in discussions as never before. At the core of these discussions is negative margins and price levels that make profitability

difficult, if not impossible.

The situation today is very different than it was 18 months ago, when demand exceeded supply. And thus the question, "what is the solution?"

Opinions on how to solve the margin problem are varied. Most agree that we need profitability at every level of the "value chain." We need to create demand, and we need open borders for future exports. We need systems that help dairy farmers

manage risks and, in the end, we want demand to exceed product supply.

Some believe that, given time and market corrections, equilibrium will return. However, others contend that new intervention on the supply side is needed to restore balance.

Over the past several months, the Center for Dairy Excellence has held numerous events, which provided opportunity for good discussion with

producers and producer groups.

Recently, I joined Pennsylvania Secretary of Agriculture Dennis Wolff to meet with dairy farmer leaders about the situation and possible solutions.

For this month's page, we have asked three of the producers involved in that meeting to share their perspectives on the pathway to future profitability on the dairy farm.

Conference calls address producers' "credit-ability."

The Center for Dairy Excellence will be hosting two "Mastering the Dairy Business" conference calls to help dairy producers better understand dairy markets, their financials and their options as they work through the next six months. Both calls will be from 12 p.m.—1:30 p.m.

- **Wednesday, Aug. 26, with Dr. David Kohl from Virginia Tech.** During this conference call, Dr. Kohl will try to make sense of this crazy economic environment that we are experiencing. He will provide keen insight into the viability of the dairy industry, and he will cover the nuts and bolts of making a dairy farmer more "bankable" or capable of receiving credit.



- **Tuesday, Sept. 29, with Gary Sipiorski, Vita Plus,** who has 17 years in the banking industry and working with dairy producers. It wasn't dairy producers who caused the worldwide recession, but the title wave hit the milking parlor just the same. Sipiorski will address what has happened to the milk prices and what needs to happen for it to recover. He will also look at the financial measures that dairy producers should be taking now, and what they should do after the milk price rebounds.



To register, call the Center at 717-346-0849 to let us know you plan to attend. Provide your name, phone number and e-mail address if you have one. Once you are registered, you will receive the call in number and code. Registration is free but required to participate.



JEFF BALMER
Stoney Path Farm, Lititz
Lancaster County

Jeff has a 50-cow registered Holstein herd, with 50 replacements. He started dairying about seven years ago on the farm where he grew up.

How has your dairy been affected: "It just made everything a lot tighter," he says. "We are not making any extra capital expenditures and are trying to get through with just the necessities.

"We save cost in the spring by doing more no till," Jeff says. "I can also raise all our own forages and corn for grain, so we didn't see much of the high, high feed costs."

Where do we go from here? "Short-term, the USDA's increase in the support price will help," he says. "If they change MILC, that will help."

"I need to learn more about risk management, as well. It is probably a good tool to lock in a margin, but I don't know enough about it now."

Long-term, Jeff would like to see more emphasis put on milk quality. "There's not a lot I can do to influence the milk price, but I can control my components and cell counts," he says.

"If cooperatives would place more stringent guidelines on the quality that goes to market, especially when there is an oversupply of milk, that would be a win-win for everyone."

How can we create future demand: Jeff listed worldwide markets and new product development as having the most potential for growth. "We need to find more ways to get our product to people worldwide. If there are hungry people out there, do we really have an over supply problem?"



JOE HESS
Hess Dairy Farm, Mount Joy
Lancaster County

Joe and his family have 360 dairy cows. He has been dairying since 1973 in a freestall/parlor facility.

How has your dairy been affected: "Most projects are on hold," Joe says. "And anything to do with farm machinery is on hold.

"We are also lowering cost by using as much farm inventory as possible for feed," he says. "We have raised the bar on what production level is acceptable. We also watch our somatic cell counts much closer."

Where do we go from here: "There are a lot of ideas floating out there," Joe says. "On the short-term, I would like to see a closer correlation between processor profits and over-order premiums at the farmer level.

"Long-term, the National Holstein Assoc.'s supply management proposal probably needs consideration, but may need a regional component," he says.

"The biggest thing, though, is that we need a pricing structure based on more transparency and more trading. Right now a very small percentage of milk is traded on the CME, and it is very easy to manipulate the price."

How can we create future demand: "We have done a good job with promoting products — through single-serve and fast food," he says. "There are also opportunities to satisfy customers with ethnic preferences."

"If we establish ourselves as a supplier of milk globally, we will continue to see large price swings. Last year, we reaped the benefits of that, and this year we are seeing the costs."



TOM WAKEFIELD
JTJ Wakefield Farms Inc.
Bedford, Bedford County

Tom and his brother have 150 cows in a freestall/parlor operation. They have Holsteins, Brown Swiss and Jersey crosses and farm 600 acres.

How has your dairy been affected: "We are in a lock-down mode," says Tom. "We are watching our expenses, praying nothing breaks and using our own labor to make any repairs."

Where do we go from here: "Short-term, they are talking about an increase in the Milk Income Loss Contract program to 80 percent, and a cap increase to 6 million pounds," he says. "If that happens, it should help.

Long-term, Tom is waiting to see what is proposed by the National Milk Producers Federation's task force. "There are a lot of people talking about supply management, and that may be a part of it, but we are really in uncharted waters right now.

"Risk management needs to play a bigger role in the industry and with our own business," he says. "There are products out there I didn't know about, and we need more education about the different resources that help us control day-to-day risks in the dairy operation."

How can we create future demand: "As the world economy improves, I really believe there will be more unmet dairy demand to export," Tom says. "Last year we were exporting 11 percent of our product. But, as the economy went, so did demand.

"Innovation also will help bring more people to the dairy case, and we need good sound marketing efforts."