A Comparison of Member and Non-member Dairy Farming in the Northeast United States


Sanjib Bhuyan#

Key words: cooperative member, dairy, financial performance, profitability

JEL Classification: Q12, 14

# Contact info: Sanjib Bhuyan, Associate Professor, Department of Agricultural, Food & Resource Economics, Rutgers University, 55 Dudley Road, New Brunswick, NJ 08901-8520, USA. Email: Bhuyan@aseop.rutgers.edu; tel: (732) 932-9155 x 213. This article contributes to the NJAES project no. 02601.
A Comparison of Member and Non-member Dairy Farming in the Northeast United States

Extended Abstract

Many agricultural farms in the US, particularly small and medium-size farms, are financially not viable. The problem is acute in the dairy sector where large commercial dairy firms are replacing small dairy farms (MacDonald, McBride, & O'Donoghue, 2007). Dairy farming in the Northeast is still an integral part of the farming community and the local economy, and most dairy farms in the Northeast are small.¹ The dairy sector is a major component of agricultural production in the Northeast, and accounted for about 30% of total farm receipts for the region or about $3.8 billion in 2003 (USDA data at www.nmpf.org).

The Northeast, once a bastion of dairy farming in the US, had a large share of dairy cooperatives (66 or over 38% of total dairy cooperatives in the US) with a membership of 6,900 and a gross business volume of $2.53 billion.² Some of the well-known dairy cooperatives in the region include the Dairylea Coop of Syracuse, New York and the Central PA Milk Marketing Cooperative of Reedsville, Pennsylvania. These and other dairy cooperatives in the region may be playing an important role in providing some solutions to the problem of the survival and prosperity of small and medium-size dairy farms in the Northeast. Solutions could be in the form of providing market access to these dairy farmers for both raw and value-added dairy products and by bargaining with milk processors in the region for better fluid milk price, among others.

Regardless of their membership in a dairy cooperative, for small and medium-size dairy farmers to sell their milk through cooperatives (i.e., participate in milk marketing via cooperatives), these dairy farmers must receive tangible benefits such as better prices, open market access (i.e., cooperative is willing to buy milk regardless of sellers’ membership status), and unrestricted entry and exit (i.e., farmers able to sell milk without contractual obligation). On the other hand, if a cooperative provides these and other benefits, financial or otherwise, not only membership may rise but also non-members business, an important source of cooperative revenue, may also increase. If that happens, such benefits could be used as tools against member dissatisfaction and may also be utilized for member retention and new member recruitment.

Based on the discussions above, the aim of this study is to examine the economic performance dairy farmers in the Northeast who participate in dairy cooperatives to market their milk. Small dairy farmers typically face hurdles to get access to the vertically integrated fluid milk marketing chain. We, therefore, hypothesize that small and medium-size dairy farmers in the Northeast use dairy cooperatives to market their milk. More specifically, (i) we will examine

¹ Following the USDA norm, small dairy farms are defined as those with 50 cows or less, and medium-size dairy farms are defined as those with 51 to 100 cows.

² States with less than three cooperatives were not mentioned in the cooperative statistics report (USDA, 2008).
the structural and financial performance of small and medium-size dairy farmers who participate in dairy cooperatives and compare them to those who do not participate in dairy cooperatives; and (ii) given not all participants are not cooperative members, we will examine how members’ dairy farming operation and performance compares to those of non-members (overall and by herd size). We hypothesize that cooperative members are better managers of their dairy farming operations than the non-members.

This study will be focused on the Northeast dairy region of the U.S. which is represented by Pennsylvania, New York, Vermont, and Maine. The principal data source will be the 2005 Agricultural Resource Management Survey (ARMS; http://www.ers.usda.gov/Data/ARMS/) of the United States Department of Agriculture (USDA). The ARMS data will be refined (i.e., filtered) for the purpose of the study. Overall, this study is expected to provide useful information on the performance of member-owned small and medium-size dairy farms and how do they compare to non-member operations. Such information would be of interest to dairy farmers, cooperative members and managers, as well as researchers and practitioners of cooperatives and dairy farming.

REFERENCES


