

Local Government Snapshot



NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

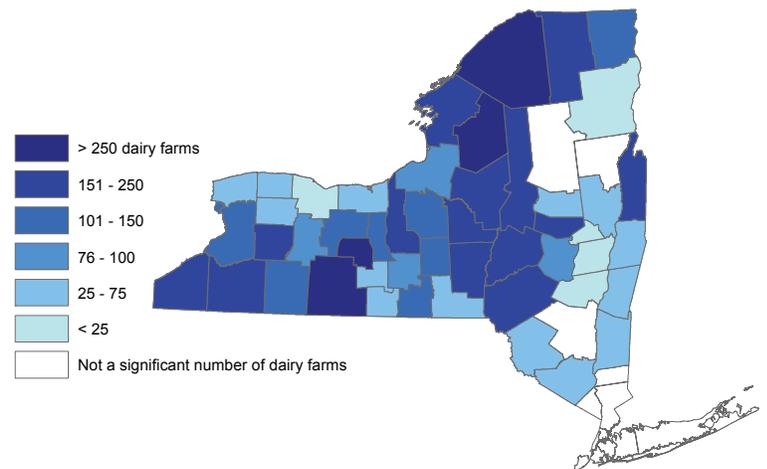
Thomas P. DiNapoli • State Comptroller

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New York's Dairy Industry in Crisis

- New York's dairy farms are a vital part of the State economy. In 2007, New York's dairy farms generated \$2.3 billion in revenue, supporting more than 20,000 farmers and employees as well as many local businesses that supply or provide services to dairy farms. Like most small businesses, dairy farms have been hit particularly hard in this recession, largely as a result of low milk prices.
- Most farms in New York State are family-owner operated. In 2007, New York State had 5,683 dairy farms, each earning an average gross income of about \$408,000.¹ But the long-term trend has been toward fewer, larger farms: in the years from 1998 to 2007, the number of dairy farms in the State plummeted 27 percent. The number of dairy farmers has dropped as dramatically, with the State losing half of its dairy farmers in the last 20 years.
- The decline of small family farms in the State negatively impacts the local economies in which these farms are located, and also changes the rural character and quantity of open space in upstate New York.

Number of Dairy Farms by County 2007

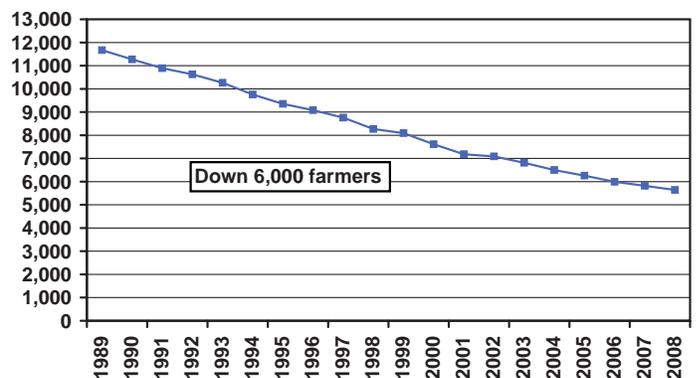


Source: New York State Dairy Statistics Annual Summary 1989-2009 from NYS Department of Agriculture and Markets

New York's Dairy Industry—Economic Significance

- New York is the country's third leading producer of dairy products, behind California and Wisconsin. Dairy and dairy animal production in New York generates more than half of the State's agricultural income.
- The industry is concentrated in several rural counties of upstate New York: St. Lawrence, Yates, Lewis, and Steuben counties have the largest number of dairy farms, and Wyoming County is the State's leading producer of dairy products.
- Recently, falling milk prices have threatened the financial viability of many dairy farms. In June 2009, the price dairy farmers received for milk reached its lowest point since 2006. At about \$11.50 per hundredweight of milk sold,² this was down over \$7 from a year earlier and fell short of covering farmers' average operating costs (about \$17 per hundredweight). The decline from 2007 to 2009 is the most drastic drop in milk prices ever.

Number of Dairy Farmers in New York State, 1989-2008



Source: New York State Dairy Statistics Annual Summary 1989-2009 from NYS Department of Agriculture and Markets

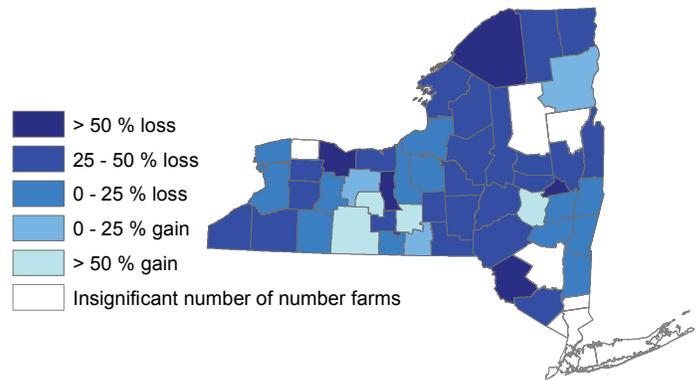
¹ New York State Department of Agriculture and Markets. The United State Department of Agriculture reported 5,799 dairy farms in New York for 2007.

