

# Challenges Facing the Dairy Industry Today

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## ■ Background

Together with my brother Dave and son Ben we farm 700 acres (corn, alfalfa, soybeans) and milk 300 cows 3X in Wentworth County just outside of Hamilton, Ont. Six years ago we built a new free stall barn and milking parlour and in so doing we not only acquired new facilities but also a considerable debt load. Milk is our business. Prior to mad cow disease it represented 95% of our income. Today it represents 98%, so the future of our industry and the challenges we are facing are of paramount importance to us if we plan on staying in this business, which we do.

I have identified what I feel are four areas where we are faced with serious issues that will impact our industry in the months and years ahead. These can be categorized under the general headings of marketing, biological security, production, and governance.

## ■ Challenges

### Marketing

Quite simply put, we are not selling enough domestic dairy products. Depending on what statistics you use, per capita consumption is at best stagnate. We have an apathetic and defeatist attitude when it comes to marketing. Our population is ageing, it's a mature market, new immigrants don't have a dairy consumption culture. These are all excuses that we are using for not growing the market. I don't think Coca Cola thinks that way. One of the biggest growth sectors in the beverage industry is tea with the largest increase coming from 20 to 30 year old women. Who would ever predict that? We should be concerned about market share. Some in our industry are willing to let cheaper imported product take away some of our market. The thinking is that if we lower our prices to meet the competition we risk losing government support for supply management and border control for

imported products. I suggest this is a big mistake. Once these markets are lost they will be extremely hard to get back.

We need to be developing new products, new packaging, innovative advertising and promotion. The vast majority of our research dollars are going to production. Most conferences we attend deal with production issues. Which is the bigger problem we are facing - production or marketing?

Our marketing organizations have been preoccupied with moving quality milk from point A to point B. Quotas, interprovincial and international trade issues and other topics have taken up a lot of resources but it is now long overdue to move marketing to the front burner.

## ■ **Biological Security**

Recently, a simulated exercise involving the outbreak of a foreign animal disease was conducted on three farms in Ontario. The purpose of this was to evaluate how all the individuals and different organizations involved would work together in the event that such a situation would really occur. The final report is yet to be written but a number of observations can already be made and questions asked.

First, the livestock industry is extremely vulnerable. Think of all the traffic we have coming onto our farms. Milk, feed, and cattle trucks, salesmen of every description, neighbours, service people, etc. We would be hard pressed to accurately identify 50% of the visitors we have had onto our farms in the past seven days, which we would have to do in the case of some diseases.

Do we even know where our livestock farmers are? In the case of dairy we do but what about veal producers, sheep, beef, pork and other livestock enterprises? We don't know where a fraction of these are located in the event that they would have to be quarantined and depopulated.

Who is in charge in that 'gray time' when a disease is suspected but not confirmed and is there the proper legal backing to do what has to get done? Do we have enough diagnostic laboratories in place to rapidly confirm what disease we are dealing with?

Who is in charge of carcass disposal and where? Who is in charge of road closures in cases where farms within a 5km radius have to be quarantined? Do we have proper insurance programs in effect?

Confidentiality issues in the early stages of a disease, and 'political correctness' concerning who has authority over who, are big obstacles to

overcome if a disease is to be contained in the initial suspect and detection phase.

Our businesses, consumer confidence, and export markets are all at risk in the event of a contagious foreign animal disease outbreak. The challenge for us is to be as prepared as we possibly can be for an event that many feel is not a question of 'if' but a question of 'when'. It is us, the livestock producers, who have the most at stake, and we are the ones that should make sure the proper protocols are in place. Let us not assume someone else is looking after this for us.

## ■ Production

In the dairy business, particularly the Holstein business, we are very proud of our production statistics. We talk about balanced breeding, production, type and longevity. We talk about high production records and how averages are steadily increasing. However there are other figures we don't talk about too much: herd turnover rates 35%, average no. of lactations per cow 2.5, calf mortality 15%, lameness 30%, retained placentas 15%, mastitis 30%, displaced abomasums 5%. These are completely unacceptable levels from an animal welfare perspective and from any business perspective.

The analogy would be Microsoft's Bill Gates being told that management is suffering from ever increasing depression, suicide, anxiety, and marital problems but not to worry, we're selling more computers than ever.

Our customers are today, and will more in the future, be demanding we do a better job of looking after our livestock. We should be demanding more of ourselves. As an industry our production practices leave a lot to be desired.

## ■ Governance

We should be very concerned about the skills of the people we are putting in leadership roles. I think this is especially true of our marketing organizations. If we look at the board of directors of non-farm companies and groups, they represent a wide range of talent and skills that are required to direct that particular group. More often than not they reach outside of their sphere to bring these people in. Our business should be no different. Ever increasingly we are involved in complex issues. Marketing, research, product development, international trade negotiations, advertising, legal and accounting matters, and dealing with multi-national processors as well as other areas of expertise. Why don't we have in place directors that reflect these skills? What makes us think that farmers are qualified to do this job?

Today as in the past, we have people guiding our industry that are vocation and community leaders. They are highly respected and sacrifice time away from their farms and family. I question though whether they have the skills required in the present market place.

## ■ Conclusion

When one is asked to talk about the challenges facing an industry there is a certain amount of crystal balling involved as to what the future will bring. In fact the overall theme of this seminar 'Managing Tomorrow's Dairy Farm' involves speculation and what is on one dairy farmer's radar screen may be entirely different than what his or her neighbour is concerned about. We in this business are very busy with our day to day operations and I feel it is worthwhile to step back, put aside for a moment our production problems, and have a look at the road our industry is going down. If we can come to a consensus as to what challenges we are facing, we stand a very good chance of successfully meeting them.

