

Dairy Practices Council Works For Mutual Benefit

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shooting microbial defects, as part of product line sampling and hygiene monitoring to postmilking teat dips.

They offer a set of publications for the farm, and a set for the dairy plant, as well as a complete set of the publications.

The DPC recently established an Internet homepage with details of its publications and the organization. (See www.dairypc.org)

Trends In Dairy Business

In addition to the many task force meetings held during the convention, some time was allotted for general session speakers.

Of particular interest, given the topical nature of their subjects, were talks given by Donald Berg, vice president of milk procurement and sales for Land O' Lakes Cooperative Inc.; and Ken Becker, executive director of the Northeast Dairy Compact.

In his presentation, Berg avoided making direct statements about what future plans were being considered by the Land O' Lakes cooperative, instead highlighting a variety of business aspects that indicate continuing consolidation of the industry and further integration.

Assuming broad knowledge of the merger-mania within the dairy production and service sectors, especially with cooperatives, that has happened during the past five years, Berg said that it doesn't appear it will slow down.

He said that recently, he has

been involved with a number of producers meetings and has come away with essentially two messages from producers and employees — they want to be told that the current fast pace uncertainty is just a point in time and things will go back to normal; or they believe that the industry hasn't seen anything yet and people ought to run for cover.

In essence, Berg said that it doesn't appear as though the dairy industry will ever go back to whatever "normal" was; but at the same time, more and more change within the industry is increasing fear of things that won't occur.

He noted that within the past three years the vocabulary of people has changed dramatically, reflecting the technological changes and uses. He said to expect the vocabulary to continue to change.

He also said that a year ago, it was the practice for Land O' Lakes and the dairy industry to work off of 5-year plans.

He said it has since been discovered that, not only is nobody in the dairy business using a 5-year plan, but Land O' Lakes and others are now using a "rolling 12-month plan" for long range planning.

He described the industry as "hypercompetitive," and said it is expected to continue, being driven by a series of related factors.

He said industry consolidation, global competition, conversion to new technology, and consumers demanding increased value in products, are driving the system.

"There is decreased room for inefficiencies and no substitute for

growth and performance," he said.

Berg's description of his outlook for the industry was continued consolidation. He talked about several specific mergers and products alignments that were thought to be stabilizing actions that have continued to change to be more consolidated and specific.

He said the industry competitiveness and consolidation has reached the point that there is only room for a number one and number two player in an industry, with no market allowance for a number three.

He said that global economics is forcing new alliances and consolidations.

He said that as United States food companies saturate the United States' market place they have to seek markets in other nations in order to grow.

At the same time, he said competition is growing for the United States' marketplace, as well-supported foreign food industry businesses doing well in their markets have been investing heavily into the United States' market.

He said that while he was on a recent trip to New Zealand he was humbled in that he had been proud of Land O' Lakes processing of 5 million pounds of milk per day at a plant, until he stood in the lobby of a plant in New Zealand that processes 20 million pounds of milk per day.

"They (New Zealand) see the planet as their market. I came away trying to comfort myself that New Zealand was small and far away," he said.

Communications technology

changes are changing the way people around the globe foresee coming common practices. Although the future isn't clear, Berg said there is a vision that someday people will be able to see just about everything they need and want to see on television — whether it is carried by cable, telephone fiber optics, or something else.

Agricultural businesses continue to spend great amounts to secure control over new technologies. He cited Monsanto's purchase of Roundup Ready genetics for \$1 billion.

He said his personal roots are in the Midwest with 50- to 60-cow milking herds.

Now, according to Berg, the average new facility built there have capacities for 600 cows, and a lot are being built to hold and milk 1,000 cows.

He said that in California there are no facilities being constructed for fewer than 1,000 cows, and the growth area is in facilities for 4,000 cows or more.

Not only is that a change in size of facilities, but the real change is in the people behind production. Berg said they are different people with different expectations and a different sense of business.

"When you and I grew up the industry was production driven, now it is market driven," Berg said.

According to Berg, assumptions of the past have changed.

"No economist predicted \$5 butter," he said, adding that consumption isn't going down because of the higher price, though that has been the past assumption.

Further he said that economists didn't predict \$1.80 cheese (had been \$1.20 or less not too long ago), and at the higher price "... we can't keep up with demand."

He noted that September had a record milk price to producers, and that only stood until the record milk price set in October.

At the same time, no one predicted \$1.30 bushels of No. 2 yellow corn.

"While we talk about \$5 butter with a smile, we talk about \$1.30 corn with concern," he said.

But he said the bottom line of business that has been shown by Walmart and others is, "Get it right: The right place, at the right time, at the right cost."

He said he recently heard of a Midwestern dairyman interested in investing \$5 million in a facility to milk 2,500 cows, and he would do it if he could get assurances for a 20-year market for the milk produced.

According to Berg's outlook, the dairy industry can expect such long-term contracts — "not for 30 days, but for 10 years."

He also said that people are looking at a different food chain from the one known so well.

To see the future, he said it is necessary to start with the consumer and then look back through the system.

He said that it appears as though markets are going to continue to drive the system by consolidating consumers (Walmart is the fifth leading food distributor in the United States, and 97 percent of

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From the left, Stanley Weeks receives a Silver Eagle Award from DPC President Robert Turner.



From the left, Gaylord Smith receives a Silver Eagle award from DPC President Robert Turner.

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