



For Immediate Release

Media Contact: Myranda Kleckner, 717-346-0849;
mkleckner@centerfordairyexcellence.org

October 9, 2017

Dairy Financial Conference Offers Insight to Changing Industry
Record Attendance at Eighth Annual Conference

Harrisburg, Pa. – The eighth annual Dairy Financial Risk Management Conference offered insight to the agricultural financial community on changing market dynamics and business tools that impact Pennsylvania’s dairy farm families. More than 125 financial consultants and lenders attended the conference, which is hosted annually by the Center for Dairy Excellence.

Ben Buckner, head grains economist for Ag Resource Company presented a detailed analysis of the grain market fundamentals around the world. “These bear market stock building periods tend to last three to four years. We have a year or two left to contend with pretty cheap prices but the long-term outlook is that this thing is close to bottoming. Lock in feed prices now.”

Buckner spoke about market outlooks within the dairy industry, pinpointing how global trade is affecting the United States. “The story is butter. We think the butter market has probably peaked, so we need to find some other markets for cheese and powder. We’re the cheapest butter in the world.”

“Nationwide we’re starting to see some measure of dairy profitability,” Buckner said. “We produce more to offset the loss of revenue when prices are low. We’re good at farming and producing, but at the detriment of cash prices.”

Jackson Takach, economist for Farmer Mac explained that “A secondary market offers liquidity to the system. It creates a place for banks and underwriters to buy and sell assets to turn them into cash. The more activity there is in the secondary market, the less it costs to participate,” he said.

Takach explained that being a part of a secondary market enables better asset liability management, diversifies assets, create risk-free portfolios, and free the increasing amount of capital to make more loans.

“Dairy is becoming a much more capital-intensive industry,” said Takach. “Fewer dairies means there’s more assets per dairy, so they have higher capital requirements. We’re doing more production on less farms with less assets, so the only way we can do that is with new technology. On new facilities that can handle that sort of automation - as you get more milk out of the same numbers of cows - and so you need more capital.”

Curt Covington, Senior Vice President of Agricultural Finance at Farmer Mac and a



CENTER FOR **Dairy**EXCELLENCE

dairy lender in California during the dairy price crash in 2009, shared his agriculture lenders sentiments in an uneasy market. Curt shared stories from his banking days in California and a spreadsheet that he used to analyze dairy businesses during that stressful period for farms and their lenders.

“NAFTA is huge for agriculture,” Convington told the group. “I cannot understate the importance of labor to agriculture; wage increases and immigration issues are affecting dairies right now. It’s a 50-50 chance that interest rates go up. The aging millennials will eventually have families, and drink more milk. How do those demographic changes affect demand for milk?”

Rob Barley, co-owner at Star Rock Dairy, Inc., addressed the conference on his perspective of dairy financial lending, focusing on what the dairy producer expects out of a lender and what these lenders need to do to better serve the producer.

“Lenders must be willing to allow our business to take a calculated risk,” Barley said. “Most business do not all fit in the same box, so it’s important to have a bank that’s willing to fight for your business. That starts not at lender level, but leadership understanding agriculture and the whole way down through.”

Besides the keynote speakers, Dr. Andrew Novakovic, E.V. Baker professor of agricultural economics and director of land grant programs at the Cornell Dyson School of Business, and Dr. Mark Stephenson, director of dairy policy analysis at the University of Wisconsin – Madison, discussed their findings of the Pennsylvania dairy industry study.

For more information about the Dairy Financial and Risk Management Conference, contact the Center for Dairy Excellence at 717-346-0849 or visit www.centerfordairyexcellence.org. Look for next year’s conference dates to be announced in the spring.

###

The Center for Dairy Excellence is a non-profit organization initiated by the Pennsylvania Department of Agriculture in 2004. Bringing together people from more than 40 different dairy organizations in Pennsylvania, the center’s mission is to enhance the profitability of the dairy industry by empowering people, creating partnerships, and increasing the availability and use of resources. Learn more at centerfordairyexcellence.org.