

A TALE OF TWO DAIRIES

By Barry Estabrook

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Having taken on Florida agribusiness in his 2011 book *Tomatoland*, Barry Estabrook continues to expose America's "dysfunctional food system" in various magazine pieces and on his blog PoliticsOfThePlate.com. His days working on a dairy farm stood him in good stead for this essay.

Stars pierced the clear, cold, predawn sky last January 19 when Dean Pierson, a fifty-nine-year-old dairy farmer from the hamlet of Copake, New York, headed out of the house to milk the fifty-one cows on Hi-Low Farm, as he did every morning, and as his father, a Swedish immigrant, had done before him. Neighbors say that Pierson was a taciturn man whose limited leisure time was spent in solitary outdoor pursuits like hunting and fishing. But he was always willing to help a neighbor. Pierson, they said, was "a good farmer," high praise in rural Columbia County, a region of rolling fields, woodlots, and small towns about 115 miles north of Manhattan. Although he was married with four children, Pierson worked the farm alone, which meant that he had to toil virtually every waking hour. Even so, with milk selling for far below the cost to produce it, no matter how hard he worked, Pierson kept falling further behind. That morning, he intended to end the problem.

After finishing the milking chores and making sure the cows were fed and settled in their stalls, Pierson picked up a small-caliber rifle and killed each one with a shot to the head. He spared

dry cows and young heifers whose comfort did not require someone to milk them twice daily. Careful and meticulous to the very end, he affixed a note to the outside door of the barn warning anyone who passed not to enter and instead call the police. He wrote a second note saying that he loved his family but felt "overwhelmed." Then he sat down in a chair and killed himself with a single shot to the heart.

Every suicide is deeply personal, but the death of Dean Pierson became emblematic of the dire crisis facing the nation's dairy farmers. Milk has always been susceptible to price fluctuations. Farmers are used to putting away money during good times to see themselves through lean times. Recently, however, the cycles have become more violent, with lows falling lower and highs rising not quite so high and the intervals between peaks and valleys shrinking. On the day that Pierson killed himself, milk was fetching farmers a little over ten dollars a hundredweight (about twelve gallons), half the price of a year earlier. It costs a farmer about eighteen dollars a hundredweight to produce milk. But with enormous investments in livestock, buildings, and equipment, farmers have to struggle on, piling up debts and pouring more milk into a saturated market, hoping to scrape through yet another cycle.

Or give up. In 1970, when milk was bringing farmers the same amount that it is today, there were nearly 650,000 dairy farms in the United States. Now there are less than one-tenth as many, only about 54,000. This has led to consolidation, with a few large operators dominating the industry. According to the 2006 figures from the United States Department of Agriculture's Economic Research Service, the largest 1 percent of dairy farms (a figure that includes only enormous factory farms with over two thousand cows) produced nearly one quarter of the milk we consume. Drive through any area that has historically produced milk and you'll see the effects of this shift: abandoned, sagging barns, unpainted, with their roofs caved in and surrounded by overgrown weeds and rusting tractors, balers, and manure spreaders.

In raw economic terms this crisis might make some sense if consumers were benefiting by having access to dairy cases bulging with lower-priced milk, butter, and cheese. But they are not. Even though farmers received half as much for their milk in 2009 as

they did in 2008, costs to consumers remained the same. Someone was pocketing the difference, which might explain why profits at Dean Foods, the nation's largest dairy processor and shipper (based in Dallas, Texas, but with more than fifty regional brands), skyrocketed during that period. In the first quarter of 2009, when Pierson committed suicide, the company earned \$75.3 million, more than twice the \$30.8 million it had earned in the same quarter the previous year. In a public statement Dean Foods said it was not to blame for farmers' woes. "For the most part, the United States Department of Agriculture sets the price of milk, and current supply and demand is contributing to the low price environment."

The Department of Agriculture does play a role in setting the price of milk, but it is only one player in an arcane system cobbled together since the Depression that also involves participation by state governments and regional marketing boards. The formula also includes a last-resort program guaranteeing farmers a set price that has been compared to the minimum wage, so far below the cost of production that it is almost meaningless. Because milk is highly perishable and must be sold or processed within days of leaving the cow, dairy farmers do not have the luxury of holding their product back from the market until prices rise, as growers of grain or other agricultural commodities can. Milk must be sold immediately, and the producer has to accept the going rate, no matter how low.

Farmers tend to be a stoic, independent lot. Historically, they took price swings in stride, simply accepting them as the way things were. But in 2006 a few farmers in Vermont, a small state where dairying has a disproportionately large economic impact, saw that the logical conclusion of the decades-long trend was going to be an industry dominated by a handful of mega-farms large enough to have the necessary clout in the marketplace to dictate the prices that processors pay.

