

## **Dairy Farmers Must Stick Together**

Tom Camerlo, Colorado producer and Board Vice Chair of Dairy Farmers of America

"The future is not something we enter; the future is something we create." Those are the words of Dr. Leonard Sweet of Drew University, but they carry a solid message to those of us who plan to remain in the business of dairy farming.

I am the proud member of one of the newest farmer-owned cooperatives to hit the industry - Dairy Farmers of America (DFA) headquartered in Kansas City, MO. Owned by more than 24,000 dairy farmers in 45 states, DFA is a national dairy marketing cooperative and food company, now, nearly two years old. DFA markets and processes nearly 36.4 billion pounds of milk annually. With its vast network of plants and joint ventures, it is a significant manufacturer of dairy products and value-added components and ingredients for domestic and international markets.

Several years ago, dairy farmers from four co-ops got together because they decided that what Dr Sweet said was true! They looked around the agricultural landscape and the food industry and found themselves facing a consolidating, and increasingly competitive and global environment. DFA's farmers believe that they can create a better future in the marketplace by facing the issues together. They plan to develop and implement solutions using combined resources in a united effort. The simple truth is that dairy farmers can't afford to just enter the future, we must find new ways to bring our products closer to the consumer where we have better control over our own economic conditions.

The trends impacting U.S. dairy producers' bottomlines have changed at an incredible, almost feverish pace. The big issues we face today are: 1) fewer and larger producers, 2) government deregulation, 3) increased emphasis on environmental restrictions, 4) fewer and larger customers, 5) changing consumer tastes, and 6) growing influence of world markets.

One of DFA major concerns is the economic condition facing U.S. farm families and how to position them in the marketplace. The number of dairy farms, nationwide, has dropped more than 25 percent in the past six years according to an analysis by the National Milk Producers Federation (NMPF). U.S. Department of Agriculture data on dairy farm numbers, from 1993 to 1998, show that the total number of U.S. dairy farms dropped from 157,150 (in 1993) to 116,430 ( in 1998). With this drop in total numbers of dairies, remaining dairies are becoming larger.

Declining economic conditions impacting dairy producers fuel this drop. U.S. dairy producers have watched the retail price for fluid milk increase while the milk price they receive has remained the same or, in many cases when inflation is taken into account, has declined. According to USDA market data on 28 major cities, the Government Accounting Office (GAO) found that the average milk price difference or price spread between what dairy farmers receive and consumers pay (retail price) for milk has increased from \$1.12 per gallon in 1991 to \$1.30 in 1997, about a 16% increase in price

spread. Thus, while on-farm milk prices have shown little overall growth, consumers experience steadily rising milk prices.

How can dairy producers successfully compete in this type of market? The producers that join the DFA firmly believe that we can better solve these challenges by working together, combining our resources, building opportunities through innovation and creative partnerships.

Pure and simple, dairy farmers must work together in order to serve the needs of the domestic marketplace. For example, DFA maintains numerous joint venture relationships. On the fluid milk side of our business, almost every one of our partners has Wal-Mart as their single largest buyer of fluid milk. Customers will continue to get bigger. This large scale buyer demands quality, volume, consistent supply and service. Meanwhile the dairy farm operations decline in number but grow in size. For supply to meet demand most efficiently, producers will need to work together.

Finally the economic impact of the global market promises to be greater in the next decade. Even though the U.S. market for dairy products will remain largely domestic, U.S. dairy producers, their cooperatives, and their customers will face additional competitive challenges in a world market. Consequently, we will all need to look for new ways to capitalize on resources and build access to outside markets.