

DairyLine Transcript – 9/14/2015

Idaho dairy producer and NDPO board member Bob Krucker's comments on DairyLine 9/14/15:

Dairy farmer owned co-ops claim to manage 80% of the milk in this country. This should be a good thing for the U.S. dairy farmer - but it is not. The problem for the co-op dairy farmer owner member is that while co-op management, and all those doing business with them has been very profitable, the dairy farmer owner member has not.

The purpose of all dairy farmer owned co-ops should be achieving sustainable profitability for their dairy farmer owner members. But few, if any, co-op management seem to acknowledge this purpose or have a clue as to how to achieve it.

The U.S. only has about 45,000 dairy farmers left in this country. In order to preserve our national milk producing infrastructure that we have yet left - most of our remaining dairy farmers must be able to sell the milk they make for more than what it costs to make. In other words they need to be profitable.

Dairy farmers must be more than makers of milk. They must be profitable sellers of milk or they cannot be economically sustainable without being profitable. The marketplace will provide dairy farmer profitability when the milk supply is balanced with profitable demand.

Consider the math. A few months ago when our dairy exports temporarily surged and the milk supply was balanced with profitable demand, many dairy farmers were receiving around \$24 per cwt. for the milk. Now with substantially less exports resulting in significant over supply of milk, most dairy farmers are receiving anywhere from \$12-\$15 per cwt.

Our bread may be buttered by export demand, but we should not over produce for butter when it could mean we lose all our bread. U.S. dairy farmers should balance the milk supply with domestic profitable demand and take the higher milk price generated by exports as our butter – when it is there.

It is estimated the market will return approximately one dollar per cwt. more, at the dairy farmer level, for every 1% supply drop. Dairy farmer owned co-ops can and should be the vehicle for achieving dairy farmer profitability.

OK, so we talked about the co-op problem. Here's the fix for the co-op problem. For every members benefit and profitability, co-op management should encourage member milk supply discipline instead of seeking the maximum supply and the cheapest milk possible for which the dairy farmers are paid less than the cost to make the milk.

NDPO recommends that the management of each co-op should immediately implement a pro rata across the board reduction in the volume of milk accepted from each co-op member in sufficient quantity to balance the milk supply with profitable demands and price.

Furthermore, dairy farmers should demand that their own processing co-ops should promote for profitable demand for U.S. made milk through the use of NDPO's 100% USA milk trademark on all co-op product packaging.

Each co-op member should ask his board co-op representatives when and how they are going to pay you a profitable price for your milk. If they cannot give you a simple, believable business plan to pay a profitable price for your milk, you should immediately demand their resignation and a replacement.

Dairy farmers have the vehicle for profitability. Now they need to use it. Dairy farmers need to step up and manage their co-ops for their own profitability rather than let their co-op management continue to manage them for everyone else's profitability.