

Financial Impacts of Covid-19 on the Nations Dairy Producers

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As the COVID-19 virus travels across the states, from one community to another, a flood of economic devastation hits agriculture and farm families. The domino effect has been much larger than anyone had anticipated. After four years of losses, dairy farmers across the country were hoping this was going to be the year to get back on their feet. Then came the pandemic. Dairy farmers have witnessed the future prices for their product tumbling down as dairy product surpluses continue to grow. Prices are [projected to continue to drop](#) over the next few weeks.

Governors across the country have closed schools and restaurants, along with non-essential businesses in hopes of lowering the curve of new infections. The result of these orders caused cancelations of fluid milk orders for schools, and specialty cheeses and cream orders for restaurants. Milk is a highly perishable product that must be processed shortly after arrival to the processor. Processing plants are flooded with milk as their refrigeration storage facilities are filled to the brim. Most dairy product processors are unique in the type of products their facility can handle. A fluid milk plant is designed for what the market indicates. When schools are open, millions of individual cartons are needed for their lunch programs; but once schools unexpectedly closed, the demand for individual cartons dried up. With nearly everyone preparing and eating more meals at home, an uptick in the need for gallon and half gallons of milk was seen immediately. In

many areas of the country, grocery stores have been limiting milk sales to two gallons per customer. At the same time, some Wisconsin processors have told farmers to dump half of their daily milk production at the farm.

As restaurants closed, the need for cheese and other dairy products also stalled due to the glut of product in the distribution chains from farm to end user. The disconnects between farmers, processors, and their customers' needs will have long lasting consequences. When restaurants open again, the stored-up product will not magically disappear overnight as it will take months to balance the supply with demand of the American consumers.

Even though most farms will get paid something for their milk, the entire group of farmers who sell to the processors will carry the brunt in lower prices down the road. Many farms will see their cost to produce milk much higher than the price they get paid. Those that have more equity will be able to borrow on operating lines, in hope for the prices to turn around in the coming months to survive. But many dairy farmers have not recovered from the past four years of low prices. Livestock producers don't have the option to close the doors, draw unemployment or apply for a small business loan to bridge the gap. Cows still need to be milked and livestock still needs to be fed. Farmers continue to show up every day even though many know that they will lose much more today than they could ever hope the government will put in their checking accounts tonight.

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The nations dairy farmers are not alone in their struggles.

Other animal agriculture sectors are struggling from the subtle impacts of COVID-19.

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