

# Northeast Dairy Survival

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Dairyalea and DFA into the Dairy Marketing Services (DMS) group. DMS has two senior partners, including DFA in Kansas City, Mo. and Dairyalea, out of Syracuse, N.Y. But 15 smaller local cooperatives are included, comprising Mount Joy, United Ag Services, NFO, and others, in addition to 1,700 independent farms marketing milk.

As an example of change, some of the largest cooperatives have filed for bankruptcy, including Agway and Farmland. And the largest retailer wasn't even in the ballpark 10 years ago — Wal-Mart.

The flat milk prices are hitting everybody equally, from the East to Midwest to the West. Smith noted the period is difficult psychologically, he said. Farmers are beginning to wonder about staying in farming. "Do I even enjoy this?" Smith noted. "Do I want to go through this? It's debilitating, it's debilitating."

Some of the concerns include the milk protein concentrates that could be making an impact on price, an issue that nobody really understands at this point, and perhaps Canadian milk.

A big drop-off in cheese use — especially by the

Pizza Hut company, which, two years ago, placed 10 ounces on a pizza pie and now has reduced cheese use to seven ounces per pie — may have contributed to the milk price decline. But larger developments in terms of bigger processors are forcing producers to be more adaptive.

The East has some advantages that make it strong, including the largest fluid prices and the largest cheese- and butter-producing regions in the U.S.

"We already have what the largest areas of the country would like to duplicate," Smith said.

Pennsylvania remains the fourth largest dairy producing state. But the Northeast's market share is eroding, from 18.4 percent in 1990 to 17.2 percent in 2002. To survive, strategies must be devised to promote partnerships and specialization and for a conducive business climate.

At the meeting, Dave Hileman, Hilecrest Farm, noted that Pennsylvania continues to fall below the national average in milk production per cow. "That alone," said Hileman, "should be a wakeup call to those associated with dairy farming."

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