

Requiem for Small Family Dairy Farms?

by

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What is the Issue?

Does a rural development policy that over the next 15 years puts out of business more than 6,000 family-run enterprises and replaces them with 100 large consolidated operations really make sense? It is time for everyone concerned about the future economic and social vitality and viability of rural New York to seriously address this issue.

This policy sets the stage for the collapse of small farm dairying in New York. A report published last summer by Cornell's Program on Agricultural and Small Business Finance, "Future Structure of the Dairy Industry," shows that the number of smaller dairy farms in New York, those with under 200 cows, are projected to decrease from about 7,300 today to only about 1,100 by 2020. The decreased milk production caused by the projected disappearance of the 6,000 dairies will be compensated by the increased production of a small handful of very large dairy farms. These large consolidated farms, which will average about 1,400 cows, are projected to increase in number from 120 today to 213 by 2020. About two-thirds of New York's milk will be produced by these 213 farms.

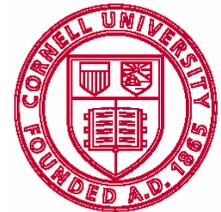
As long as the price of milk remains low, small dairies are forced to either get big or get out, and agricultural lenders seem increasingly reluctant to make operating loans to small producers. In the world of conventional farm finance, bigger is better, less risky and more profitable. As the number of small operators dwindles, their cows and sometimes their land are being merged into large consolidated operations. Economists like to talk about efficiencies and economies of scale associated with large enterprises, but whether large dairies can thrive without the current system of agricultural subsidies is an open question. Clearly federal agricultural subsidies now favor large operators. In Wyoming County and Cayuga County, the two New York counties with the largest number of large dairy operations, tens of millions of dollars have flowed to the biggest dairy producers over the past seven years as crop subsidies and waste management assistance. For example, most of the large dairies in New York are classified by the government as CAFO's (confined animal feeding operations). In the dairy industry, CAFO's are farms with 700 or more cows. To deal with the nutrient management on these farms (i.e., waste disposal), the federal

government is earmarking billions of dollars in outright grants. Under the EQIP (Environmental Quality Incentive Program) provision of the 2002 Farm Bill, large dairies are eligible for up to \$450,000 each to relieve the financial stress associated with complying with the new environmental regulations.

The seemingly endless low prices dairy farmers receive for their product, the tightening credit market, and a system of subsidies that favor the largest producers have led to a Wal-Mart-like agricultural development policy. The shortcomings of Wal-Mart are well known. When Wal-Mart comes to town, Main Street businesses typically suffer. With their increased production, the largest dairy farmers in the state are putting tremendous pressure on the smaller producers. If the predicted consolidation of the dairy industry takes place, by 2020 the mantra of the New York milk industry is likely to be a WalMart-like "Low *Milk* Prices Everyday."

Some of the 6,000 dairy farmers who leave the business may find other job opportunities in agriculture, most likely as wage laborers. But it is our experience that most dairy farmers simply retire or, if they are lucky, find employment in other fields, often out of state. The situation is grim not only for the smaller dairy farmers and their families, but for the small businesses that provide the infrastructure and support for family dairy farming. When family dairy farms disappear, so too will these businesses.

The NY Department of Agriculture and Markets, The Farm Bureau, Cornell University and the rest of the agricultural community have yet to address the issue of what rural New York will look like in 2020 after the 200 Wal-Mart-like dairies displace the 6,000 family operations. We owe it to the small dairy farmers, the businesses they support, and the rural communities of the state to start that conversation immediately.



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