

Dairy Cooperative Collaborative

Farmers joined together in Cooperatives a century ago as a way to pool resources and better market their milk. Farming has changed drastically over that time, but the power of working together for the common good has persisted. Another persistent force has been market volatility. An entire generation of farmers have come and gone knowing only uncertainty and imminent economic depression. With the number of dairy farmers shocking low with few younger people interested or able to start their own farm, we must change.

We have tried to come up with federal policies and programs to stabilize milk production over the past decades with no avail. What is different about this new effort? Federal programs have been largely unsuccessful and certain programs arguably made conditions worse in retrospect. The current political environment is one of deregulation, local control, and choice. There is little chance moving forward that any new federal program will get a second look from Congress because it would go against current politics by creating more bureaucracy, not less. Additionally, even if politics were in the favor of new programs, any federal program would be multiple years away from being signed into law and implemented.

My idea is that we tackle this problem within our own industry with the tools we already have and can implement almost immediately. We do this by taking the Cooperative model to the next level and create a Dairy Cooperative Collaborative. This Collaborative would consist of all the major Dairy Coops throughout the country. The purpose of the Collaborative would be to coordinate dairy production nationally and regionally to meet economic demand and create a stable, profitable, pay price to their farmers.

How it would work: The Collaborative would meet on a regular basis and representatives from each participating Coop would attend. There would be a Board of Directors, and a staff of analysts specializing in economics and dairy. Meetings would cover topics concerning supply management. To participate in the Collaborative, Coops would submit their 3yr production projections and their previous 3yr history. Collaborative staff would be in charge of going through this data and submitting production "caps" for each Coop based on regional supply needs. These caps would be approved by the Board of Directors. Each Coop would then sign a legal document agreeing that their farmers will only produce that quantity of milk or be at risk of a lawsuit for breach of contract (maybe there is a better "stick", but it's a good starting point for conversation). The Coops would then go back to their respective farmers and would have the freedom to implement that production limit as they saw fit. If a Coop thinks that they will exceed their production contract, they could request an amendment to their contract.

Why it would work: This Collaborative has the potential to be successful for several reasons. First, no one is forced to join, so the Coops participating would be more likely to meet their obligations. Second, there is no need for government involvement so changes in policies and practices can be changed easier and in a way that is more likely to succeed. Third, no one is forced to implement a specific type of quota or pay a production fee or anything like that, the choice is up to the Coop. How the Coops will manage their farms to meet but not exceed their production contract is completely up to them and what their farms are willing to do.

How is staff paid: We can use our Dairy Checkoff money to fund Staff Analysts. What better way to spend money meant to improve milk pay price than by hiring people to help manage milk production?

Why would a Coop join: The argument is simple- do you want to be part of the solution, or continue to be part of the problem? A generation from now, do you want to be looked upon as a business working to help all farmers, or one that is selfish and pushing ahead for the sake of pushing ahead? We are all tired of the roller coaster, and everyone wants to get back to what they love: their farm and their family. Uncertainty is bad for business as it makes investors wary and increases administrative costs. If we can work together to end this period of economic uncertainty, our industry will become revitalized. Young professionals will want to farm and be able to get funding to start their own farm. The past century we have all largely “done our own thing”, it’s time to try something different.

Does everyone need to join: The majority of milk from the USA is sold through Coops so maximizing the number of Coops who are part of the Collaborative is a sure way to control production. Of course, not everyone will be on board and some will continue to do what they want to do. And that is fine. We must take the high road. We know that our collaborative efforts will have a positive impact on the entire industry, not just us, and if people don’t want to partake in that accomplishment then that is their choice.

Could Coops increase production at a faster rate than other Coops: Yes. It would all come down to total production regionally and across the USA. As an example, let’s say the trend is 2% annual market growth over the next 3 years. Let us also say that there are 2 Coops at the same production levels with one projecting its farmers will increase milk production by 1% annually and the second projects 4% growth. What would the Staff Analyst do? Approve the first Coop’s 1% growth, and set the second Coop with a 3% growth cap to average 2% annual market growth. If course it would get much more complex when you start getting dozens of Coops involved all with different production levels and projections. But once the Analyst figures out production caps, the Coops walk away knowing the number of pounds per year their members need to produce and it is up to them to figure out how to get there. The first Coop might do nothing different since its members are largely staying steady with no big expansions, maybe there is room in that Coop to add a few new farmers. The second Coop might implement some type of quota.

I believe this model could work. There is nothing that needs to be approved legislatively. A non-governmental organization made up of dairy professionals is in charge of figuring out regional and national production. The Cooperatives are in charge of deciding how they will control production of their farmer members. We can pay for it by redistributing the funds we currently have and pay into. We can start right away by having a meeting of the top dairy Coops to figure out how an organization and program like this could work.

This industry needs to be revitalized and reimagined. There is nothing standing in our way if we have the courage and determination to make it happen.