

KOW Ruminations

Fully independent soil consulting-agronomy-nutrition. We do dairy nutrition from the soil up.

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Considering the price of **MILK** . . . There is light at the end of the tunnel
(But I would hurry to get off the tracks before the train comes)

Welcome to April already! As I look at my calendar and all of its markings, I can understand why it seems the month sped by so fast. The highlight of my month was Wednesday, March 22nd, the *Milk Marketing Alternatives Meeting* we (KOW) organized. I realize that as you get this newsletter, your life on the farm is starting to get very busy with spring fieldwork. Nevertheless, I hope I can have a few minutes of your attention to give you food for thought as you are tilling and planting over the next few weeks.

Alternatives in Milk Marketing was our theme and it must have struck a cord in the dairy community because more showed up than I expected to see (or the cook—as she had to scramble to get more food!). It was encouraging to know that there is a growing number of farmers in our dairy industry who are investigating how they might take control of, *and responsibility for*, marketing their milk.

During our meeting we learned . . .

Bad news: Due to corruption within our industry, some big processors are pushing to *redefine cheese* and they are currently violating the *real seal* by utilizing large amounts of *imported* milk protein concentrate

(MPC). If you wish to learn more about this, contact Pete Hardin, editor of *The Milkweed* at 608-455-2400.

Good news: Due to all the hocus-pocus above, we really don't have a problem with over production in the US, *just corruption*. (I probably didn't need to tell you that!)

Dairyman who want to organize or get involved with a *consumer driven* marketing channel could *capitalize* on this knowledge as they market their product *with integrity*. *The consumer has the final word*. Many are asking tougher questions about where their food comes from and are willing to pay more for a quality product produced under *specific standards*. An example we learned more about at our meeting was a farmer from Kieler, Wisc., who told us of his mailbox pay price of over \$18 per cwt for producing under *certified organic* standards as a member of Coulee Region Organic Producers Co-op (CROPP). For more information, call CROPP at 608-625-2602 or 888-444-6455.

Bad news: It took only a *teeny-wee-bit* of so-called over production to drop *everyone's* base price into the hole we are currently standing in.

Good news: It would not take nearly as much effort or money as you might think to clear this so-called surplus from the market if even a small percentage of dairyman would organize to do so. If you would like to learn more, call Robin Berg, a dairyman from Darlington, Wisc., at 608-776-3697.

Bad news: It is very difficult to be the Lone Ranger and try to market cheese under your own private label. It is easy to underestimate the time and energy required for the marketing. It is hard work to start your own *new generation*, farmer directed / controlled Co-op. It will take effort to learn and to get-a-long to be successful.

How I see it.

Our industry is at a crossroads. Many have worked very hard over the years to become more efficient. We (KOW) are doing our best to assist in that regard—our long term clients know it. (Just ask for references, we would be glad to provide them.) While I take the position that most of conventional production advice creates a *high input cost dependency* treadmill for the farmer—and there is room for greater efficiency, we cannot look

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to greater efficiency alone to solve our industry's problems. The observant recognize that the mantra has quickly evolved from "get more efficient" to simply "get more cows" and the two do not necessarily go hand-in-hand anymore.

According to the 1998 data from UW Center for Dairy Profitability, net \$/cow drops off significantly above 100 cows. Therefore, the *get more cows* "solution" *accepts* smaller profit margins. Taken to its logical conclusion the *solution* of ever increasing herd size *while accepting ever diminishing profit margins* will force vertical integration *from the top down* upon our industry. You see, its kind of like the definition of an expert: someone who continues to learn more and more and more about less and less until he ultimately knows everything *about nothing!*

I personally don't care how big you want to make your dairy. If you think I am putting you down because you have expanded, *you've missed the point*. The question that begs to be answered is: **How big is big enough?**

If you are in the tunnel right now wondering what that light is up ahead, ask yourself what track you have been running on. If the *only* solution you are considering is more cows, more debt, less margin, repeat, repeat—then that light is probably a *train*. Taken to its logical conclusion, as an *independent* dairyman, your profit margin will continue to march toward zero. If you don't mind losing your independence (*freedom*), you could carry on from point zero by accepting *help*

from some large corporation / Co-op and/or the government (the lines between may be blurred).

I don't need to be very bright to conclude this *and neither do you*: poultry, hogs, cash grain production—*dairy* is next. When the bureaucratic large Co-ops cry lack of adequate profits (due to mismanagement) this country will see either a huge increase in the retail cost of food or, worse yet, the *federal government* step in to "*help*." Gee, sounds as utopian as the Soviet Union doesn't it? Doesn't anyone else see this? Where are my fellow *hired men* in the industry (suppliers, nutritionists, vets)? Have we no obligation to look out for the best interests of our clients? Too many are just looking the other way.

Many people are crying for politicians to do something to *help* the family dairy to stay afloat. Folks, if you are thinking that way, that light you see will never get any closer no matter how far you travel—it is a false road to prosperity.

Government welfare guarantees a *minimum wage* income—not what we all want our dairy industry to be at the farm level.

The answer is in pursuing a greater percentage of the consumer dollar via value added/ direct marketing. There is plenty of money in our dairy industry. Farmers will get more of it when they organize to control that milk until it reaches the consumer. I can see light at the end of the tunnel, but **vertical integration from the farm level up is the only way.** So long as you hope in "*somebody else will take care of me*," it is akin to standing frozen on the tracks in fear of moving, until the inevitable.

What you can do to walk out the bright end of the tunnel safely:

1. Stop saying you can't / won't

pursue the *organic* opportunity. It is there. Why not pursue it? KOW can help you put a program together to reach it *successfully*.

2. Network with others of like mind about creating your own new generation / value added type Co-op. Historians tell us that many slaves after the Civil War continued to live as slaves because they didn't think they could *learn* to do for themselves. You dairymen *have the freedom* and far more power to change your own situation than you seem to be aware of. You don't need to get *all the farmers together* to have some bargaining power. Only 10 to 20 guys working together could do a lot.

KOW assists our clients to buy inputs together like a purchasing club. If we could be a catalyst to help some get together on the marketing side, we are ready. I would be glad to assist organizing / networking with anyone that's interested in real solutions.

It is time to get outside the narrow tunnel in your thinking on this issue. There are many who would like you to stay inside that dark tunnel *because they have much to gain from your lack of involvement*. Dairy products sell for a good price in your local grocery store. Where does that money go? The time to begin the downsizing in milk marketing is *now*.