Dairy Industry Is A Complex Beast

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duction in traditional areas, which are generally closest to the domestic markets, transportation costs fell tremendously over that time.

Deregulation of the trucking industry during the 1970s altered much of what could be moved, where and when. Competition from independent start-ups and non-unionized haulers wreaked havoc with the established trucking industry.

It increased unemployment and decreased the standard of living for those who remained employed in the trucking industry, though it did serve to lower the cost of some consumer goods, and increased the availability of some goods to some areas.

Further, dairy production has spread and boomed in non-traditional states, where the crops may be easier and less expensive to obtain (in some part thanks to cheap water through irrigation in dry climates that combined can create superior hay), and land prices are much lower and regulations much fewer.

For years, the federal government has controlled dairy prices.

They did this through buying up excess production at basement prices, using some for federal give-away programs and school programs (domestic and international) and storing the rest until it could be released onto the open market when open market prices would begin to climb.

After driving up a tremendous federal deficit through outstanding debt from several wars and increased defense spending starting about 1980, along with increases in domestic social spending, the federal government tried to control the growth of non-welfare domestic spending.

The greatest expense of business for the USDA has been in supporting domestic social programs.

The federal government then authorized what some still consider an ill-fated program — commonly known as the "herd buyout program" — to control the growth of dairy production and to lessen the volume of funds used annually for the program.

In the buy-out program, participating dairy farmers were to sell their entire herds for slaughter and not have any dairy production for 10 years.

While that provided an opportunity for many to leave the industry permanently, it also decreased the price of beef, did little to stem the increase in milk production, and arguably wasted taxpayer (which includes dairy farmers) money.

It also seemed to turn some public sentiment, and therefore some political sentiment, away from supporting the dairy industry.

More recently, federal policy changed and Congress withheld spending to fund the traditional market price control program, instead making farmers pay for their production overages, or herd expansions, based on documented productions of recent years.

That has stopped, but the USDA still carries a minimum milk price, although it became locked in by Congress at below the cost of production.

While production and market conditions resulted in a steep peak in dairy prices in 1996, prices dropped below most costs-of-production at the end of 1996, slowly recovering through 1997, and more recently gaining strength.

Other farm commodity support price programs were affected as well in the Farm Bill, but dairy farmers have been attempting to deal with being too successful at producing milk.

The dairy industry is a strange member of the modern-day agricultural American production industry.

While the hog, poultry, egg, and other production industries have adopted more of a contractual production agreement, whereby a grower can better determine a return on investment prior to investing, the dairy industry is apparently in an awkward transitional stage.

Dairy producers have been expanding operations tremendously in times of generally low prices. They have nothing except a record of fluctuating prices received upon which to base potential return on investments.

As it is now, from one month to the next, many dairy producers don't have any sense of security that they will receive even a zero-profit return on investment, much less an ability to offset depreciation of facilities and equipment, or pay for their own and their family's labor.

Other dramatic changes that have occured, related to the efficiencies gained through research-based information and technology, include the dramatic reduction in the number of people necessary to produce milk.

Fewer than 2 percent of the general population lives on a farm, or farms for a living. At one time most Americans farmed, and even in the 1940s, the percentage of farmers, those living on farms, and those with family living on farms, was a significant portion of the general population.

General farming knowledge and origin of food was widely known, and respect for the hard labor and low income of farming was wide, even if not necessarily desired, compared to the relatively high wages and benefits paid for industrial labor.

The shrinking of the dairy farming population, the shrinking dairy cattle population (though continually increasing production per cow), and shrinking operational funds have led to mergers and consolidations and disappearances of cooperatives, private businesses, and support industries.

As far as the changing structure of cooperatives, within the past year and a half, mergers of dairy cooperatives and consolidation of businesses have happened that have changed the structure of the industry dramatically.

Dairy Farmers of America (DFA) is the result of the Jan. 1 merging of four large cooperatives. Land O'Lakes Cooperative is the result of an earlier merger of several large cooperatives, including the Atlantic Dairy Cooperative.

DFA is the largest cooperative in the nation, with 22,000 members marketing an estimated 38 billions pounds of milk per year. It controls the marketing of about 21 percent of the nation's milk.

In the private sector, Dean Foods, among others, has been buying up family dairy processing businesses. While the effect may not be noticeable to most, it does change the nature and operational decision-making of local business.

Across the United States, dairy farmers are at odds.

People are taking sides over policies of government, business and cooperatives.

Previous alliances between some cooperatives have been severed, leaving some smaller cooperatives to fend for themselves.

Other cooperatives, mostly larger, have formed new alliances.

Part of the problem for producers in the United States dairy industry is that availability of milk is always an unknown. There are few contractual quota relationships between raw milk producer and processor.

Some dairy processors have found themselves short in supply when their usual supplier instead sells the milk to other states or businesses, because of temporary higher prices.

In other times, the processor may become swamped with milk

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