Dairy co-ops maintain steady market position

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Editor’s note: This article is based on RR 218, Marketing Operations of Dairy Cooperatives, 2007. To order a free copy, e-mail: coopinfo@wdc.usda.gov, or download it from the Internet at: www.rurdev.usda.gov/rbs/pub/research.htm.

Dairy cooperative members in the United States marketed more than 150 billion pounds of milk in 2007, maintaining a steady market share for co-ops during the five-year period between 2002 and 2007. This and other findings are the results of a survey of all dairy cooperatives conducted by the Cooperative Programs of USDA Rural Development. The survey is done every five years, with the most recent questionnaire collecting information on the milk-marketing operations of dairy cooperatives for fiscal 2007.

The 152.5 billion pounds of milk that dairy co-op member-producers marketed in 2007 was 9.6 percent more than in 2002. This volume represented 82.6 percent of the total milk marketed by farmers nationally, a slight increase in market share from 82.4 percent recorded five years earlier.

The number of dairy cooperatives during this period decreased from 194 to 155. There were 45 cooperatives that processed or manufactured dairy products, the same number as in 2002. Twelve cooperatives only operated receiving stations, while 98 co-ops had no milk-handling facilities. Most of the latter 98 performed bargaining functions; a few others were “check-off” co-ops that provided milk testing and other services.

Fewer farms, more milk

The 2007 survey shows that there has been no slowing of the trend toward fewer farmers producing more milk, nor in the westward drift of the dairy industry.

In 2007, there were 49,675 co-op member producers who marketed milk in the United States, 19 percent (11,715) fewer than five years earlier. The greatest declines were in the East North Central and West North Central regions, each of which had 4,000 fewer member-producers.

The two North Central regions and the North Atlantic region together accounted for 85 percent of all member producers, but had only 51 percent of cooperative milk volume. The South Atlantic region had the fewest cooperative producers, being home to 2,118 members.

With the exception of the South Atlantic, milk volume marketed by cooperative members in all regions was greater than five years earlier. The largest increase, up 9 billion pounds, was in the Western region, which remained the top source of cooperative milk volume. Cooperatives in this region marketed 58.1 billion pounds of member milk (38 percent of total cooperative milk).

The East North Central region accounted for 25 percent of total cooperative milk, the same share as in 2002. The North Atlantic and West North Central regions each supplied 13 percent of the milk marketed by cooperative members.

Milk deliveries per member-producer were up in all regions during the five-year period. Nationally, the average per-producer delivery increased 35 percent, from 2.3 million pounds to 3.1 million pounds. Per-member
delivery was highest in the Western region, at 21.2 million pounds, a 56-percent increase from 13.6 million pounds in 2002. This was more than 12 times that of the North Atlantic region in 2007.

Steady share of milk

As in 2002, there were four cooperatives that each handled more than 6 billion pounds of member milk in 2007. These four co-ops accounted for 49.2 percent of cooperative milk volume in 2007, the same share as reported for 2002.

The number of cooperatives in the next size group (3 billion to 6 billion pounds of milk) increased by one, to eight co-ops in 2007. The milk volume of this group accounted for 22.9 percent of all cooperative milk, an increase of two points from 2002. The 2-billion- to 3-billion-pounds group declined by one cooperative since 2002, and the group’s share of cooperative milk decreased by 2.3 points, to 8.2 percent in 2007.

Together, the 17 cooperatives in the above three size groups had a very slight, 0.3 point decrease in their share of cooperative milk. Their share declined from 80.6 percent in 2002 to 80.3 percent in 2007.

The number of cooperatives in the 1 billion- to 2 billion-pounds group more than doubled (from 5 to 11), as did the group’s milk volume (from 7.1 billion pounds to 15.4 billion pounds), during the five-year period from 2002 to 2007. This group showed the most significant increase in the share of total cooperative milk volume, climbing from 5.1 percent in 2002 to 10.1 percent. This increased share came mostly at the expense of the groups of cooperatives with smaller milk volumes.

