

Predicting Dairy - Production,
Politics and Promotion in the 80's

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I would like to thank Dr. Harris and the members of the Dairy Science Department for providing me this opportunity to speculate on some of the key issues facing our industry and all of agriculture as we look into the coming decade. I might add, that Land Grant Colleges, such as the University of Florida, with its Institute of Food and Agricultural Sciences, will be an extremely important key as we open the door to the 80's. It is imperative, that we in agriculture work with and keep pace with the technocrats in all fields in order to provide the food and fiber necessary to maintain mankind.

I have titled my presentation "Predicting Dairy - Production, Politics and Promotion in the 80's". But as I began to gather material for this presentation, it became apparent that attempting to predict what will happen in the dairy industry next week is hard enough-- - never mind trying to project into the decade!

So taking into consideration that 1) during biblical times no single prophet had all the answers, and 2) that I am but one single person and certainly not an authority in all areas of our industry, I decided to contact key leaders in each of the areas I have mentioned.

I selected the areas of production, politics and promotion, because I strongly feel that all the important issues that we will face during the decade fall somewhere under these three.

Another point I would like to make - is that many of the issues will fall under more than one category and many are inter-related. For example, the issue of land use could be discussed under both production and politics, because as you well know, agriculture taxation is a hot political issue in Florida and it definitely effects your ability to maintain a successful farm and produce milk!

Where relevant, I would also like to make some comparisons between the national and Florida dairy situations, because as you well know - Florida is perhaps the nation's most unique dairy state.

Since our great industry revolves around the ability of the dairy cow to give great amounts of milk on a continual basis, let's first take a look at PRODUCTION in the 80's

Many factors obviously effect the production of milk in Florida and in the U.S., but perhaps money is the biggest factor! The cost of feed, cows, equipment and labor is basic to any operation. All of these costs will no-doubt go up and up during the decade. The question is, how much?

Gene Meyer, Editor of Hoard's Dairyman analyzes the situation like this: "Dairyman who are in a strong equity position will continue to do well. However, the heavily financed dairymen, especially the young ones, may face a financial squeeze because of higher interest rates and higher costs of supplies. Capital investment per cow will continue to grow, putting more stress on the man and the cow."

Here in Florida, Dr. Barney Hrris, extension dairy specialist, projects the economics of production like this: "Our dairymen will become more consious of economics and the need for better and efficient management practices. Areas needing a hard look at the present include feed utilization and energy consumption."

"Also, economics will dictate that Florida dairymen must and will seek higher quality replacement stock from supply states, and may wish to consider growing their own herd replacements."

Florida dairy farmer, John Peachey analyzes the future by saying, "Greater efficiencies must be introduced in milk production to compete effectively against out-of-state milk suppliers. This may mean lowered premiums by coops. There will be a shift to feeding more roughage which can be produced by local dairymen or obtained on a contract basis to meet greater economic efficiency at farm level."

Economics as it relates to energy will be one of the most inter-related issues facing the U.S. and Florida dairy industries in the 1980's.

The U.S. dairy industry is dynamic, diverse and it delivers its' quality product (s) to consumers from Key West to Banger, Maine, and from Wisconsin to Seattle. But the distribution and production systems in the 80's will have to become even more efficient. Milk will be produced geographically different than today - energy and economics will dictate it! Some key market researchers and economists in the dairy industry, have been studying this carefully - as it relates to regional and national production capacities.

Lynn Stalbaum, legislative representative of the National Milk Producer's Federation, recently noted in Hoard's Dairyman, that over the past 20 years total milk production in the U.S. has remained quite constant. In 1960 it was 123.1 billion pounds; in 1965 - 124.1 billion, and in 1979 - 123.6 billion. However, what has changed, notes Stalbaum, is where milk is being produced.

For the most part, milk production is following population growth. The Sunbelt, the far west and Florida are showing great population gains and a growing number of large dairy farms are expanding to meet these demands.

Stalbaum continues, "There is every reason to believe that this shift will continue, and that milk production will follow."

Truman Graf, Ag Economist with the University of Wisconsin, says that "trumatic change" best characterizes the dairy industry in the future! One of the points he makes, which supports Stalbaum is that a marked increase in concentration of milk production is schedules, this will result in greater centralization and geographic concentration - thereby increasing production efficiency. However, this will not necessarily spotlight marketing efficiency - since longer hauls for milk could result!

This leads to a prediction by Mr. Joe Antink of the Florida Dairy Products Association: "Consumers will be offered longer - shelf-life foods in the 80's, including sterile (UHT) dairy commodities. They will gain a larger share of the market."

John Speer of the Milk Industry Foundation noted that "We will see sterilized milk in the 80's. The UHT milks will have a limited market at first-- until a massive consumer education program is launched and educates consumers."

But don't underestimate the impact of UHT milks, as in other countries with limited energy resources, they will become more popular as the energy crisis continues.

Dr. Ray Mykleby, Executive Vice-President of Dairy Research, Inc. (DRINC), emphasized the needs of the industry for new technology. "We in the dairy industry have got to get manufactured milk products to the consumer using maximal efficiencies in milk procurement, handling, processing, and distribution. New Technologies and efficiencies implemented in the 80's will enable us to do this. One example is the freeze concentration process which will save the industry thousands of dollars in manufacturing costs."

