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Dairy cows head for slaughter as milk prices sour

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TURLOCK, Calif. -- Hundreds of thousands of America's dairy cows are being turned into hamburgers because milk prices have dropped so low that farmers can no longer afford to feed the animals.

Dairy farmers say they have little choice but to sell part of their herds for slaughter because they face a perfect storm of destructive economic forces. At home, feed prices are rising and cash-strapped consumers are eating out less often. Abroad, the global recession has cut into demand for butter and cheese exported from the U.S.

Prices for milk now are about half what it costs farmers to produce the staple, and consumer prices are falling. Unless the market can be bolstered, industry officials project that more than 1.5 million of the nation's 9.3 million milking cows could be slaughtered this year as dairy operators look to cut costs and generate cash.

"This could destroy our dairy infrastructure," said Mike Marsh, CEO of the United Western Dairymen trade association.

Three months ago, mature milkers would sell for \$2,500 to another dairy, but with nobody buying, dairymen are selling them on the beef market for only \$1,100 each.

It is not just elderly cows that are going to slaughter, said Jon Dolieslager, owner of the Tulare County Stockyard in the heart of California dairy country.

The 262,500 slaughtered nationally in January is 43,500 more than in January 2008. Since September, federal livestock reports show that dairy cow slaughter is up 30 percent, while beef cow slaughter is down 14 percent.

"If milk was worth something, they'd be keeping them," said Dolieslager.

Some dairymen have become so desperate that they are not even bothering to haul to feedlots the newborns whose births keep milk flowing at higher levels.

Investigators in San Joaquin County are trying to determine who dumped 30 dead bull calves on country roads to avoid rendering costs or hauling them to auction, where they fetch \$5 each but cost hundreds and hundreds more to bottle feed special formula. The group Farm Sanctuary is offering a \$2,000 reward for the culprit.

"Apparently it was someone trying to save money who just dumped them," said Susie Coston, the group's national shelter director.

As of Feb. 2, the price farmers receive for a gallon of milk has been 80 cents a gallon, less than half the \$1.65 a gallon the California Department of Food and Agriculture estimates it costs to produce.

"I don't ever remember being able to produce milk at that price," said dairyman Ray Souza, who got into the business in 1963.

The new price was the biggest one-month drop in 54 years in California and doomed cow No. 4424, a fat Holstein who instinctively lumbers to her place in the milk line but has become an economic liability at Souza's dairy.

"She's not giving enough milk," Souza said as he scanned computer records showing output for each of his 900 milkers. "She can't stay here."

The price is set by the Chicago Mercantile Exchange and is based on the price paid for powdered milk, where 37 percent of California's milk is sold. Only 14 percent goes into sales as liquid milk.

U.S. milk, butter and cheese, which enjoyed record worldwide sales last year, no longer are in demand because of the triple whammy of decreased international consumption in a falling economy, a stronger dollar that makes exports less attractive and the scare over melamine contamination in Chinese milk.

Those trade issues have coincided with a three-year California drought that has increased the price and availability of alfalfa hay, and corn costs that have doubled because of competition from ethanol producers.

"We need to get supply and demand into alignment as quickly as possible so this economic trainwreck isn't strung out," said Marsh of the industry association.