How dairy farmers can save themselves

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By JAMES H. MARONEY Jr.

The story "Ag chief backs milk hormone ban" in the Oct. 7 editions of the Rutland Herald and The Times Argus, and another "Which cows do you trust?" which appeared on the same day in The New York Times are stunning in their implications. Milk drinkers, Agriculture Secretary Steve Kerr has just learned, have indicated a preference for so-called "natural" milk and to meet that demand, dairy giants H.P. Hood and Dean Foods will no longer accept milk from farmers who use recombinant bovine somatropin to enhance production.

So Kerr has endorsed the ban on rBST — but only because the market forr milk made with the hormone is kaput. Since coming into office, both Gov. James Douglas and Kerr have been steady proponents of conventional dairy farming, encouraging at every opportunity the trend for fewer and larger farms that produce more and more milk. In a state widely known for its dairy farms and for the state of affairs farmers are so obviously enduring, official support should be meaningful. But the conventional farmers' business plan is also kaput. This is not news; it is a trend with roots going back before the New Deal.

Farmers have always insisted that in order to stay competitive they have no choice but to increase yields, which they accomplish by adopting emerging technologies like antibiotics, genetically modified seeds and rBST. But milk prices are at levels not seen since the 1970s. Here's the crux of the matter: These technologies, adopted by individuals hoping for marginal gains, increase collective output, so all dairy farmers, whether or not they use GMO seeds and/or rBST, must ship $17 supply into $11 demand. For this reason and for this reason alone, the value of milk is $5 or $7 per hundredweight below what it costs to make and Vermont dairy farmers as a class will receive $54 million less for their milk than it costs to produce. But there is no realistic scenario anyone can articulate that will miraculously bring conventional supply and demand into balance that does not address surplus production.

Farms that are not profitable are not competitive, and they must sooner or later go out of business; farms that are rundown and unsightly detract from tourism. Who has not noticed this trend? It cannot be a trend the farmers or the state would encourage. Yet this summer, Douglas and Kerr, surrounded by a clutch of farm supply merchants, representatives of the Farm Bureau and conventional dairy farmers, killed the Farmer Protection Act and threw their lot in with higher and higher yields and with those companies and products that seek to prolong the old, threadbare business model: Monsanto, antibiotics, rBST and GMO seeds.

The governor's veto of the Farmer Protection Act was accompanied by a pledge, as yet undelivered, to divert $8.9 million of federal subsidies to farmers to help them stay competitive. Naturally, the subsidy will go disproportionately to larger farms, thus ensuring that the trend toward fewer, larger farms producing more and more milk will not be disrupted. All money up the flue! Yes, farmers need more money, but the difficulty is precisely that the technologies they so adore do increase production — andd the surplus production lowers farm prices. Ironically the farmers have just received what they asked the governor for: a continuation of $11 milk. The ugly truth is that conventional farmers have no option but to bulk ship product into the national supply. What is worse, when a product is differentiated on price alone (milk is milk) the market buys up the cheapest product first and the most expensive last. Vermont farmers are already among the nation's least competitive, which means that the Vermont farmers' 2.8 billion pounds account for a third of today's 9 billion-pound surplus.

The $8.9 million subsidy is supposed to include a paltry $300,000 carrot for those thinking about transitioning to organic. But of course the entire amount should have carried a stick: If dairy farmers really want the price of their milk to change they're going to have to make some changes of their own. Perhaps it is time to change the business model: Vermont farmers must abandon conventional methodology, transition to organic, own their own brand and divvy up profits among themselves at year's end. Yes, milk is milk but there is a material difference between conventional milk and organic milk. The two products, otherwise identical, are made differently and that difference — no more antibiotics, no more rBST, no more GMO seeeds — animates the market. Isn't that what faarmers are complaining about — their pay? Heree it is in sharp focus: conventional milk brings $11, and organic milk brings $30. What part of $30 per hundredweight do they not understand?

Inscrutably, traditional dairy farmers resist the notion of farming organically in spite of the word's now proven allure to consumers and its outsized payback. Perversely, those including Douglas and Kerr who would patronize, stall or outright oppose organic methods, are in the awkward position of defending $11 milk. Why do that? Organic dairy methodology because it repudiates production technologies — antibiotics, rBST and GMO seeds — €” is guaranteed to shrink supply. Organic farmers graze their small herds on real grass pasture, impossible with mega-herds. The majority grows no corn and feeds dry hay with little or no grain. These methods, standard on all Vermont dairy farms prior to 1950, are duplicable in most modern operations across the state that milk fewer than 150 cows. Incredibly, that is about 85 percent of the 1,300 farmers still standing. Shouldn't Douglas and Kerr be working for the majority?

I fully recognize that organic farming will be resisted by those farmers with understandable fears of backing off on higher herd averages, greater corn acreage and steady production gains. These solutions, in vogue since their grandfathers were in the barn, are now hard-wired into today's generation and with good reason. But in the face of $30 per hundredweight, continued resistance is hard to rationalize. And we could spend years contesting the large farm-small farm thing and continue to subsidize farmers who make $11 milk.

This, however, is incontestable: If they will transition, Vermont dairy farmers could have what amounts to a monopoly on the state's brand. Dairy products made outside Vermont cannot use the name Vermont to supply markets in competition with ours. In other words, Vermont dairy farmers by definition have a lock on the brand, a lock on the supply and the market, all of which can be controlled by our farmers here, not by politicians, not by producers from California, not from surplus cheese. The opportunity for Vermont dairy farmers to adjust their business model to organic so that this monopoly can be harnessed and its burgeoning demand met must be grasped with conviction and determination. All else is futile because without the transition to organic, Vermont milk is and will always be — just milk.

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