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Tough market drains area dairies

Typical farmer gets 86 cents per gallon; production costs \$1.45

By J.B. Smith

Tribune-Herald staff writer

DUBLIN, Texas — A few years ago, Darren Turley's picture appeared on billboards across Texas promoting the dairy industry — the face of the young, hardworking family farmer.

Now he gets up every day asking himself how much more he can stand to lose.

Like every other dairyman in the dairy country centered around Stephenville, he's paying more to produce milk than he's getting paid for it. He's already thinned his herd from 200 to 150, sending many of his productive Holsteins to be turned into hamburger.

This week he took a full-time agribusiness job off the farm to support his family of four, calling in his "There's no market to sell this facility," he said Monday at his dairy barn on the eastern edge of Comanche County. "We're just lugging this anchor. If you sold it, you'd be better off pushing all this in a hole and selling it for the land."

Overshadowed by the banking crisis, the Wall Street crisis and the real estate crisis, the dairy crisis is hitting hard in Texas' leading dairy region, some 90 miles northwest of Waco.

A Waco shopper paying around \$3.50 a gallon for milk might not guess it, but dairy farmers have seen the wholesale price of milk plummet in recent months.

"This is the worst situation I've seen since 1970," said John Cowan, executive director of the Texas

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Darren Turley walks past his dairy cows at his Dublin farm. He's had to take a second job to support his family and said the market isn't even favorable for him to sell the farm.



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dad to help run the dairy. He says the dairy industry is so depressed right now that he can't even afford to sell out.





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Association of Dairymen. "Some older folks say it's the worst since Depression days."

He expects the typical dairy farmer this month will get about 86 cents per gallon for milk but pay about \$1.45 per gallon to produce it.

"The prices received for their product are so far below the cost of producing milk," he said. "I'm seriously concerned that if this recession continues another six months, we could see 10 percent go out of business. ... What we're going to see in the next few months is a gloomy picture of farmers going out of business and taking their stock to the market."

And that bitter medicine, some producers say, might be the only way to return the dairy industry to financial health.

The causes of the crisis are complex, yet as simple as the seesaw of supply and demand.

The American dairy industry has a glut of milk, having ramped up both herd sizes and productivity in the last few years to take advantage of high milk prices.

In Texas alone, January production was 24 percent over January 2007 figures. Most of that growth has been in West Texas, not in the North-Central Texas dairy country of Erath, Hamilton and Comanche counties. In that area, known as the Cross Timbers, dairy numbers and milk volumes have declined slightly since 2007, some say because of regulatory uncertainties related to downstream water pollution in the North Bosque River and Lake Waco.

Flooded milk market

American farmers depended on the global market to absorb the milk glut in the form of cheese, butter and powdered milk. But in the past few months, worldwide demand for dairy products

has fallen because of the global recession and because of Chinese consumers' fears of dairy contamination.

Meanwhile, Australian and New Zealand dairies have emerged from a long drought and begun pumping more milk onto the global market.

While milk prices have fallen, feed is still relatively expensive, and many farmers locked in sky-high feed prices in contracts last year. Turley, the Dublin-area farmer, says the cost of feed eats up his whole milk check. And the drought has kicked him when he's down.

Standing Monday outside his dairy barn, he pointed to the next ridge where he had planted rye grass in early winter. What should be bright green with forage grass was brown, and he expected this week's rain would be too late to do much good.

"We normally would be grazing this time of year, and that would be helping us on feed cost," he said. "There's no way to cheapen that."

The collapse of the milk market is more than a business setback to Turley.

Turley, who turns 40 this month, has spent the past decade turning this rocky hillside into a family farm where he could pass on a family tradition. He bought his 100

acres on credit and bought the cows from his dairyman father, using money he saved working as a feed dealer.

He wanted a farm where his children could enjoy the country life, raise animals and learn the values of hard work, a place he could hand down to them some day.

"You've just got to enjoy the lifestyle of farming," he said. "I grew up with that, and I wanted them to have it too."

While other dairy farmers felt the pressure to create big feedlot dairies with 1,000 cows or more, he kept his herd to 200, the maximum he and his sole employee could milk. He earned the respect of fellow farmers and served as local Farm Bureau president.

Three years ago Turley and his wife had a second daughter.

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ter, and with the farm going well, they decided to build a house down the hill from the dairy.

"It worked pretty well until recently," he said. "If I had the benefit of hindsight, I wouldn't have built a house.

"We've continually lost smaller dairies. It's just gotten harder and harder. There's so much capital required and so little guarantee. Whatever we make in the good years gets eaten up by the bad years."

Turley is trying to salvage some hope that he can return to full-time dairying, but it's not easy, knowing that he still owes the bank for a farm that's losing money.

"It's going to be really bad," he said. "I can't emphasize it enough. Everybody's going through it, just burning up equity every day. The numbers are going to be staggering."

"When you sit at the table with other dairymen, you look around and realize not all of us are going to survive this," he said. "Somebody's got to go out before someone else can survive."

