

A Sour Situation

Higher Milk Prices Don't Help Dairy Farmers Much

By **GOSIA WOZNIACKA**
The Associated Press

RIVERDALE, Calif. — While milk prices continue to rise and exports to Asian markets have expanded, many dairy farmers are still struggling with the aftermath of several disastrous years and hoping the federal government will do something to help stabilize the industry.

After milk prices plunged and farms began going under, Agriculture Secretary Tom Vilsack said a year and a half ago that the industry needed restructuring and his department would look at its programs to see what changes could be made to help create more stability.

A committee the U.S. Department of Agriculture formed in 2009 in response to the crisis issued its recommendations this month, but no legislation has been written yet. Agriculture officials say it's forthcoming.

That's not a lot of comfort for farmers like Jamie Bledsoe of Riverdale, who saw his income drop by \$2 million in 2009 and had to sell off about 300 cows to pay his bills. Many dairy farmers used up savings and sold property they had accumulated over 15 or 20 years, he said.

Now, they're being squeezed by high corn prices and an inability to get loans to buy feed for their cows. The situation is particularly bad in California, where most dairy farmers don't grow their own hay and corn.

Nearly 250 dairies in California have gone under in the past three years, and more are expected to close this year, said Michael Marsh, chief executive of Western United Dairymen. California is the nation's No. 1 milk producer, followed by Wisconsin and Idaho.

The crisis started when milk prices that had been driven up by demand in developing nations plummeted from a high of \$18 per hundred pounds in 2008 to about \$12 amid the recession in 2009. Farmers began slaughtering their cows to try to cut production. At one point, an average of 50,000 cows a week were being killed in an effort to reduce the milk glut.

This year, milk is expected to average about \$17 per hundred pounds. But farmers aren't doing much better than before because federal subsidies for ethanol have created a big demand for corn among biofuel producers and prices have skyrocketed, said Ray Souza, a California farmer who serves on the USDA's Dairy Industry Advisory Committee. About a third of the U.S. corn crop now feeds car engines, not cows, and Souza said feed accounts for about half of dairy farmers' expenses.

Tom Barcellos, who runs an 800-cow dairy in Tipton,

said farmers used to be able to borrow against their herds to get money to buy feed, but the value of cows has slipped, making it hard to get credit. Many dairy farmers now have barely a truckload of feed left, he said.

"It's hand to mouth," he said. "They have no feed, they have used up equity, and they have to buy a load of feed at a time to try to hang on."

Dairy farmers are usually optimistic about bouncing back, he said. "But we never expected it would take this long to recover."

The dairy industry has been working on a plan to reform the nation's dairy policy, and many of its proposals were mirrored in the federal panel's recommendations.

Most significantly, the Dairy Industry Advisory Committee recommended replacing or improving the federal government's two traditional safety nets: the price support and Milk Income Loss Contract programs.

The price support program buys surplus dairy products to try to prevent a glut, but industry experts say its prices are too low to help farmers. The MILC program

pays farmers directly but it doesn't cover all their losses, and it pays only on up to 3 million pounds of milk per year. That means it's of little help to large dairies such as those in California.

Instead, the committee has recommended helping farmers with feed costs by doing away with ethanol subsidies and creating an insurance program that would pay farmers when the difference between milk and feed prices becomes too small.

It also recommended creation of a growth-management program that would provide financial penalties for farmers who don't reduce production when demand drops; increasing incentive payments for good environmental practices;

adopting measures to ensure dairies have access to a stable, legal immigrant labor force; and enhancing the nutritional value of the nation's milk to boost demand.

Differences in how policies affect the large dairies in the West and smaller ones in Wisconsin and New England have made it hard for farmers to agree on reforms.

But Bill Bruins, a dairyman and president of the Wisconsin Farm Bureau Federation, said he thinks farmers are focused now on "proposing a policy that benefits everyone and allows us to become players on the world market, where most growth is."

The U.S. shipped \$3.7 billion of dairy products overseas last year, 63 percent

more than the previous year and almost as much as the \$3.8 billion worth in 2008, according to the U.S. Dairy Export Council. Moving away from the traditional

price support program and selling surplus to the government, which stifles innovation, would benefit everyone, Bruins said.

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Fed Cattle Sale for March 16th
Head Sold: 1,687

Steers	Wt.	Price/cwt	Heifers (cont.)	Wt.	Price/cwt
Irston, IA	Black	1433	Creston, NE	Black	1284
Springfield, SD	Black	1512	Butte, NE	Black	1273
Creston, NE	Black	1421	Creighton, NE	Black	1170
Wessington Springs, SD	Colo.	1486	Wagner, SD	Char.	1422
Bridgewater, SD	Black	1394	Laurel, NE	Black	1200
Tabor, SD	Black	1404	Viborg, SD	Black	1323
Tripp, SD	Black	1386	Dairy Steers		
Tabor, SD	Black	1494	Mission Hill, SD	Hol.	1515
Heifers			Irene, SD	Hol.	1518
Creston, NE	Char.	1420	Tabor, SD	Hol.	1232
Dimock, SD	Black	1208	Freeman, SD	Hol.	1393

Feeder Cattle Sale for March 11th
A few of our sale highlights. Head Sold: 2,009

Steers	Wt.	Price/cwt	Heifers	Wt.	Price/cwt
Newcastle, NE	Black	350	Crofton, NE	Black	280
Kimball, SD	Black	384	Freeman, SD	Black	308
Newcastle, SD	Black	499	Kimball, SD	Red	325
Irene, SD	Black	418	Irene, SD	Black	415
Kimball, SD	BBF	430	Kimball, SD	Black	480
Mission Hill, SD	Black	493	Mission Hill, SD	Black	435
Montrose, SD	Blk&Char.	532	Newcastle, SD	Black	502
Newcastle, SD	Black	566	Irene, SD	Black	505
Kimball, SD	Colo.	530	Montrose, SD	Blk&Char.	534
Kimball, SD	Black	577	Freeman, SD	Black	555
Irene, SD	Black	619	Kimball, SD	Black	619
Kimball, SD	Black	689	Scotland, SD	Black	601
Fordyce, NE	Black	617	Menna, SD	Mix.	642
Harrington, NE	Mix.	649	Kimball, SD	Colo.	664
Kimball, SD	Blk&Rd.	671	Kimball, SD	Black	751
Wynot, NE	Blk&Rd.	725	Tyndall, SD	Blk&Char.	740
Niobrara, NE	Black	749	Bridgewater, SD	Black	727
Tyndall, SD	Black	735	Kimball, SD	Colo.	736
Scotland, SD	Black	709	Tyndall, SD	Blk&Char.	824
Newcastle, NE	Black	710	Tripp, SD	Mix.	821
Kimball, SD	Black	806	Wynot, NE	Black	837
Fordyce, NE	Black	820	Kimball, SD	Black	860
Harrington, NE	Mix.	871	Tripp, SD	Blk&Char.	912
Wynot, NE	Black	907	Wynot, NE	Black	919
Scotland, SD	Black	939	Scotland, SD	Black	1010
Wynot, NE	Black	1033			
Irene, SD	Blk&Rd.	1085			

Greg Ryken - Yankton (Auctioneer/Field Rep) 605-661-1451
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Brian Bjerkaas - Viborg, SD (Field Rep) 605-661-5083
Travis VanDuynen - Wagner, SD (Field Rep) 605-661-3826
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