Dr. George Muck, Vice-President of Research and Development, Dean Foods Company, pointed out that the 80's will produce a greater need for "technocrats" in the industry who understand the components of computerized and automated equipment at the farm, cooperative and processing levels.

And Bill Brown, Assistant Director of the Dairy Division, Florida Department of Agriculture and Consumer Services, notes: "New technologies introduced at farm levels must be implemented and operated correctly, or milk quality problems could develop. Funds allocated for milk quality inspections by State and Federal regulatory agencies will be cut." This will precipitate a greater need for producer, cooperative and processor responsibility and self-enforcement of sanitary and quality standards.

Well - not to make the transition into the area in which I feel most comfortable - POLITICS! But perhaps, based on some of the recent political "happenings" in Florida, and throughout the U.S. a registered lobbyist - like myself - can get paranoid! Predicting politics is fun, but it is an area of big surprises!

The scary part of the business is this: Government effects every, and I repeat every thing we do. Just think about that as it relates to our industry - milk law, hauling, marketing orders, labeling, environment, land use, etc! Even more critical - those who make the laws are becoming more and more urbanized. Most of these people simply don't know the field of agriculture, and many times just don't care.

As Bill Graham pointed out at last year's Dairy Farmers, Inc. Annual meeting - politicians vote to get elected!! They vote on the issues based on their constituents feelings. In the urban areas of Miami, Tampa, St. Pete, and Orlando - the people certainly don't really care about farmers. They are more "into" roads, health care, pollution, and protection. This makes our job of selling agriculture, and selling dairy farming more difficult. There is power in numbers. And we in agriculture are a "growing minority".

All this seems rather negative, but I see it as positive! Because to survive in the 80's, all of agriculture - from dairy farmers to tomato growers will have to combine efforts for a unified voice. As Charle Williams of Independent Dairy Farmers Association recently said at the coop's annual meeting, "United We Stand - Divided We Fall"! This will be even more meaningful in the 80's!

What are some of the tough political issues we will face in the 80's?

The list could run from antibiotics to Zoology, but in the time allotted I will attempt to zero-in on a few of the key ones!

I would like to begin with the subject of Taxation - as it is the single most important issue facing all of agriculture - the dairy industry included. It truly "taxes" the mental capabilities of agriculture leadership everywhere. And its a hot issue.

Closely tied to taxation is the land use issue. Because, as many of you know, the issue of land use is centered around raising money-- and not simply limited to providing food and fiber for our rapidly growing population.

On this issue - it is very difficult to maintain a united agricultural voice. Some farmers would be receptive to having their land classified agriculture in perpetuity. Others want to maintain the Agricultural Assessment during the time their land remains in agriculture, but want the flexibility of allowing the "marketplace" determine the ultimate value of their land. Dairy Farmers, Inc. has taken the "marketplace" side. However, I predict some modifications on these issues will be seen in the decade, as urban sprawl will definitely affect land use and taxation.

Other key political issues facing agriculture/dairying in the future are those dealing with the environment - namely air, water and land.

Once again, the political situation is pitting the urban legislators against rural representatives. In reality, both urban and rural constituents have the same basic needs - food and fiber at reasonable prices.

Those of us in agricultural communications must continually remind those in the legislative process, that the agricultural capacity of this country and state must be developed through research and technology.

That leads me to another very important politically-related topic - political action committees in agriculture. As the number of farmers continues to decline, the necessity of developing and maintaining well-financed, political action committees will become more important. There is nothing wrong with participating in this countries political process - despite the comments of "common cause" and some of the other's who advocate against "lobbying", but who actively partake in it!! Participating in the campaigns of those running for office - through personal involvement or through financial contributions - is perfectly legal. And, I might add, it is effective and a moral responsibility!

Now. . .how about the big political issues facing the National Dairy Industry. You all know them - the Dairy Price Support Program, the Federal Market Order Program, Dairy Imports, - namely casein, and Nutrition and Health. I asked Pat Healy, Secretary of the National Milk Producers Federation to comment on these.

Healy said, "The politics facing the dairy industry in the 80's are much the same as we've encountered before. We must use them to our advantage. A great awareness must be developed among the political leadership of this country, as to the importance of food in adequate supply.

"All of the major legislation which supports the dairy industry is directed to this end. The Price Support Program, for example, has as its goal, the production of an adequate supply of milk, And the Federal Order Program exists to direct that supply to consumers in an orderly fashion."

Suffice it to say, we all have recently witnessed the direction of the current administration, which reflects the feeling of the people, to cut government cost. The economics of the National and Florida dairy industries will undergo many changes in the 80's. Whether this is good or bad for the industry as a whole will depend upon cooperation and unity at all levels!

Another area of major political concern for the dairy industry in the 80's is how the federal cut backs in the Food Stamp, Child Nutrition and School Milk Programs will effect the economics of our industry. Several questions need to be answered. Perhaps the biggest is: How are we going to sell the milk which will be "pumped out" of these important health programs?

