

*"Author's Note: The need for milk dumping has passed. However, comments received about this article indicated that it would be worthwhile to leave the information in an available format. Thus, please read the following knowing that it is specific to April & May of 2020."*

### 'Milk Dumping' Being Faced by Farms



Farmers are in business to produce food for others. It's what they do. It's what they care about. Right now, some area dairy farms are being told to go against their very nature and 'dump' the high quality food product they've invested their life into producing. As our entire world faces very unusual circumstances, many are wondering why something like that could possibly have to happen. There is certainly no easy answer to that question, as it lies somewhere in the middle of supply, demand, and economics.

The simplest reason is to look at the effects of the drastic societal changes taking place to limit the spread of the coronavirus which causes COVID-19. In 2018, according to USDA Economic Research Service data, the average American household spent 54.4% of their food budget on food away from home. That is good for the dairy industry, as the average restaurant meal has a higher content of concentrated dairy products (butter, cheese, sour cream, etc...) than do meals cooked at home.

The 'safer at home' orders have changed these patterns drastically. Fluid milk consumption has actually increased, but the foodservice industry orders for dairy products have plummeted. This is particularly a problem for the Wisconsin dairy industry, which is based on cheese production and a lot of that cheese are the cheeses most commonly used in the foodservice industry. Those cheese plants cannot switch production patterns quickly, if at all.

As product supplies build, storage and processing capacity go down and the need (or even ability to do anything with it at the plant) for our area's daily milk production decreases dramatically. If milk cannot be processed, it is safer and cheaper for the industry to have farms manage it as a waste on-farm. Thus, the mental hardship being faced by some area farms that are being asked to flush their cows' milk into their manure storage systems.

Right now, farms being asked to do so are larger farms that have sufficient manure storage capacity to store the milk & manure mix until it can be safely and properly applied to fields as fertilizer. This allows for some level of recouping of this loss at the farm level, but creates additional oversight and testing needs, as well. Milk can safely be directly applied to fields in some situations, but only if soil conditions are proper and the field meets multiple criteria that limit risk of off-site movement.

The cooperatives which buy the farm's milk will pay for the milk and spread the loss throughout their entire organization, rather than forcing one farm to suffer more than other members. That is, at least, what happens in the short term. If such a situation continues, then the cooperatives and dairy companies may have to enforce clauses that limit how much milk each farm gets paid to deliver, or drop farms completely if they are on the edges of their system in any way (geography, milk quality, milk component content, etc...).

The entire farm industry is stressed due to decreasing commodity prices in the last months, but the dairy industry is being hit harder than most other sectors and it comes at a horrible time for many dairy farms. Less than two months ago, the expected milk price (futures market price) for April production was about \$17.50. That is almost precisely the full breakeven price for the average dairy farm in the Upper Midwest. Following a multi-year period of below breakeven prices, dairy farms were needing a positive economic stretch. Right now, April's farm milk price is expected to be less than \$14 and May's milk price is around \$12, meaning that they will be going further in debt just to stay in business.

Certainly, all small businesses are being affected right now. However, this downturn could not have come at a less opportune time for farms, as they incur the costs of planting season and have to face very difficult decisions about what crops to plant in this marketing situation. Any farm wanting to discuss cropping decision making or any other agricultural decision making process is welcome to contact Scott Reuss, Marinette County's Agriculture Agent with UW-Madison, Division of Extension. He can be reached at [sreuss@marinettecounty.com](mailto:sreuss@marinettecounty.com) or 715-732-7510.