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Economy takes toll on local dairy farmers

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With milk prices down and feed prices up across the country, many local dairy farmers are tightening their belts. Since the prices per gallon of milk are on a downward slide, farmers are facing some tough decisions.

"There is no question, dairy farmers are facing a severe reduction in milk prices at the same time that they are facing abnormally high feed prices. This leads to production costs being higher than what farmers can get for their product," said John Cowan, executive director of the Texas Association of Dairymen.

The downturn in pricing is not a recent occurrence according to Cowan. He states that the fall of milk pricing began with the passage of a 2004 bill allocating much of the nation's corn supply for use in ethanol production. Corn is a major ingredient in the feed produced for many animals including cattle, poultry and swine.

"With less corn available, farmers saw the price for a bushel of corn jump from \$2.50 to \$8 within a short amount of time. Farmers

found ways to manage food costs, but sometimes you can't squeeze any more drops out of the apple," said Cowan.

Many factors have contributed to the falling milk prices. Things such as rising energy and fuel costs have forced farmers to find ways to cut back in their daily operations.

Many dairy farmers are having to find new ways to reduce their production costs, but there is only so much they can do. Farmers are being forced to erode the equity they have built up or make reductions in their workforce or herds. Dairy farmers are also trying to find ways to be more efficient in their daily operations.

A few farmers are also taking advantage a temporary retirement program being offered by Cooperatives Working Together or CWT. This program, also known as the 'hundredweight' program, allows farmers to temporarily retire their herds in order to cut back on supply and therefore raise the demand. If farmers choose to retire their herds, they are still allowed to get back into the market once demand increases.

These problems are compounded by the economic

downturn the nation is currently experiencing. Many of these issues are hard for dairy farmers to overcome.

"I don't believe Americans know what we (farmers) are going through today. Citizens need to realize we are in a recession and that farmers are being squeezed out. Squeezing out the agricultural industry increases our dependence on foreign sources, making this a national security issue. Farming is not an easy business, by any means. Farmers have little opportunity to pass production costs on to consumers," said Cowan.

The predicted future for the dairy business remains uncertain. Many factors can contribute to the rise or the fall of milk and feed pricing. Local farmers who were contacted did not wish to speak on the issue, which is an especially sensitive one.

"The problems being faced by dairy farmers have many of their financial institutions concerned and the prospected path is that the prices will continue to fall," said Cowan.

As long as the prices are uncertain, local farmers will have to continue to weather the storm in any way they can.