

# THE BELLINGHAM HERALD

POSTED: Sunday, Jan. 30, 2011

## Rise in milk prices provides hope for 2011 for Whatcom dairy farmers

DAVE GALLAGHER - THE BELLINGHAM HERALD

Jeremy Visser's livelihood depends on what happens with dairy prices, so he keeps a close eye on what's happening in the futures market. What he's been seeing the past few weeks has left him surprised, and a little hopeful.

Visser, whose family owns dairy farms in Sumas as well as in Snohomish County, said January is typically a time when dairy prices fall, but they've been rising significantly the past three weeks.

That's not good news for consumers who buy milk, but the rise in prices may give Whatcom County farmers a chance to recover from a disastrous 2009.



I can't remember the last time milk prices rose in the last half of January," Visser said. "December looked a little dark (with milk prices going down and feed costs going up), but it's looking better for 2011. We should have a good chance to make up for some of the losses in 2009."

Dairy tops Whatcom County's agriculture industry market value. County dairy products totaled \$186.7 million in 2007, representing 57 percent of the total agriculture market value, according to the U.S. Department of Agriculture.

Much of Whatcom County's milk goes to the Lynden Darigold facility, where it is processed into powdered milk.

If dairy farmers have a good year, others benefit from the multiplier effect, particularly in the Lynden area. The recent rise in wholesale milk prices is being noticed around the county.

"There are a few dairy equipment companies that are in a much better mood than a month ago," Visser said.

The average Class I milk price - one of several benchmarks used in the industry - was \$17.25 per 100 pounds of milk in Washington last year, according to data collected by the Washington Dairy Products Commission. That's considered a break-even year for the dairy farmers when costs are factored in.

In 2009, the average price was \$13.38 per 100 pounds of milk, considered a terrible price for dairy farmers, especially when combined with expenses that dairy farmers were dealing with at the time, according to the commission.

Based on what he's seeing so far, Visser expects the Class I price to be around \$18.50 per 100 pounds of milk, but said the profit margin could be slimmer for farmers if feed costs and other expenses continue to rise.

The Washington Dairy Products Commission noted in its 2011 forecast that the 2010 corn crop was the third-largest in U.S. history, but strong demand for other uses, such as fuel, had reduced the stocks-to-use ratio to its narrowest margin in 14 years.

One way for dairy farmers to better control expenses is to grow their feed, such as grass and corn silage. So far, the recent stretch of local rainy weather hasn't hurt plantings, but this area could use a stretch of dry weather, Visser said.

The rise in dairy prices is partly due to the recovering economy, higher prices in other commodities, and increased global demand for dairy.

"We're seeing some speculative increases right now, but the demand is also there," Visser said, adding that dairy remains one of the more volatile commodities, so it's difficult to predict.

In its 2011 forecast, the Washington Dairy Products Commission expects milk prices to be weaker in the first half of the year, gaining strength in the second half if the U.S. economy improves.

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