

# The Current Situation with Wisconsin Agriculture

By Roger T. Williams

## The Dairy Farm Situation

For decades, Wisconsin has been known as “America’s Dairyland;” in fact, our license plates proudly make this claim! But, for the past five years, the pay price for farmer’s milk has plummeted to just over half of what it was in 2014: \$14-18 per hundredweight (cwt) for the past five years compared with \$26 per hundredweight in 2014. Then, the recent Covid-19 pandemic shredded the pay price for milk even further. Approximately 90% of the milk produced in Wisconsin is made into cheese—especially mozzarella—and ends up on pizza. The closure of restaurants and schools and the suspension of other activities greatly reduced the demand for milk **and** cheese creating a glut of milk in our state.

Many dairy farmers were asked to reduce their milk production; some dumped their milk and others culled their herds to reduce their production by 20%. Milk prices rebounded to the low \$20s per cwt in June and July 2020 due to strong exports and the re-opening of restaurants, but prices are expected to taper off by December 2020. This brief rebound in milk prices helped to foster optimism among dairy farmers, but 4-6 months of stronger milk prices does not offset five years of extremely low prices.

As a result of low milk prices, Wisconsin is losing dairy farms at a rapid rate. We were losing about 500 dairy farms a year until 2018 when the number grew to 691 dairy farms lost and the number lost in 2019 grew to 818. In short, the number of dairy farms has shrunk from over 16,000 in 2003 to fewer than 7,200 today (this is down from over 180,000 dairy farms in Wisconsin during our peak in 1935!). It’s a matter of simple economics:

the pay price for milk doesn’t begin to offset the rapidly escalating costs of farm expenses, including seed, fertilizer, fuel, machinery, cattle and land.

Frank Friar at the Wisconsin Farm Center (Wisconsin Department of Agriculture, Trade and Consumer Protection) estimates that the cost of producing milk in Wisconsin is \$21 to \$25 per hundredweight, depending on whether the farm has a mortgage or is mortgage-free. Their Farm Assistance Hotline is getting repeat callers (farmers that have called in previous years). Many have been good managers but are considering getting out of farming due to the current financial crunch. Some are sounding depressed and even expressing thoughts of suicide...something farmers are very reluctant to do. The Hotline does not have statistics on Wisconsin farm suicides, but they know this is a reality across our state. The January 27, 2019 issue of the Wisconsin State Journal highlighted the growing issue of farm suicides and quoted a Centers for Disease Control and Prevention report for 2012 which said that farmers have a suicide rate of 44.9 per 100,000 farmers, several times the average for other American workers.

The underlying problem is an imbalance between our supply of milk and the demand for milk and milk products. Something can be said about each side of this equation. On the demand side, the milk price plunge was largely explained by weakening export demand prior to Covid-19 and to weakening domestic demand due to restaurant and school closures after March 2020. In 2015, export demand dropped dramatically due to a stronger U.S. dollar and competition from European milk; then, in 2017, these forces were compounded by the trade wars between the U.S. and China, Canada and Mexico which placed tariffs on our dairy

exports. The shutdown of much of the U.S. economy due to Covid-19 was dramatic and totally unexpected. 2020 was predicted to be a good milk price year for dairy farmers...a chance to rebound a bit from low prices of the past five years. But milk prices were low in early 2020 and the rebound in the latter half of this year will be brief due to Covid-19.

Several things can also be said about the supply side of the equation. First, Governor Scott Walker, in an effort to beat out California as the dairy state, created a program to boost annual dairy production to 30 billion pounds of milk by 2020; this goal was met by 2016, helping to flood the milk market since then. Second, milk production per cow has more than doubled since 1970 due to genetics, feeding and better management; the Wisconsin herd average is 24,840 pounds of milk a year and some herds are averaging 30,000 pounds of milk. Third, while the average number of cows per dairy herd hovers around 175, the number of CAFOs (Concentrated Animal Feeding Operations with 500 or more cows) has more than doubled: from 146 in 2005 to over 295 today. And fourth, there are no disincentives for producing more milk until recently when dairies placed caps on milk production. Thus, when prices are low, farmers have tended to seek more income by producing more milk and when prices rise, they have tended to produce more milk to capture the higher prices.

