

GUEST COLUMNIST



Perspective: Dairy Markets

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Dairy farm numbers could fall 50 percent by 2030

While the headline sounds apocalyptic, it merely is a continuation of the long-term trend of fewer and larger farms. In 2003, there were just over 70,000 licensed dairy farms in the country. In 2018, that number will fall below 40,000 for the first time representing a loss of 30,000 farms in only 15 years. Over the last decade, the U.S. has lost nearly 1,900 farms on average each year. The smallest loss was in 2015, following record high milk prices in 2014, when only 1,275 farms left the business. The largest loss was in 2013 when just over 2,300 dairy farms closed. That high could be eclipsed in 2018 given the ongoing challenges farms have faced this year. If this trend continues, by 2030, there will be approximately 20,000 dairy farms remaining in the U.S. This has important implications for the entire dairy industry.

Despite the downtrend in the number of farms, milk production continues to steadily increase 1-2 percent per year. This increase is attributable to more productive cows due to advancements in genetics, feeding, health and other factors impacting cow comfort. The number of cows has remained relatively constant between 9.1 to 9.4 million cows since 2006 despite the decreasing number of dairy farms resulting in the average herd size growing from 100 cows in 1998 to 234 cows in 2017. With continued cow productivity and fewer dairy farms, the average dairy farm will have over 400 cows by 2030.

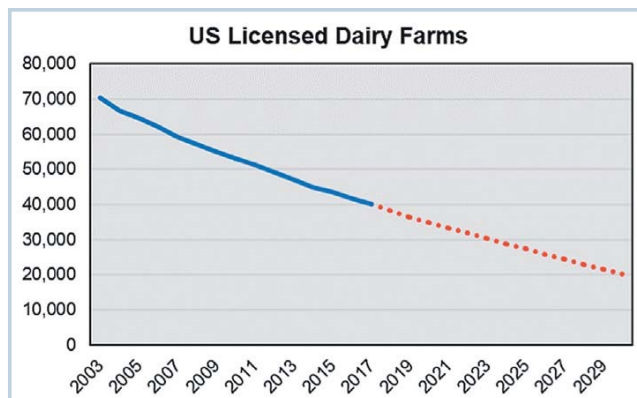
However, the average is deceiving as there will likely be very few 400-cow dairies. Instead, the conventional dairy farm sector increasingly looks like the current organic dairy farm sector with the majority of farms being small, but with most of the milk produced by a few very large farms. In 2012, dairy farms with over 1,000 cows produced half the milk in the U.S. It is estimated this is approaching two-thirds by 2018 and could hit 80 percent within the next 10 years. Simply stated,

before 2030, 80 percent of the milk in the U.S. could be produced by 2,500 farms.

These large farms are increasingly geographically concentrated. In 2014, one-third of the nation's dairy cows were located in just 25 counties, an increase from 20 percent over the prior 20 years. The top dairy states will likely expand their share of the total U.S. while other states and regions continue to decline. This will also impact dairy processing and distribution. Can plants in declining milk sheds survive? Where and how will milk move to deficit areas? From a sustainability standpoint, will raw milk, with a high percent water content, be trucked hundreds of miles or will milk be concentrated before hauling? These and other long-term strategic questions need to be addressed by dairy processors and farmers.

Can or should the downtrend in dairy farm numbers be stopped? The decline in dairy farm numbers mirrors what is happening more broadly in farming — the trend towards fewer, larger farms that capture economies of scale resulting in lower cost of production. This drive towards more efficient farming in the U.S. has resulted in a cheap, abundant and safe food supply. However, it has come at a cost as the loss of farms has ripple effects through rural communities. A large part of the trend is demographic and will be difficult to change.

According to the latest Ag Census in 2012, during the past 30 years the average age of U.S. farmers has grown by nearly eight years, from 50.5 to 58.3 years. In 2012, there were nearly 20,000 dairy farms where the age of the operator was 55 or older. At some point, those farms will go out of business unless there is another generation willing to take over. There are many small-farm kids (like myself) that choose to stay in agriculture, but not in production agriculture on the farm. Where will the next generation of farmers come from? The dairy industry needs to



focus on making dairy farming and working at dairy companies more appealing to young people looking for a career.

Government policy has consistently been used to try to save small family farms. However, there has been little, if any, noticeable change in the downtrend in dairy farm numbers as a result of these policies. Two new dairy risk management programs offer hope in slowing the loss of dairy farms. The new and improved Dairy Margin Coverage program in the farm bill will provide a low-cost safety net and targets small to mid-size farms. The new Dairy Revenue Protection program is more suited for large farms and offers subsidized premiums for insurance against lower prices. Time will tell if these programs help dairy farms of all sizes stay in business.

Finally, what does the loss of dairy farms mean to the overall industry structure? Large farms might not need dairy cooperatives or federal orders to market their milk. They could have their own plants or have relationships directly with processors. Federal orders could become

less relevant as the share of milk going to export markets exceeds the amount utilized for Class I and large farms increasingly depend on supplying global customers. And fewer dairy farmers could mean less influence in government policy and regulations.

If the downtrend in dairy farm numbers can be slowed, it requires a different mindset in how dairy farms and dairy processors operate. The U.S. system needs to shift from a supply-centric focus to producing what customers/consumers want both in the U.S. and around the world. Dairy processing plants need to be flexible to make an ever-changing variety of value-added products versus static commodities. The U.S. dairy industry can be profitable and sustainable for farms and processors of all sizes. However, it requires a new way of working across the value chain, which history suggests won't be quick or easy. CMN

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NEWS/BUSINESS

FarmFirst is taking scholarship applications

MADISON, Wis. — Scholarship applications are available for FarmFirst Dairy Cooperative membership youth pursuing a post-secondary education.

"We are proud to be able to continue this scholarship program for its seventh year and to support so many students pursuing their goals of higher education. During challenging years where milk prices are low, it is more important than ever for members' kids to know that they have support to help them achieve their educational goals," says John Rettler, president of FarmFirst Dairy Cooperative.

Scholarship recipients will be selected based on leadership, scho-

lastic achievement, extracurricular activities, an essay response, their future plans and career goals.

All members of FarmFirst Dairy Cooperative and their children attending four-year universities, two-year technical programs or short courses are eligible to apply for the scholarships. High school seniors planning for post-secondary education also can apply.

Students can download the application directly from FarmFirst's website or complete the online application. Applications are due March 29.

For more information, visit www.FarmFirstDairyCooperative.com or call 608-244-3373. CMN