

## Economic Impact on Wisconsin from the Sales of Raw Milk

“Know your Farmer, Know your Food” is a USDA initiative. The goals are to:

- Engage and reconnect Americans with their food supply
- Create new income agricultural opportunities
- Stimulate rural economies and
- Strengthen agriculture by promoting sustainable practices<sup>1</sup>

The legalization of Raw Milk sales in WI achieves this. Consumer demand for sustainably produced grass-fed milk is growing and small farms and dairies can increase their survival by meeting that demand. In doing so, the rights of the consumer are upheld and a new income opportunity is created on small farms. Consumers are reconnected and engaged with the farm, creating at once traceability and accountability by the farmer. This will strengthen Wisconsin’s agriculture and the income will then be used in our local rural communities spurring economic growth throughout Wisconsin. The benefits of legalizing Raw Milk sales clearly meets the USDA’s goals.

DATCP’s recent actions has resulted in a loss to our state of over \$10 million<sup>2</sup> from the sales of raw milk and the circulating income now moved to neighboring states. In addition to that loss, DATCP is adding millions to the state deficit to stop the sales of just 5 hundredths of 1 percent of the milk produced in WI<sup>3</sup>.

89% of WI dairies have herds of 200 or less<sup>4</sup>. Obviously, they are important, yet we lost over 500 small dairies just last year!

At the same time, the number of large 1000+ cow size operation increased by 20 nationally<sup>5</sup>. USDA gives the cost of production for those operations at ½ of the cost for farms with 200 cows or less<sup>6</sup>. When there is nothing farmers can do individually that affects the changing milk base price, it is easy to see why a disproportionate amount of small farmers went out of business. Yet, it is the small farms and dairies that are poised to create the network of sustainable, consumer friendly farms which can re-vitalize rural economies and stimulate the economic growth in Wisconsin that Secretary Vilsack seeks to create.

The direct sale of Raw Milk allows farmers to set a price that allows profit for the farm and equals the fair market value of the product for the consumer. Direct contact allows consumers to see the methods used to raise and milk the cows, building a value-added market while allowing full access to judge the quality of the product and stabilizing farm income.

Wisconsin is currently experiencing a critical time where income, property value, net worth, and available credit have all been reduced. The added income from Raw Milk sales and other farm products purchased by customers while they are at the farm would immediately be used to pay farm costs and living expenses at local businesses. This local income then circulates and creates a ripple effect of new sales and credit availability and increased wealth for the state.

Legalized raw milk will have the most economic impact when purchased from small farms, not large industrial producers. Producing a safe raw milk product in a large industrial dairy is problematic. Large industrial dairies are built for commercial pasteurized milk, often milked right into the tanker; they are not set up to sell directly.

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Small sustainable grass-based farms and dairies can produce clean healthy raw milk and put that added income directly into the local economy. These small farms are not always grade A dairies. In fact, the grade A dairy requirement will **prevent** the full benefit to the local and state economy from materializing. Once a farm has higher raw milk sales their remaining volume may drop too low for the processor, or they may find it pays more to milk less cows and discontinue shipping to the processor. Under the state code<sup>7</sup>, DATCP would be required to revoke their Grade A license for no other reason than they were too successful.

Therefore, the Grade A requirement represents a ceiling for raw milk sales impacting and possibly eliminating small farms and lowers the income potential for WI. Grade A is meant for milk shipped for pasteurization. Raw milk safety is dependent on the cleanliness, care and feeding of the cow, more than the room it is milked in.

For the state to achieve full economic benefit, we need to allow raw milk sales, drop the grade A requirement, and concentrate these sales in small clean sustainable grass farms. The effect of returning more than \$10 million in circulation cannot be understated in the welfare of farm families, our local communities, your constituents and the fiscal health of our state.

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### Footnotes:

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<sup>1</sup> [USDA Launches 'Know Your Farmer, Know Your Food' Initiative to Connect Consumers with Local Producers to Create New Economic Opportunities for Communities](#)

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[http://www.usda.gov/wps/portal/lut/p/s.7\\_0\\_A/7\\_0\\_1OB?contentidonly=true&contentid=2009/09/0440.xml](http://www.usda.gov/wps/portal/lut/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=2009/09/0440.xml)

<sup>2</sup> A very conservative estimate of price would be \$6/gal. USDA expects the 2010 all-milk farm price to be \$16.20/cwt. This equates to 1.39 per gallon. The increase in income for raw milk sales at \$6/gal is \$4.61/gal (\$6-\$1.39).

50 families purchasing 6 gallons of milk per week equals 300 gallons of milk per week or 15,604 gal/year. The price premium would be \$4.61/gal which creates \$71,887 of additional income per farm per year. Since the farmer is currently in a loss position, this money is put immediately into circulation paying bills and other expenses. The ripple effect of this money in further sales throughout the local economy is called the multiplier effect and was calculated to be 1.45<sup>i</sup>. The dairy's additional income of \$71,887 is multiplied by 1.45 for an increased effect on the local community of \$104,237.

If just 100 other farms throughout the state representing just .008 or less than 1% of the 12,892 dairies<sup>ii</sup> currently in Wisconsin provide raw milk for 50 families in their area, the effect on the state will be \$10,423,700 in increased wealth and well-being for the constituents of Wisconsin

<sup>i</sup> ECONOMIC IMPACT ANALYSIS -Local Merchants vs. Chain Retailers by Civic Economics 2002

<sup>ii</sup> Wisconsin Agricultural Statistics Service (WASS), January 2010;

<http://www.wisdairy.com/otherdairyproductinfo/dairystatistics.aspx>

<sup>3</sup> Wisconsin Agricultural Statistics Service (WASS), January 2010;

<http://www.wisdairy.com/otherdairyproductinfo/dairystatistics.aspx>

- Total Monthly WI Milk production: 2.2 billion lbs/100 farms selling 50 families 6 gal/week (13,416,086 lbs/year)

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<sup>4</sup> Wisconsin Agricultural Statistics Service, Wisconsin Dairy Grazing Operations 2004 and 2009  
[http://www.nass.usda.gov/Statistics\\_by\\_State/Wisconsin/Publications/Dairy/dairy\\_grazing\\_2004.pdf](http://www.nass.usda.gov/Statistics_by_State/Wisconsin/Publications/Dairy/dairy_grazing_2004.pdf)

<sup>5</sup> Milk Market Comments by John Campbell, University of Tennessee;  
<http://economics.ag.utk.edu/milknews.html>

<sup>6</sup> Profits, Costs, and the Changing Structure of Dairy Farming pg.9  
James M. MacDonald, Erik J. O'Donoghue, William D. McBride, Richard F. Nehring, Carmen L. Sandretto, and Roberto Mosheim  
USDA ERS Economic Research Report Number 47  
<http://www.ers.usda.gov/publications/err47/>

<sup>7</sup> ATCP 60.02 (8), (9) AGRICULTURE, TRADE & CONSUMER PROTECTION, Chapter ATCP 60  
<http://www.legis.state.wi.us/rsb/code/atcp/atcp060.pdf>