This brings us up to the final, but most highly important topic MILK PROMOTION!

I would like to begin my discussion in this area by stating that whatever a major over-production crisis exists in our industry it seems the primary emphasis is placed on cutting production - not "selling" more product. However, if our goal as an industry, and as a business, is to make money by providing Americans with a high quality, nutritious product, then - MILK PROMOTION, itself must be highly "promoted" and "utilized" as a marketing tool.

Most of you know, I have been a strong adovate of milk promotion over the years. I am convinced that sound milk promotion programs, backed by a solid industry financial committment will be one of the most effective ways to build sales and a future for our industry in the 80's.

As I attempt to predict PROMOTION for the decade many questions come to mind. What population trends will we see? Where will the people live? How much money will consumers spend on food? What will happen to the price of milk and other dairy products? What will happen to the cost of television, radio and print media? What kinds of budgets will our competitors place against us? Will the growth toward imitation products continue to be a "Real" problem? Where will consumers purchase our products - in the supermarket or in the restaurant? The dairy industry must consider these questions and others as it plans and adjusts its marketing and promotion programs to meet the challenges of the 80's.

With the growing population in the U.S. and in Florida, it is going to take more and more dollars to promote milk! Add to that the rising cost of using the mass media caused by our competition, and by inflation - and its easy to see that all segments of the dairy industry - the farmer, the processor and the retailer will dramatically "up" their investments in milk promotion in this decade.

Also, major financial decisions will be made as to what products should be promoted through national promotion programs, and which could be better developed and implemented locally to meet specific market needs.

To this end, perhaps we will see continual strong efforts being made to promote cheese and butter. Potential funds will be generated based on the volumes of milk being manufactured into products in various states or regions, and nationally coordinated programs will be implemented. The name of the game in today's and tomorrow's dairy marketplace is to move more milk and butterfat!

Glenn Lake, Michigan dairy farmer and President of UDIA, says, "Imitation dairy products are without a doubt, an economic threat of great magnitude to dairy farmers. How we decide to meet this threat will be one of the key issues in the 80's".

Herb Forrest, Director of the Dairy Division of USDA - predicts that, "Intensified threats by imitations will continue." However, he said that with good promotion programs by the dairy industry, the American people will increase their purchases of "Real" dairy foods which are highly nutritious and natural.

To this end, the American Dairy Industry is in the process of implementing the "REAL" Seal Program.

The objective of this program, is to simplify for the American consumer the selection of a "REAL" dairy product. With the growing number of ersatz products at the dairy and frozen foods cases - this distinction is getting harder and harder. The dairy industry is joining together for the benefit of both the industry - and its quality image, as well as to aid the consumer.

Hopefully by the end of this year, the majority of Florida's fluid dairy products will carry the "REAL" Seal. Dairy Farmers, Inc. is targeting a major educational campaign at the consumer beginning in 1982.

To stretch advertising dollars, more promotions and cooperative campaigns will be launched by dairy processors - predicts Richard Lee, President of T.G. Lee Foods in Orlando. "Name brand manufacturers will have to increase advertising to effectively compete with private label products," he adds. "More promotional tie-in dollars to be used with local tourist attractions can be expected.

My own prediction is that generic milk promotion will be more important and "REAL" milk and dairy products will be the dairy farmers brand!

Milk and milk products will be promoted as the products they are - not as soft drinks or medicines.

Dr. M.F. Brink, President of National Dairy Council, said, "There will be a continued concern by consumers about nutrition and its relationship to health in the 80's.

I'd like to add, this should put milk and dairy products in a "good light" to compete in the marketplace. But those product strengths must be promoted to the consumer!

I have covered a few of the issues facing us in this decade. It would be impossible, as I have stated at the beginning, to predict all issues and the solutions - only time will tell!

But I'd now like to briefly summarize - PRODUCTION, POLITICS, AND PROMOTION in the 80's.

Agriculture is the nation's biggest business with assets totalling \$927 billion.

In Florida, agriculture is a \$12 billion plus contributor to the state's economy, leading the nation in the production of over 15 different agricultural commodities.

It is a state growing in population and hopefully in milk production.

Dr. Barney Harris predicts that there will be substantial increase in milk production per cow this decade. Florida has already passed the 10,000 lbs/per/year animal average. It is projected that the average production will pass the 12,000 pound mark by 1990.

Dairy farmer, John Peachey urges that Florida dairymen should increase production to meet the needs of the Florida market.

Agriculture Commissioner, Doyle Conner, expresses concern over the "decline in per capita consumption of milk and milk products, because the Florida dairy industry is tied to the production of fluid milk".

John Speer, of MIF, says "The prayer for the 80's is that the dairy industry will be more marketing oriented and less production oriented.

And Jerry Dryer, Editor of the National Dairy News, urges the industry to "sell, sell its products through special techniques".

Another prominent dairy leader said two words come to mind in describing the dairy industry in the future - technology and sophistication!

I will add to his two - one of my own - money! Money for farmer, the coop, the processor, the retailer, the regulator and legislative personnel, the agricultural researchers and economists together our industry will prosper in this decade.