

FUTURE COMPETITIVENESS OF THE FLORIDA DAIRY INDUSTRY: FARMER OUTLOOK AND EXPECTATIONS

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The Florida dairy industry is facing some serious challenges. Over the last 8 years we have lost in excess of \$2.00 of over-order premiums. These lost premiums were what the average Florida dairyman paid his creditors and lived on. Unfortunately, I don't see the price of milk increasing. We are now in a national market and, at least until the processing plants follow the milk supply west, we will see that western milk putting pressure on our prices. We can't expect our processors to pay us any more than comparable milk received from our neighbors to the north or west. Comparable is the key word. I expect a premium for fresher, high quality milk since our processor receives an economic benefit through greater shelf-life from that milk. We need to figure ways to produce milk cheaper. I saw some figures on the number of Florida dairies and pounds of milk produced in 1994 compared to 1990. The number of dairies hasn't changed but pounds of milk has gone down. There is no way any dairy can make less milk today and stay in business. Florida dairymen have historically let cow pounds slide when milk prices are down. That is exactly the opposite from any economic principles I have ever been taught. When price drops add cows. Of course, when the price goes up, you need to add cows too.

Anyway, one way to cut costs is through expansion. We think in order to stay competitive a business, you must expand at least by the rate of inflation.

Most dairymen know the impact environmental regulation has had on our industry. From a perceptual standpoint, it has been positive. From an economic side it hasn't been as positive. The regulations have forced Florida dairymen to house cows in an environment conducive to high levels of milk production but also an environment requiring intensive cow management. These regulations are a significant factor in encouraging dairies, particularly new ones that can still adjust their capital budgets, to utilize intensive grazing. Grazing dairies have a good image as being environmentally friendly and the savings in capital costs to construct lagoons and manure handling facilities for large confinement operations can offset much of the losses from lower production per cow.

Grasses grazed in a timely manner can analyze as high as 21% protein, 56% NDF, and .58 Mcal NEL/lb of dry matter. Pasturing these grasses can grow heifers at the rate of 1.6 to 1.8 lbs/day gain and furnish the forage portion to a milking cows diet at a very economical rate.

Herd replacements continue to be a major challenge. Woody Larson made the statement a couple of weeks ago that it costs them \$2.00/cwt for herd replacement. Should we cull that 2-3 month pregnant cow just because her level of production is no longer

profitable? At \$1/day feed cost if grazed, for \$200 you can have a fresh cow. That is not a bad deal. Go ahead and put a heifer in her place, just don't sell the cow. I know that those concerned about herd average are not going to keep her, but herd average won't pay the bills.

A well managed bull group can also cut down on cull rates. Any cows at 120 days-in-milk not pregnant should be with a bull. I would suggest that the increased value received from an AI animal 2 years down the road is far outweighed by a pregnant cow today.

If we expect a fair return on our assets, the days of the "good'ole boy management" of our cooperatives needs to come to an end. At \$2 to \$3 over-order we could live with it. Today we can't. We need a consensus of the Florida dairymen setting policy for the orderly procurement and marketing of our milk. We need one voice demanding creditable studies done to determine realistic competition from packaged milk, transportation zones from all sources of completion and correct point of sale pricing.

If Florida dairymen are going to continue offering full supply contracts we must find a way to spread this cost over more cwt. Why can't we market milk from Atlanta to New Orleans, thus controlling the milk that influences our market, or at least spread our balancing costs on this milk. Mid-AM will be happy to solve these problems for us, but to date I haven't found a single large producer receiving as much for his milk as before joining Mid-AM. Makes you wonder.

I am cautiously optimistic about dairying in Florida, however it will belong to those willing to change and cause changes. Thank you.