EDITORIAL COMMENT

DAIRY INDUSTRY NEEDS TO BE HEARD ON BEEF BOARD PROPOSALS

THE Cattlemen's Beef Board tells us that check-offs from direct dairy farm sales (cows and calves) make up about 13 to 14 percent of the Beef Board's annual budget of around $45 million. Add the beef from fed-out dairy steers, and the percentage shoots up to around 20. So, we are in the beef business and in a pretty big way.

That's why it's important for those of us in the dairy industry to make sure we're getting a good bang for our check-off bucks. Over the past months, the Beef Board has invited more than 300 organizations to comment on how the beef research and promotion program can be improved. This included many dairy organizations and general farm organizations with dairy farmer members. Basically, all practices, policies, and provisions on beef promotion and research are open for discussion.

We suspect you may have strongest feelings about the $1 across-the-board assessment on cattle marketed regardless of size or age. It rankles us that the Beef Board buck eats up a good chunk of a bull calf's value. Lately, we've been lucky to get $12 for our Guernsey bull calves which makes the check-off an 8 percent hit, at least.

Some have suggested eliminating that baby calf check-off or establishing a minimum size requirement. Some have suggested just having a one-time $3 or $5 per head assessment at slaughter, thinking that such an assessment would trickle down through marketing channels. But, a $5 cull cow assessment would be a pretty direct deduct for us dairy farmers.

Another possibility would be to make the check-off a percentage of a sale, rather than an actual amount. But there's understandable concern about how this assessment approach could be administered.

Other issues on the table include adding to the fairly limited number of organizations eligible to contract with the Beef Board for research, promotion, or industry relations projects. There also needs to be attention paid to so-called firewalls that separate the activities of the National Cattlemen's Beef Association and the Cattlemen's Beef Board.

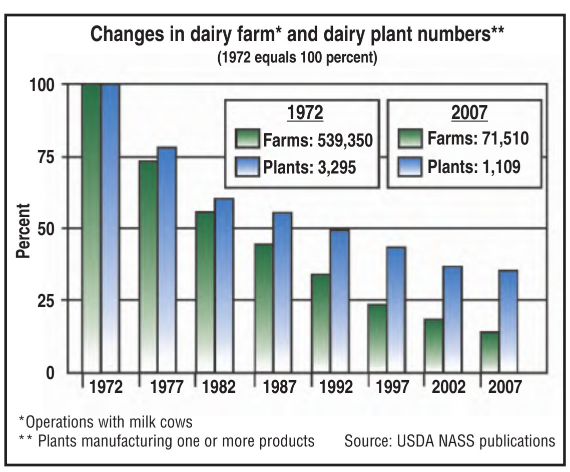
Many thoughtful and articulate dairy farm men and women have served on the Cattlemen's Beef Board, and we thank them for their service. Being dairy folks, they were in the minority.

Now the Beef Board wants to hear from you. The website, www.beefboard.org/contact.asp, makes it easy for people to make comments. Or you can weigh in with your state beef council (contact info on the same website).

Any major beef check-off change will be in effect a long time. That's why it is important that you make your opinions known now.

DAIRY PLANT NUMBERS ARE DOWN, TOO

OTHER than being enthusiastic consumers of milk and other dairy products, few members of the Kiwanis Club we visited at Whitewater, Wis., had ties to our industry. Several reflected about time spent on a relative's farm as a kid. But the most common association with the dairy industry was the city's fluid milk and cottage cheese plant that had closed 15 years earlier. The plant had been a significant employer, and, having been located near the center of town, was notable because of the number of milk trucks and refrigerated semis mixed with the city's traffic.



*Operations with milk cows
** Plants manufacturing one or more products
Source: USDA NASS publications

Recalling that plant's closure helped us describe the vast changes in our industry, including the steep decline in the number of dairy plants, as well as farms. Thirty-five years ago, there were nearly 540,000 dairy operations in the U.S. Now, there are about 71,500 operations with milk cows. Thirty years ago, there were more than 500 dairy farms in the Kiwanis Club's county, Walworth. Today, there are about 100.

One of our points was that many other communities had lost dairy plants, as well. In 1972, there were nearly 3,300 dairy plants in the U.S. Now, there are just more than 1,100, according to USDA's 2007 Annual Dairy Products Summary. As shown in the chart, there's been a big drop in the number of dairy plants, but the decline in the number of dairy farms has been even steeper. There are 34 percent as many dairy plants now as there were in 1972, compared to 13 percent as many dairy farms.

We have seen a slowing in the drop in farms and plants. In Wisconsin, for example, there actually has been a rise in the number of cheese manufacturers as more specialty cheese plants and farmstead operations have entered the business.

WHY MORE PEOPLE ARE MILKING MORE COWS

WE'VE always thought most herd expansions are driven by need, not greed. While we're not saying this with quite the conviction we used to, we do believe that tight operating margins and higher family living costs are two big factors.

Family expense records from 850 farms in Minnesota's South Central and West farm business programs averaged $74,804 during 2007, according to Gary Hachfeld, an extension educator at Mankato. Average family size was 3.4 persons. These expenses included food, medical care, charitable donations, supplies, furnishings, clothing, educational costs, recreation expenses, gifts, utilities, child care, house rent, and upkeep of the house. It also included purchase of nonfarm vehicles, investments, savings, life insurance premiums, and income/social security taxes.

How big of an operation was needed to cover these expenses? Hachfeld calculated an average net return over the past five years. He simply divided past net returns into current living expenses to project size of operation needed.

It took 127 dairy cows to provide average family living expenses. That was based on average net return over the past five years of $591 per cow. That was almost exactly the same number of cows (128) as was needed to cover considerably higher family living expenses ($98,388) in the southwestern part of the state where net income per cow had averaged $771 over the years.

To cover last year's family living expenses in the South Central and West programs you would have needed 814 acres of corn or 1,007 acres of soybeans or 692 acres of alfalfa. You would have needed to finish 6,200 head of hogs or 3,400 head of steers or heifers or had 3,500 beef cows. Hachfeld assumes one enterprise covering all family expenses, and no off-farm income.

Our thoughts. First, this impressive level of net return per cow has been more achievable in the Upper Midwest than elsewhere. The folks in the Minnesota program have been pretty efficient. Third, we can't expect these returns in the years ahead . . . anywhere. Family living expenses likely will continue to go up, driving more people to more cows and larger acreages.

123 years ago . . .

One thing the dairy cattle breeder must guard against and that is measuring his business by the old judgments he had as an ordinary dairy farmer. He has become not only a breeder but a cattle merchant as well. Hence, he must spend thought, time, and money in wise advertising.

W. D. Hoard
Founder, 1885