In terms of milk volume, the relative

Dairy co-op financial performance

Complete financial data for 2007 submitted by 94 dairy cooperatives to USDA show that:

- Total assets for fiscal 2007 were $12 billion ($8.41 per hundredweight (cwt));
- Total liabilities were $8.7 billion ($6.09 per cwt);
- Members’ equity was $3.3 billion ($2.32 per cwt), with 82 percent of the equity allocated to members.
- Net margin before taxes was $404 million (28 cents per cwt), a return on equity of 12.2 percent.
- Together, these 94 cooperatives marketed 94 percent of total cooperative milk volume.
position of dairy cooperatives to the rest of the industry has been remarkably stable. The largest four dairy cooperatives had only a slightly higher share of the nation’s total milk supply, moving up from 40.5 percent in 2002 to 40.7 percent in 2007. Broadening the focus to the largest eight and the largest 20 dairy cooperatives, both groups also saw little or no change in their shares of milk.

**Co-op share of dairy products**

Volume of butter and nonfat and skim milk powders made by cooperatives increased from 2002 to 2007. Cooperatives’ share of butter, at 1.087 billion pounds, remained at 71 percent of U.S. production, and their share of nonfat and skim milk powders, at 1.444 billion pounds, was an overwhelming 96 percent.

However, cheese made by cooperatives dropped substantially, decreasing by 15 percent from 5 years earlier, to 2.513 billion pounds. This accounted for 26 percent of total U.S. production, compared to 34 percent in 2002. Cooperatives’ share of dry whey products also declined, from 52 percent to 42 percent.

Sales of packaged fluid milk products by cooperatives increased both in volume and in market share. The 4.035 billion pounds marketed was 7.4 percent of the nation’s production, up from 7 percent in 2002. The co-op share of ice cream increased from 3 percent to 4 percent, while their share of ice cream mix increased from 6 percent to 13 percent.

In 2007, cooperatives marketed 11 percent of the nation’s yogurt, 14 percent of the sour cream and 20 percent of the condensed buttermilk.

**Plant operations and employees**

Dairy cooperatives owned and operated 193 plants in 2007, more than half of which were in the two North Central regions.

A plant may perform more than one marketing function. Among the 123 plants that reported receiving and shipping milk as a part of their plant operations, 17 were receiving stations that had no other marketing activities. The other 106 plants also manufactured one or more dairy products, in addition to receiving and shipping milk.

Dairy cooperatives engaged in the production of various dairy products. Most notable were: American cheeses were manufactured in 34 plants, Italian cheeses were made in 17 plants and fluid milk products were packaged in 49 plants. Twenty-four plants churned butter, while 39 plants made dry milk products (other than whey products). Whey products were dried in 24 plants.

Sixty-five dairy cooperatives...
TABLE 2  SHARE OF MILK MARKETED BY MEMBERS OF DAIRY COOPERATIVES, 2002 AND 2007

<table>
<thead>
<tr>
<th>Category</th>
<th>2002</th>
<th>2007</th>
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<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
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<tr>
<td>Share of cooperative volume</td>
<td></td>
<td></td>
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<tr>
<td>4 largest cooperatives</td>
<td>49.2</td>
<td>49.2</td>
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<tr>
<td>8 largest cooperatives</td>
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<td>20 largest cooperatives</td>
<td>84.0</td>
<td>83.7</td>
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<tr>
<td>All dairy cooperatives</td>
<td>100.0</td>
<td>100.0</td>
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<tr>
<td>Share of total U.S. volume</td>
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<tr>
<td>4 largest cooperatives</td>
<td>40.5</td>
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<td>8 largest cooperatives</td>
<td>51.8</td>
<td>51.5</td>
</tr>
<tr>
<td>20 largest cooperatives</td>
<td>69.2</td>
<td>69.2</td>
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<tr>
<td>All dairy cooperatives</td>
<td>82.4</td>
<td>82.6</td>
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reported having a total of 21,475 full-time and 2,938 part-time employees in 2007. These cooperatives marketed 127.4 billion pounds of member milk, or 84 percent of cooperative milk.

Six other cooperatives each had only one part-time employee. Another 15 cooperatives reported having no employees. These 86 reporting cooperatives represented 55 percent of all dairy cooperatives and marketed 86 percent of cooperative milk. The remaining 14 percent of the milk was handled by the 69 dairy cooperatives that did not supply employment information to USDA.