

Weekly Market Bulletin

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Commissioner

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From Your Commissioner

Dairy Summit

On Monday morning I left my house at about 4:45 am and drove to Albany, NY to attend the Dairy Summit put on by Agri-Mark. There were several NH dairy farmers there, as well as representatives from the NH Farm Bureau. There were also producers at the meeting from as far away as California, as well as one from Canada, who was there to explain the Canadian Quota System. The basic purpose of the summit was to discuss ideas about how to balance out the supply and demand issues that exist in dairy products. I am not sure that any consensus was reached by the time the summit was over.

I probably won't make any friends with this column, but a basic problem that seems to exist, is that not every dairy farmer seems to understand the economic reality that milk prices will remain low as long as production exceeds demand. Several farmers who spoke, stated that they just wanted a fair price for their milk, while that is a reasonable ask, this will not happen when those buying the milk from the farmers can't sell it all.

The sad truth is that until and unless the industry finds a way to match production to demand, farms are going to continue to go out of business, until the system is in balance. Within the last 30 or so years, we have gone from having about 250,000 dairy farmers in the US to about 40,000 and we still have an oversupply of milk. Roughly a quarter of all remaining dairy farms are located in Wisconsin, so the clout that the industry once had in Washington has been greatly diminished. I don't think that farmers can look to the federal government to find a solution to this problem. Frankly, as long as we have enough milk to go around, politicians are unlikely to care if the number of farms declines.

Most of the milk in the US is bought by co-ops and then either processed by the co-ops or sold to processors. It is hard for me to see how this problem gets solved by any method other than attrition, unless the members of virtually all co-ops agree to decrease milk production. It will take the whole industry to solve this problem, because as long as there is an oversupply, the federal milk order pricing will not increase.

There may be some short term relief on the horizon, brought to the industry by Mother Nature. There are areas of this country and parts of the world that are suffering through droughts and extreme heat. Those factors are likely to decrease production in the short term and cause prices to rise, but if that happens, it will not be enough to make up for years of low prices and when the weather improves it is likely that production will rise. Even if production does not return to former levels, it is likely that we could still see an oversupply.

One area that Congress can and should act on is the issue of whole milk in schools. The idea that drinking a half pint of whole milk with breakfast and/or lunch is causing our children to be overweight is absurd, but it may be turning a whole generation away from milk and that could be devastating to the industry.

I remain confident that we can help NH's dairy farmers and after attending the Dairy Summit I am grateful that we are not a state that produces more milk than we consume. If the idea, that I wrote about last week works, we may be able to actually produce more milk in the future, but that remains a mere hope at this point. All I can say to our NH producers at this time is that we understand your plight and we are working to help you.

Shawn N. Jasper – Commissioner