

Bobbi Wilson: Structural reform needed to stabilize agricultural economy

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Wisconsin dairy farmers were treading water in 2020, kept afloat by direct payments from the federal government. The aid resulted in a sharp decrease in herd exits: 360 dairy farms went out of business in Wisconsin last year compared to 818 closures in 2019. When I read the latest statistic, my first reaction was relief. It's a sad state of affairs when the average loss of one dairy farm a day in Wisconsin feels like good news. Even worse was the recognition that the underlying cause was exacerbated by the very thing that kept farmers hanging on.

The Coronavirus Food Assistance Program (CFAP) provided \$564 million dollars to Wisconsin dairy farmers in 2020, accounting for over half of the farm assistance allocated to the state. The payments were sorely needed as farmers faced extreme price volatility and supply chain disruptions amid the pandemic. But government payments also tend to exacerbate overproduction which in turn creates chronically low commodity prices and leads to increased consolidation — exactly the situation we find ourselves in today.

After pouring billions of taxpayer dollars into the dairy industry, 2021 is starting with a glut of milk on the market, cold storage full to the hilt with butter and cheese, and depressed milk prices. As Nate Donnay said in a recent Hoard's Dairyman Milk Check Outlook "we got bailed out and then we started drilling holes in our own boat." He adds that during the second half of 2020, U.S. dairy farmers added 93,000 cows, representing the fastest expansion in 22 years. While several dairy co-ops used base-excess plans to limit milk production during the pandemic, direct payments from the government encouraged farmers elsewhere to expand. If we are going to use taxpayer dollars to bail farmers out, at the very least we shouldn't pay them to make the problem worse.

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During crises that require federal aid, such as a global pandemic, payment eligibility should include limits on overproduction. Under normal circumstances we should focus on policies that promote fair prices and keep dairy farmers in business. We need a complete overhaul of the Federal Milk Marketing Orders to promote greater transparency in milk pricing and allow farmers to capture more of the value in the dairy supply chain. We also need a mechanism to balance milk production to meet profitable market demand. Such a program should apply to all producers to avoid the scenario where farmers in one region limit their production while farmers elsewhere ramp it up. These reforms will reduce government expenditures and better position the industry to respond to future economic shocks.

Dairy produces \$45 billion in revenue in Wisconsin, a figure that is often exalted by the industry. We celebrate our state heritage of America's Dairyland. Given the important economic and cultural impact, one dairy farm a day should be regarded as an unacceptable loss in Wisconsin. If farm policy fails to provide a livable income that keeps farmers on the land, it is simply failing. It's time to try something new, which is why WFU is ramping up Dairy Together efforts to address the urgency felt by family farmers to adopt real solutions. We're also building coalitions and setting the foundation for dairy reform in the 2023 Farm Bill.

Without changes to federal policy, the USDA projects farmers won't see profits like 2020, of which over a third came from direct payments, for over a decade. As 2021 gets underway with a new President and a new Congress, the best hope to truly stabilize the agricultural economy is not more exorbitant bailouts, but structural reform.

— *Wilson is policy & special projects coordinator for Wisconsin Farmers Union.*