In an effort to combat the problem, they banded together and formed Dairy Farmers Working Together. Over the next few years they were joined by like-minded associations from Georgia, California, Pennsylvania, Maryland, Oregon, and Washington under an umbrella group called the Coalition to Support the Dairy Price Stabilization Program. The organization decided that there was a simple solution to the problem. Simple, but radical. In order to sur-

vive, they concluded, American dairy farmers would have to band together to control the supply of milk, an approach along similar lines to the one taken in Canada. When first told of the plan, many dairymen dismissed it with one word: socialism.

Bill Rowell is one of the founders of Dairy Farmers Working Together. On a scorching morning midway through a heat wave last July, I visited him at Green Mountain Dairy, the farm he and his brother Brian operate in northern Vermont not far from the Canadian border. Compared to Pierson's farm, Green Mountain is huge. At any given time, 1,800 cows of various ages occupy its four modern, low-slung, steel barns. The milking parlor, staffed by Latino immigrants, operates twenty-one hours a day, servicing 950 lactating cows, thirty at a time. There are eighteen full-time employees on the payroll. And in case a passerby should wonder in which political direction the Rowells lean, a lawn sign backing the Republican candidate for governor stands in front of the house.

Rowell ushered me into an office that could have belonged to a small-town real-estate salesman—a couple of cubicles, paneled walls decorated with photographs, award certificates, and projects by school-age members of the family. He is a big man in his late fifties who wears a graying brush cut that would not have been out of style in the 1950s when he and his brother were growing up on their father's dairy farm. He is tall—well over six feet—but as solidly built as a football player. Given his size, Rowell's voice is surprisingly soft. Like many rural New Englanders, he gets his point across through anecdotes and questions: "What's going to happen if we keep losing farms in this country until we get to the point where there are a few remaining farms?"

He explains the dilemma of the modern dairy farmer with this story: "I remember back when I was a small boy, money was scarce and my dad would say, 'Well, milk isn't payin' good right now.' Why? 'Well, son, that's the way it is.'"

"Now it's 2010 and milk isn't paying as good as it was in 1970. Why? 'Well, that's the way it is' isn't good enough for me any longer."

His summary of dairy economics: "When milk is paying good, the signal to the farmer is, you better put on more cows to make more milk to make up what you've lost. So what happens? You

quicken the pace toward oversupply and a deteriorating price. So our idea was, if there is a surplus of milk, why wouldn't you have some sort of mechanism during a receding market to slow your production and balance it with demand rather than overproducing to the point where you spoil your price and you spoil your industry?"

The proposed Dairy Price Stabilization Program would provide such a mechanism. "It's fairly simple," says Rowell. Under the system, he explains, all dairy farmers would be assigned "allowable milk marketings," or production limits, based on the amount of milk they had historically sold. A national board made up of farmers, processors, and consumers, advised by a dairy economist, would decide whether to allow production to grow or to order cutbacks. The board would meet to revise its forecast. Based on advice from experts, board members would vote to increase or decrease production on a quarterly basis. The goal would be to maintain an adequate milk inventory to meet demand, but to avoid building up what Rowell calls a "teeming surplus."

If a farmer wants to exceed his allotment, he is welcome to do so, but he must mitigate the financial damage it causes through an "access fee" that goes into a pool and is paid out on a pro-rata basis to the farmers who keep within their limits. This compensates them for any money they might lose due to additional milk streaming into a fully saturated market. Interestingly, successful operation of the program will not necessitate huge adjustments. One or two percentage points would be enough in most cases to balance supply and demand.

Perhaps it is a sign of how desperate times are now, but Rowell and his colleagues have had surprising success at convincing fellow farmers to support a program that a few years ago would have been anathema to most of them. A big step forward came this June when supply stabilization won endorsement from the National Milk Producers Federation, an Arlington, Virginia-based lobbying organization that represents more than forty thousand farmers who produce about 85 percent of the country's milk. Two federal bills have been introduced, one in the House and one in the Senate, to make the program law. "This shouldn't be a hard sell," says Rowell. "It really amounts to common sense."

But the legislation's opponents include some of the most formidable political players in the dairy industry. "Some people who oppose it own large farms," Rowell explains. "And when I say large, I'm talking about thousands and thousands of cows." Those farmers, he says, are betting that they will survive and come to dominate the market when the current Darwinian battle runs its inevitable course. "And some farmers just don't like change. They don't like where they are, but they don't want to change. They say, 'We're capitalists. We're not socialists.'"

In an ironic voice he adds, "I tell them, 'I know all us dairy farmers are capitalists because when we don't have a market, we ask the government to subsidize us with billions of taxpayer dollars. Does that make any sense?'"

The large corporate milk processors also resist changing a status quo that benefits their bottom lines. One such critic that has successfully fought off supply management in many previous farm policy debates is the International Dairy Foods Association (IDFA), a Washington, D.C., trade group that represents the big milk processors including Dean, Borden Milk Products, Con Agra Foods, Kraft Foods, The Dannon Company, and Nestlé USA. In a speech last June, IDFA president Connie Tipton harshly condemned the stabilization policy and made no bones about her organization's willingness to wage a lobbying war against it. "Supply management will destroy our dairy industry's opportunity for the future. Supply management is intended to limit growth and increase prices. And both of these have dire consequences. Increased prices will result in decreased demand for dairy products, both fresh dairy products and dairy ingredients. Higher costs for basic foods, at a time when millions are out of work, and higher-cost dairy ingredients, which drive lower-cost substitutions, are hardly a formula for success."