There are at least three initiatives aimed at improving the imbalance in the supply of milk and the demand for milk and milk products in Wisconsin. These can be briefly summarized as follows:

- 1) Mark Stephenson, head of UW-Madison's Center for Dairy Profitability, led a Wisconsin Dairy Task Force 2.0 study group. This has been a joint effort between the UW System and DATCP with the following focus: To study the dairy industry and come up with recommendations "to maintain a viable and profitable dairy industry in Wisconsin." The study group proposed 51 recommendations to strengthen Wisconsin's dairy industry, from "Recognizing the importance of exports" to "Increasing demand

for fluid milk consumption in schools" and "Creating a UW Dairy Innovation Hub."

- 2) Senator Howard Marklein and Assemblyman Travis Tranel introduced bills in the state legislature authorizing \$8.8 million to fund a Dairy Innovation Hub: University-based research projects at UW-Madison, UW-River Falls and UW-Platteville. According to Tranel: "Wisconsin produces more milk than it can handle and we need more markets and products for that industry." There was no significant opposition to the bill, so it was passed and signed into law (approximately \$1 million has been spent so far to gear up for the Dairy Innovation Hub).
- 3) The Wisconsin Farmers Union and the National Farmers organization are proposing supply management initiatives to control the amount of milk produced in Wisconsin. These organizations argue "We cannot export our way out of the situation and need to find ways to control milk production." They have been meeting with dairy farmers across the U.S. to build support for a supply management initiative that is acceptable to farmers nationwide. Given the support of these two farm organizations, if Farm Bureau were to endorse a supply management initiative, it would almost certainly be enacted.

## Other Notable Issues/Developments

- 1) **Additional Agricultural Enterprises:** It's not just the dairy industry that is struggling financially. Prices for hogs, beef, corn and soybeans have been depressed for several years. Hog prices, for example, have been down about 30% since 2014 and beef prices have been down around 20% since 2015. Similarly, corn prices are off about 60% and soybean prices are off around 50% since their peak in 2012. With these depressed commodity prices and rapidly rising costs for farm inputs (seed, fertilizer, fuel, machinery, cattle and land), nearly all Wisconsin farmers are struggling financially.

- 2) **Lack of Investments:** Since margins have been thin and, in some cases, non-existent, many Wisconsin farmers have not been making regular investments in their farming operations. As a result, many are farming with machinery that is decades old, with tractors that don't have Roll-Over-Protective Structures (ROPS) and with machinery that lacks appropriate guards for power take-off shafts. The U.S. Bureau of Labor Statistics considers farming to be the most dangerous job in America with more than 23 deaths per 100,000 workers. The job becomes even more dangerous without ROPS on tractors and adequate guards for power take-off shafts. Investments in farm buildings have also suffered during this turndown in the farm economy. Farm productivity, efficiency and safety are dependent on regular investments and modernization efforts with buildings and other farming facilities.
- 3) **Climate Impacts:** Climate issues have a dramatic impact on farmers. 2019 was declared the wettest year in the recorded climate history of Wisconsin. This made it difficult for farmers to get their crops planted in the spring, to harvest hay in the summer and to harvest corn and soybeans in the fall. There were still large acreages of standing corn and soybeans in mid-December of 2019 and there were major shortages of hay during the winter of 2019-20. 2020, on the other hand, has been a good cropping year: farmers were able to get crops planted early and warm weather plus mostly adequate rainfalls are fostering good crops for 2020.
- 4) **Mental Health Funding:** The Wisconsin Department of Agriculture, Trade and Consumer Protection requested and received \$100,000 in supplemental funding from the state legislature "to provide mental health assistance to farmers and farm families." The money has been allocated as follows: \$25,000 for "Counseling Vouchers" to provide confidential mental health counseling to farm family members; \$50,000 to offer "Workshops for Farmers and Farm Families" on stress management, grieving techniques, succession planning, job seeking skills and other resources available to farm family members; and \$25,000 to offer "Workshops for Counselors Dealing with Farmers" on how to work with Wisconsin farm families seeking help with counseling. Our Network Seed Money is supporting the Southwest Community Action Program in providing counseling services and peer support initiatives for farmers in southwest Wisconsin, a project that has been successful in leveraging monies from other sources.
- 5) **Livestock Siting Regulations:** There is controversy over DATCP's siting procedures for large livestock facilities. The original livestock siting law was passed in 2004 to provide uniform local regulation for new or expanding livestock facilities. Proposed changes would update regulations for manure storage facilities to prevent significant leakage and structural failure. They would also update standards for runoff from feed storage and animal feeding lots and incorporate a new system for managing animal odors based on property line setbacks. The Dairy Business Association, Professional Dairy Producers of Wisconsin and other organizations, including Wisconsin Manufacturers and Commerce, have argued that the proposed changes are largely unworkable and unfair and that they would prevent expansion of dairy herds in Wisconsin. The Wisconsin Land and Water Conservation Association, which represents land conservation departments across Wisconsin, is supportive of the proposed changes, arguing that the standards are vital tools to ensure farms are managed responsibly and in ways that protect water quality. Other conservation organizations and numerous local citizens have been supportive of proposed regulations and procedures, due to concerns about odors and manure problems associated with CAFOs (Concentrated Animal Feeding Operations). The proposed changes were not brought to a vote

