



Texas Association of Dairymen

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TOUGH TIMES ON THE DAIRY FARM SHOULD WORRY TEXANS

By John Cowan

Thousands of cows will disappear from Texas farms in the coming months as more dairy producers shut down their milking machines and go out of business.

Participating in the national herd reduction program is a last option for some dairy farmers who no longer can afford to lose about \$3.50 per cow per day. Since June 2008, four separate retirements will have removed 250,000 cows nationwide.

Dairy farmers, like many Americans, are struggling to survive in today's recession. But compounding woes on the farm are plunging milk payments, a drop in dairy exports, elevated feed costs and the drought.

For consumers, whose sole contact with the dairy industry is in the grocery store, the news is good – for now. Milk costs less than it did a year ago, and budget-conscious consumers are buying more milk and other dairy products as they eat out less.

But even the most urban Texan should be concerned if dairies continue to go out of business. More than a rural way of life is threatened. Grocery bills could rise if the domestic milk supply dwindles. And agriculture is key to our nation's ability to remain a leader in the free world. Feeding and clothing this nation is essential to our national defense.

Even third-generation dairymen can't remember when times on the farm were as tough as they are today.

For example, in 2008, producers recouped an average of \$1.51 for each gallon of milk sold. That return has been cut by about a third. The price paid to producers through the government's dairy price support program has been temporarily increased. But for many farmers, it won't be enough.

And, although consumers are drinking more milk at home, a decline in dining out has slashed demand for dairy by the restaurant industry. About 40 percent of all milk is made into cheese, and about 60 percent of that cheese is used by restaurants and the food service industry.

Demand also is down in other parts of the world as the recession has spread across the globe and dairies have made a comeback in other countries. Through July, dairy exports were off 50 percent from 2008's record levels, according to the U.S. Dairy Export Council.

Basic economics would tell you to reduce production when demand falls. That's logical when it involves turning off an assembly line. Not on the farm. Cows produce milk 24/7. Producers under pressure today are selling off some of their herds or shutting down altogether.

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Otherwise, the animals still have to be milked and fed. Feed is about half a dairyman's cost of doing business. Although corn prices have dropped almost in half from last summer's record high, they are still about twice what dairymen have paid, on average, over the past 25 years.

Agriculture is, by nature, a cyclical business. While farmers are mentally prepared to weather the ups and downs, being financially prepared can be harder. You can survive only so long by tapping into reserves and credit lines, especially as equity erodes and lending rules tighten.

With so many hurdles, what keeps more than 597 dairy families working hard on Texas farms? Simple. They love what they do. Most can't imagine doing anything else. They'll keep dairying until it just becomes impossible.

And that's fortunate for all Texans.

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PHOTO OF AUTHOR ATTACHED

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