

President's Letter
Al Squire
September, 2014

Well it's finally time for the rollout of the new Farm Bill–Dairy and so begins a new chapter in federal dairy economics. One of my main concerns with the new dairy part of the “Farm Bill” is the same concern I have with any other federal farm program: the inability of normal market forces to work. Anyone in the dairy business for more than a few years (or any other agricultural endeavor for that matter) will tell you that it takes very little time for producers to respond to an “up” market. The saying that “high prices cure high prices and low prices cure low prices” has never been truer than this past six months. Everything good that has been occurring for us in the first half of the year is a result of the same things going terribly bad for us in previous years. The fact that less than a year ago we were dreadfully close to a complete melt down of the Western Dairy Industry with many family dairies nearing the cliff of bankruptcy tells us that something wasn't right and that things needed to change and quickly. Well, change it did, but for how long and why? The only reason I have heard is exports, mostly to China. Does this have us in a very precarious position if some similar situation develops as it recently did in Russia when they quit buying our dairy products?

Our basic problem is that our milk price is still determined as it has been in the past, by a very thinly traded market controlled by a very few very interested parties. We will not have adequate financial security in the dairy business until our pricing mechanism reflects true prices and true markets for our milk, and we build in adequate time to react to the markets.

When my father, who had milked from 10-50 cows his whole life, learned that we were going into the dairy business, his advice was this: “If you make any money in the dairy business, be sure to put it in the bank, because you will sure need it soon enough.”

On the Farm Bill–Dairy Margin Protection Plan: Do your homework! Do not automatically plan on the government program saving you or keeping everyone in business. A quick glance shows that it may not have a market-changing impact and producers will still be allowed to fail or succeed in spite of/with government subsidies and payments. DPNM will be helping to educate producers in the decision process during fall meetings. DFA has a lot of information available as well, so be sure to be prepared.

As always a special thank you to Beverly, Kaye and Susan for their tireless efforts on our behalf!