by the DATCP Board, so the original siting procedures are still in effect.

- 6) **Manure and Water Quality:** On the issue of CAFOs and manure, it's clear that the liquid manure used in huge animal operations presents a threat to water quality, especially in the central sands area of Wisconsin and in areas where karst (semi-permeable dolomite) is the bedrock underlying the soil. Karst geology underlies much of southern Wisconsin, extending in a V shape along the western side of the state as far north as Polk County and along the eastern side as far north as Marinette and Door Counties. Liquid manure can leach through sand and karst into the ground water below, thus contaminating the water table with nitrates and coliform bacteria. This has been most evident in Kewaunee County where karst is the underlying bedrock; there are large numbers of CAFOs with cattle outnumbering people 5:1 and more than 60% of wells sampled were contaminated. Recent studies also show that 60% of private wells in Iowa, Grant and Lafayette Counties are contaminated. The Wisconsin Center for Investigative Journalism found that manure is a public health problem for over 100,000 Wisconsin families. Thus, it is significant that Governor Tony Evers is promoting policies for clean drinking water in Wisconsin. Our Network Seed Money has been supporting two projects that are having an impact on water quality: The Grant County Rural Stewardship and the Southern Driftless Grasslands projects.
- 7) **The Next Generation of Farmers:** Three of the biggest issues raised during the Rural Listening/Networking sessions sponsored by Food, Faith and Farming Network (Network) in the spring of 2018 were "Transitioning farms from older farmers to the next generation," "Providing young farmers access to land and resources" and "Providing mentors to new/young farmers." There was great concern for where the next generation of farmers would come from, how they would obtain the land and

other resources needed for farming and how the knowledge base of older farmers might be transferred to this younger generation. These concerns become even more significant with the now rapid exodus of dairy farmers due to low milk prices and rapidly escalating farm expenses.

- 8) **Lack of Access to Food in Rural Communities:** Another significant issue raised at our Rural Listening/Networking sessions was "The existence of food deserts in small, rural communities." We usually think of food deserts as an urban issue, but we learned that Richland County does not have a single grocery store in the entire county. And other rural counties have extremely limited options for food: many rural residents must travel great distances to purchase food at large chain grocery stores in urban centers or accept the food options available at "quick marts" affiliated with local gas stations. Thus, another significant issue raised in our Rural Listening/Networking sessions—"Granting local farmers access to local food markets"—is such an important issue for local farmers as well as for consumers in small, rural communities. Our Network Seed Money is supporting Farmers Markets in Dodgeville and Prairie du Chien to aid local farmers and offer local and sustainably produced food in rural communities.
- 9) **Absence of Internet in Rural Areas:** There are large areas of rural Wisconsin that lack access to the internet, and this limits opportunities for equal participation in our modern, internet-driven world. Farmers are impacted in powerful ways since many of their inputs now need to be ordered on-line. This was another issue raised at our Network Rural Listening/Networking sessions.

**The author:** Roger T. Williams is a UW-Madison Emeritus Professor and serves as Board Member and Treasurer of the Food, Faith and Farming Network. This document is updated on an annual basis.