



PART ONE Milk Money

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It's not a good time to be a dairy farmer. The cost of grain, gas, and other production materials are up, while the price paid to the farmers for their milk is at a 25 year low.



The downturn in price is not uncommon. Milk is one of the most volatile commodities on the farm, with frequent peaks and valleys. What makes this slump so devastating is how long it has lasted.

"We've never seen the price of milk be as low for as long as it is right now," Richmond Dairy Farmer David Conant says.

The current wholesale price paid to farmers for milk is about \$11.47 per hundredweight, or just about a dollar per gallon. On a farm of 100 cows, that is a loss of \$7,917 from the average monthly milk check compared with prices they were receiving two years ago.

The downturn began shortly after the expiration of the northeast dairy compact, which set a minimum price processors paid farmers for their milk.

But while the compact would have capped losses, the price falloff is not arbitrary. Farmers are currently faced with a 3-percent oversupply of milk, cheese, butter and other products. So while prices could rebound this fall, there is a limit to how far they can come back.

"Those inventories are going to cap any price rise," Vermont Agriculture Commissioner Steve Kerr says. "Because even if supply and demand come back into alignment on a current basis, as milk prices start to move up, that inventory is going to come back onto the market, and that is going to dampen the price rise and probably just stop it cold."

The federal government has tried to help in absence of the compact. The federal milk income loss contract essentially pays farmers a subsidy when prices fall below a ground floor.

That program has paid over \$30 million to dairy farmers in Vermont alone.

"That's not inconsequential," Kerr says, "if we didn't have that \$30 million this industry would be in a whole lot bigger hole than it's in."

Farmers welcome any help, and any extra money is always welcome. But many say the federal payments have not made up for the loss of the compact.

"The milk income loss contract helps out somewhat, I don't like receiving payments from taxpayers," East Berkshire dairy farmer Rick Doe says, "I'd rather have a compact that's paid by processors."

And now the problem is about hit home during a crucial time.

Farmers often go into debt in the springtime to do their planting, and then pay that back in the

fall, when milk prices rise. Those prices never rose last fall, instead, they went down, so that debt accumulated, and is still owed. Now farmers need to go do their planting again.

"So we're faced with having to pay bills and meet those crop needs," Conant says, "and frankly right now it's a tremendous challenge to do that."

To meet the challenge, the state is offering low interest loans to get the seed in the ground. But it is unclear whether farmers who are already behind want to go another \$25 or \$30-thousand dollars in the hole.

((Jo Bradley/Vermont Economic Development Authority: 24:48: "Obviously you walk that fine line between not wanting to harm someone by giving them additional debt that they really can't afford," Jo Bradley of the Vermont Economic Development Authority, the agency loaning the money, says. "But we have very good lenders who are able to sit down with folks and talk with them and really look at the long term viability of the farm.")

And the uncertainty over that long term viability is the cause of frustration for many farmers. They don't know how long they will be able to hang on, and worry about the future.

"We don't want to see the character of this farm change, we're trying to get it ready for another generation," Conant says. "That's what they want to see, that's what our children want to see. We are a little bit frustrated, but I don't want to portray that too much, because I don't want the sympathy vote, we just want a better price for our milk."

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