² There are approximately 12 gallons in one hundredweight (cwt) of milk.

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- By July 2009, 16 of the largest dairy farming counties had lost at least \$10 million each in dairy revenues;³ by December, Wyoming County had estimated losses closer to \$60 million. Statewide, dairy farms reported losses of \$700 million for 2009.
- These losses are forcing some farmers into foreclosure. In Jefferson County, for example, at least 10 farms have closed since January 2009, resulting in a loss of \$27 million of income per year. Dairy industry losses in these communities have a ripple effect throughout their economies, negatively impacting local businesses that provide supplies or services to dairy farms and the property and sales tax base.
- As a result, many farmers have opted to participate in the Herd Buyout Program - a private, voluntary cooperative that allows farmers to retire herds in order to curb milk supply and drive prices up for remaining farmers. However, even though this helps the industry as a whole, the loss of herds dramatically affects local economies: each dairy cow lost is worth about \$13,737 to the area's economy and about \$40 in lost municipal taxes.⁴

Percentage Change in Number of Dairy Farms By County 1998-2007

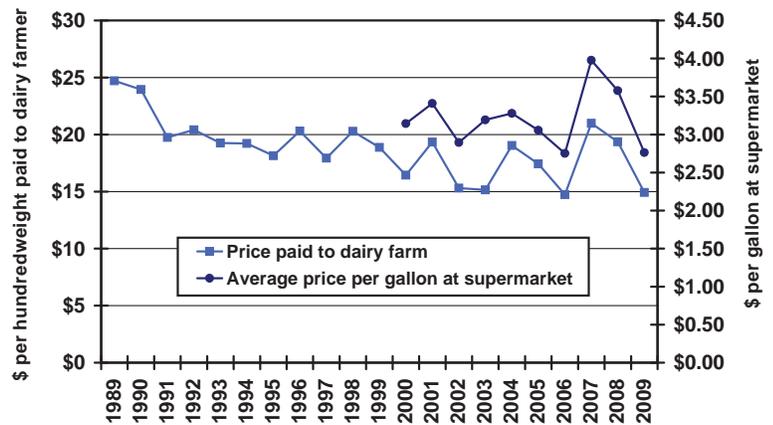


Source: New York State Dairy Statistics Annual Summary 1989-2009 from NYS Department of Agriculture and Markets. Orleans County had the same number of farms.

New York's Dairy Farms in Crisis

- The volatility of prices paid to New York dairy farmers is affected by national supply, increasing operating costs (feed, fuel, and electricity), the demand for milk and certain milk products, and, most recently, fluctuating global export markets. These prices vary, sometimes drastically, from month to month.
- There have been claims made that supermarket prices were not coming down as fast as the price to farmers, leading to accusations of price fixing. However, the most recent data appear to show average retail prices dropping fairly symmetrically with the price paid to farmers.
- The national milk income loss contract (MILC) program provides some measure of income stabilization for dairy farmers. If the federal order price is less than \$16.94 per unit (hundredweight) of milk, the MILC will pay 45 percent of the difference between that amount and the existing price.
- In response to the most recent drop in prices, Congress authorized the U.S. Department of Agriculture to distribute additional dairy aid to the nation's struggling farmers, favoring smaller farms such as those in New York. Upstate farmers received an estimated \$40 million at the end of December 2009. However, the amount given to individual farmers did not compensate for the tremendous losses suffered last year. For example, the maximum payout in December was \$19,200, while the average farm lost upwards of \$10,000 per month in 2009.
- Other federal bills under consideration include: increasing the reimbursement rate on the MILC program from the current 45 percent to 90 percent of the difference in milk prices, reworking the milk product import tariffs, and creating a commission that would evaluate the current milk marketing order system that sets the milk price for each month.
- New York State's rural economies are dependent on the survival of the dairy industry. These farms provide economic benefits, preserve open space, and are an integral part of rural life.

Ten-Year Decline in Dairy Prices in New York State (Adjusted for Inflation)



Source: New York State Dairy Statistics Annual Summary 1989-2009 from NYS Department of Agriculture and Markets

³ Cornell University Program on Dairy Markets and Policy Analysis, 2009

⁴ *Rethinking Dairyland: Background for Decisions About Wisconsin's Dairy Industry*. Marketing and Policy Briefing Paper No. 78A, May 2002, University of Wisconsin; also NYS Department of Agriculture and Markets and New York Farm Bureau