Rowell says that he would have been surprised if the big processors hadn't opposed the stabilization program. "If you raise the price of milk by one dollar a hundredweight, that costs the big processors in this country \$1.8 billion a year," he says. "Here we've been producing milk for eight dollars a hundredweight below our costs, and they're loving it, just loving it."

Geographically, you don't have to travel a great distance from Green Mountain Dairy to put Tipton's assertions to the test. After talking to Rowell, I drove through northern New York State, a depressing landscape of decaying barns and boarded-up farmhouses, and crossed the border into Ontario. In that province, as in the rest of Canada, dairy farmers have worked under a strict supply-management program since the early 1970s. Although the topography of eastern Ontario is the same gently rolling tapestry of field and forest as on the New York side, the Canadian barns are neat and well tended.

Visserdale Farms milks about ninety cows, making it slightly larger than the average Ontario dairy. To get there, I pulled off a secondary highway and meandered for a half-mile along a narrow gravel lane. Rounding a sharp bend, I confronted a real-life manifestation of the bucolic image that dairy agribusinesses like to put on their containers. Two neat nineteenth-century houses, one fieldstone, the other white clapboard, sat in the deep shade of maples on either side of the lane. Directly in front of my car stood a red, gambrel-roofed barn and a trio of navy-blue silos. A loopy yellow Labrador bounded from its doghouse with a "woof!"

A moment later, Todd Visser emerged from the barn wearing a T-shirt and jeans bearing brownish splotches that left no doubt about his profession. He has an amiable, round face and is as tall as Rowell. When I told him that I had come hoping for a firsthand look at a farmer's lot under a supply-managed dairy regime, he said the man I needed to talk to was his father, Ron. "He was in it right from the beginning."

I reached Ron that evening at eight o'clock, just after he had returned home from baling hay. His cows, he told me, provide solid livings for three families—Ron's, Todd's, and a full-time hired man's. The farm nets the equivalent of \$35 per hundredweight of milk, more than twice what U.S. farmers are getting now, and three and a half times what they were getting at the low point of the cycle. In forty-five years of operating under the quota system, Visser has never experienced a drop in the price he gets for milk. At rock-bottom worst, it stayed level for short periods. Ron, who is sixty-five, wants to retire soon. His son Todd, now forty-two, has no hesitation taking over a business that has a viable future.

Like the program proposed by Rowell and his associates, the Ontario system is based on controlling the amount of milk farmers produce. Ontario accomplishes this by allotting each farmer a rigid quota on the quantity of milk he can sell. The price he receives is set by the Dairy Farmers of Ontario and is based on a formula that takes into account the current cost of producing milk, the rate of inflation, and the trajectory of wages paid to industrial workers in Ontario. "We're getting a fair price compared to what everybody else in society is getting," Visser said.

If a farmer wants to expand, he has to purchase existing quota. Conversely, if a farmer wants to retire or cut back on the size of his herd, he can acquire a tidy nest egg by selling his quota on an exchange operated by the Dairy Farmers of Ontario. Currently, it costs about twenty-five thousand dollars to buy a quota equal to the amount of milk produced by one cow. Logic would suggest that large farmers would buy up quota, driving out smaller farmers. That has happened to some extent, but the average Ontario farm is still smaller than the average American farm.

I left Visserdale convinced that supply management was good for farmers and for the prosperity of the rural communities they occupy. But who was paying for all this stability? Although Ontario sets the amount farmers receive for milk, the processors are free to charge as much as they like to consumers. According to Tipton's forecast, the price of milk in Ontario should be sky-high. Nonetheless, the price of a gallon of milk in Kingston, a small city about an hour from Visserdale, is nearly identical to what it is at my local market back home in Vermont. So much for dire predictions.

When I shared the results of my admittedly unscientific market survey with Visser, he said, "Somebody's getting a whole lot of money between what American farmers get and what the consumers pay. The farmers are getting ripped off." From his comfortable vantage point across the border, Visser expressed doubts about the prospects for changes coming to American dairy policy. "There's always been a movement down there, but that only lasts as long as the price is down. When it goes back up, nobody wants to see change," he said.

But Rowell is convinced that this cycle is different from all the others. If the Dairy Price Stabilization Act does not make it

through the current session of Congress, he predicts that it is certain to be incorporated in the 2012 Farm Bill. "All we want is to be paid a fair price for the effort we put forth to feed the country. We need some vision and leadership, and a few simple tools," he said. Rowell and his colleagues on the Coalition to Support the Dairy Price Stabilization Program have provided the leadership and vision. That leaves it up to the politicians to give dairy farmers the necessary tools.