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OPERATING AT A LOSS

High production, low payments putting the squeeze on Hopkins County dairy farmers

By KARI ARNOLD
Special to the News
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Dairymen in Hopkins County are accustomed to surviving the highs and lows of an unpredictable industry. In the coming months, they'll need to gear up, once again, for adversity.

Around the county, state and nation, dairymen are faced with increasing feed costs while watching milk prices go down the drain.

Jerry Spencer, 64, has been milking cows in Northern Hopkins County since 1970. He's seen the best and the worst the dairy business has to offer, but said dealing with the current market can be nerve-racking, even for a seasoned dairyman.

"Dairying has become more difficult in recent years because of the volatility in production costs and the huge swings in milk prices," he said.

"Even though some production costs have come down from their highs, such as corn, diesel and commercial fertilizer, the milk price situation means most farms will be operating at a loss for a few months."

Uniform milk prices have been on a steady decline. According to the Milk Market Administrator's office in Carrollton, January uniform milk prices were \$13.50 per hundredweight (cwt). That price declined even further in February, dropping to \$11.31/cwt. That doesn't leave much room for profit when feed costs hover between \$9 and \$13/cwt.

It's a situation Bryant Fisher, Reilly Springs dairyman and Dairy Farmers of America Southeast Area councilman, is familiar with.

"In 2007, milk prices were good, but after debt was paid down from the drought, there were no reserves left," he

recalled. "In 2008, feed prices went through the roof, and now in 2009, we have terrible milk prices on top of high feed costs."

Fisher said his feed costs are sitting at \$12.43/cwt. Each cow is eating about 30 pounds each day, costing \$3.73. Those same cows produce approximately 48 pounds of milk each day, being sold for \$10.72/cwt, bringing \$5.15 to the farm gate per cow, per day.

"That leaves \$1.42 per cow, per day, to pay for milking, hay and all other expenses that we have, and that is not enough," he explained.

Spencer, a DFA corporate board member and Southeast Area councilman, said the problem isn't just localized in Texas.

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County Name	Number of Dairies	Avg. Monthly Output
1. Erath	88	104,961,976
2. Parmer	13	67,624,952
3. Deaf Smith	14	60,588,505
4. Castro	11	56,541,976
5. Hopkins	120	48,093,462
6. Comanche	27	43,781,001
7. Hartley	10	40,788,680
8. Bailey	11	40,596,903
9. Lamb	9	38,087,641
10. Hale	4	32,448,049





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Jerry Spencer with his Holstein-Jersey herd at his dairy in northern Hopkins County. Spencer and other Hopkins County dairy farmers are being squeezed between high production costs and 'huge swings' in milk prices.
 Staff Photo by Karl Arnold

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"It's shaping up to be a very difficult year for dairies across the United States," Spencer noted. "In recent years, the U.S. has been exporting an increasing volume of dairy products around the world. However, due to recessionary pressure around the world, international demand has slowed and U.S. inventories have increased.

"The net impact is that prices during the first half of 2009 will be close to half of what they were in the first half of 2008. The situation will get better, but in the short-term the outlook is extremely difficult."

Hopkins County AgriLife Extension Agent Larry Spradlin said changes to the county dairy industry have added to concerns.

"Because our dairies are growing in size, their obstacles include finding and purchasing replacement dairy cows, herd health issues, farm labor and then environmental issues," noted Spradlin. "And all dairymen are concerned with growing input prices versus

milk prices."

Despite the hardships, the county's dairy industry is still holding steady. According to the Dallas MMA office, there are still 121 dairies in Hopkins County, the most of any county in the state.

Both Fisher and Spencer said Northeast Texas is still a favorable location for dairies, even amidst unfavorable market conditions.

"Dairying in Hopkins County is unique in that we can change the way we dairy," noted Fisher, who has turned his cattle out to pasture to help reduce costs. "We can feed a total mixed ration when feed prices are favorable to that style of dairying, or we can do what we have done and put (the cows) out to graze. The other dairy areas in Central Texas and the Panhandle areas don't have that option."

"East Texas is a great place to dairy," added Spencer. "We typically have enough rain to grow most of our crops. We are relatively close to Eastern markets that are milk-deficient and need

supplemental milk supplies.

"We also still have some local manufacturing facilities for times when our milk is not needed in the Southeast. There's a nice balance in this area that makes it good for dairying."

Spradlin said despite the current hardships county dairymen are facing, he believes the industry will persevere.

"I think we are still in a great area because of our local agriculture economy-based business — such as animal health, nutrition, and our milk processing and hauling groups that we have here," said Spradlin. "As we look back at history, all agricultural products go through cycles — ups and downs — and they have always been stronger after a down cycle.

"Dairymen are going to have to really tighten their belts — cull where they can and really work on the things that have made them successful. Basically, be more efficient and not stop doing the things that are successful for their dairy, herd health, breeding and nutrition."