

Naomi Blohm speaks to *Marketplace* [Transcript]

This is *Marketplace*. I'm Kai Ryssdal. I was talking to Brian Duncan, our hog farmer out in Illinois the other day about agriculture and the trade war: Circular bad news is what he called it - the repetitive cycle of tariffs counter tariffs, threats and more threats.

Ag relies a whole lot on exports is the thing, but even before this administration took over some parts of the American farming industry had been having some problems.

Marketplace's Justin Ho's on that one.

[Justin Ho] There's a 400-cow farm in Wisconsin called The Nelson family dairy farm, Sarah Lloyd runs it with her husband, and she says dairy farms across the country are facing a big issue.

[Sarah Lloyd] We really do have too much milk on the market...

[Justin Ho] ...and that's pushed prices so low that hundreds of farms in Wisconsin are going out of business. Lloyd says for her farm, it's been a struggle.

[Sarah Lloyd] The Nelson Family Farm has been in business for over a hundred years were really just digging deep into the asset base that the generations have built.

[Justin Ho] Until around 2014 dairy prices had been high and dairy farmers had been expanding their operations says Naomi Blohm at The Advisory firm Stewart Peterson.

[Naomi Blohm] It was kind of this domino effect where each dairy farm in their own way was trying to become bigger.

[Justin Ho] Then global milk prices plummeted. China drastically cut back on its milk imports, the EU lifted production quotas, Russia banned western dairy imports, but farms had to keep producing milk, even if they were getting less for it to make their loan payments. The dairy industry has had help; Federal subsidies have been estimated to make up as much as seventy three percent of dairy farm income and Dan Sumner, an Ag Economist at UC Davis, says farms should be designed to withstand price swings.

[Dan Sumner] Farm prices go up and down, that's part of the business.

[Justin Ho] Sumner says what's unusual this time is how long they've been down and it's not just dairy, prices for a lot of ag commodities have been down for several years. By now, he says they should have recovered.

[Dan Sumner] That hasn't really happened for a lot of commodities in part because they're so sensitive to the international trade turmoil.

[Justin Ho] China is the fifth largest export market for American agriculture, including soybeans, corn, hogs. Before the trade dispute, it had been a top export market for years. With that market closed supply is building up in the U.S. California and Wisconsin, the two biggest milk producers, are receiving a hundred and thirty billion dollars in aid this year to cope with the trade war. Sumner says there's

another reason prices are staying low. The industry is getting more productive. It's getting better at farming.

[Dan Sumner] That means that those people can produce the crops and the livestock products as slightly lower prices.

[Justin Ho] Dairy prices are starting to rise a bit. Dean Foods, the biggest milk producer in the U.S., said this week that it's paying more for milk. Part of that is a result of all the rain we've had this year that made it hard to plant feed crops, so prices are up. Then, there's lower production. Dairy farms going out of business, but back at the Nelson family dairy farm, Sarah Lloyd says reduced milk production could help farmers in the long run.

[Sarah Lloyd] We just really need to talk with people about 'Hey, what if you produce less and got paid more?'

[Justin Ho] The National Farmers Union has called for a government incentive program to better control the dairy market. That could mean capping production or charging a fee of farmers who want to expand. So far, nothing's made it through Congress. I'm Justin Ho for *Marketplace*.