Reducing herds

Turley is among many dairymen in the area who are dealing with the storm by

throwing cows overboard.

At local sale barns, perfectly good milk cows, some giving seven gallons a day or more, are sold at fire sale prices. Often they are bought for meat instead of milk.

"We were selling 100 to 150 cows a week," said Jim Beyer,

owner of Erath County Dairy Sales auction barn in Dublin. "Now it's 300 to 600. ... Heifers that used to bring \$2,400 to \$2,500 are now bringing about \$1,300. People who are selling heifers have lost over \$1,000 a head."

Many of the surplus cows are from dairy farmers downsizing their herds, but he's also seen whole-herd liquidations from farmers going out of business or in foreclosure.

Beyer, 59, is himself a dairyman, and he said everyone's in the same boat, losing up to \$4 to \$5 per cow every day.

"I milk over 1,000 cows, and I'm losing \$35,000 to \$40,000 a month," he said. "I guess I'll keep going until I use up all my equity and the banker says he wants my money."

Still, a few farmers see opportunity in the rock-bottom prices. Some of those were in attendance Monday afternoon at Stephenville Cattle Company's sale. Dust-covered ceiling fans spun overhead, the auctioneer's patter competed with the bawling of calves backstage, and men in straw hats slouched in scuffed theater seats. Practiced eyes sized up the hips and udders of the animals, and fingers flicked up to bid.

Behind steel bars, sale barn owner Troy Moore prodded the animals on with a plastic paddle, and pitched for their virtues.

"That's pink eye, but she'll get over it before spring," he calls out.

"This one's a real lady," he says of another cow. "She's got her papers."

Dairyman Pete Schouten

leaned against the wood paneling in the center aisle, observing the show with a younger dairyman. Both were looking to snatch up cows at bargain prices, but they were cautious.

"She's got a good udder, but skinny," Schouten told the other dairyman. "To put weight on her now would cost too much."

In the end, he didn't buy anything, though he regretted passing up a couple of them.

"You have to keep buying," said Schouten, who has about 800 cows. "If you don't keep replacing your herd, when the market turns around you're not prepared for it."

Out in the hall, he commiserated with a struggling Cleburne dairy farmer and offered words of encouragement to a man who is looking to get back into the dairy business while cow prices are low.

Still, Schouten said he's afraid the dairy business has become too risky for many young people to want to try their hand at it.

"There was never a time when you were guaranteed a profit," he said. "But usually, if you worked hard you could make a living."

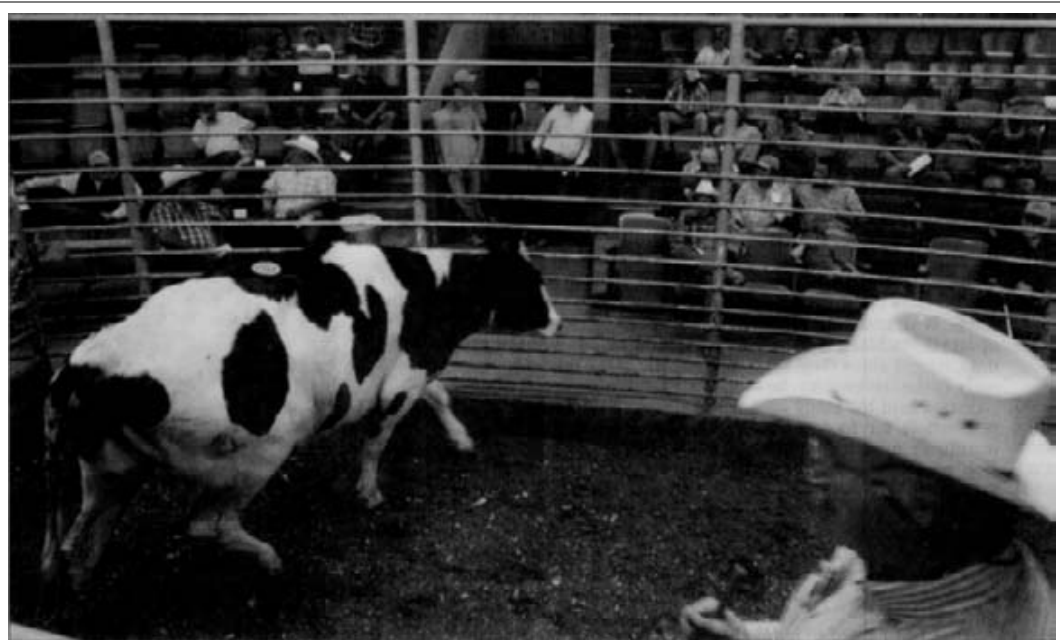
That's not so anymore, he said. Schouten said that bankers, stricken by the national credit crisis, are tightening lending practices on dairy farms, spooked by the volatile nature of the business.

"It all depends on the banks," Schouten said. "If banks start pulling notes, farmers are going to be in trouble."

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Staff photo — Jerry Larson

A dairy cow is sold at the Stephenville Cattle Company livestock auction.

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Darren Turley,
Comanche County dairy farmer