

# New York's Dairy Industry: Number Five In The Country



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## Why should New York invest in its dairy farms?

The backbone of the Upstate economy is agriculture with dairy farming being the largest component. Farms are economic engines as many rural communities depend on a healthy dairy industry to employ workers and keep local businesses operating, such as building supply stores, fuel suppliers, insurance businesses, feed and dairy supply businesses, financial services, and veterinarian practices. New York's dairies not only improve the Upstate economy, they are beneficial to consumers in metropolitan areas. By keeping dairy farming a viable industry in New York, consumers are guaranteed an abundant supply of affordable, fresh, locally produced milk on their store shelves. If the dairy industry continues to suffer, farms will go out of business, the working agricultural landscape will be lost and the supply of fresh, local milk in the Northeast will also diminish leaving consumers with milk shipped in from other parts of the country.

## How is milk priced?

Dairy farming is a unique business as dairy farmers are price takers and cannot pass along any increase in operating costs. When milk is loaded onto the truck at the farm, the farmer does not know what price will be received for that milk until the payment arrives the following month. Milk is priced on a per hundredweight (cwt) basis, unlike at the consumer level where it is priced on a per gallon basis. There are approximately 12 gallons in one hundredweight of milk. Over the past few years, prices received have ranged from \$11/cwt-\$26/cwt. A price of \$14/cwt, equates to approximately \$1.20 per gallon received by the producer.

The price that farmers receive is based on a federal formula derived from the price of cheese and butter sold on the Chicago Mercantile Exchange (CME) and is administered by the USDA Federal Milk Marketing Order Office. The farmer's price is determined by the cheese price on the CME. Then a value is added based on the amount of protein, butterfat and solids in each individual farm's milk. These two values are added together, along with any quality premiums the farm may qualify for, and lastly, transportation costs are deducted. This is called the mailbox price, or the price that the farmer actually receives. The price per hundredweight is then multiplied by the number of hundredweights of milk the farm produced. Being that this pricing mechanism is federally based, there is no recognition of the fact that farm businesses in the Northeast are operating in a higher cost environment than other parts of the country.

## A picture of the dairy industry in New York State

New York is a leader in dairy production ranking 5<sup>th</sup> in the nation for the amount of milk produced. 2009 was one of the worst years that the dairy industry has ever seen because of record low prices that farmers received while input costs rose dramatically. The cost of fuel, electricity and animal feed has increased by at least 30% in most cases. This trend of escalating input costs has continued throughout 2025 without a corresponding increase in milk prices paid to farmers. Usually, most dairy businesses can survive a downturn in prices received. However, the increases in the cost of doing business put even the best operated farms in a very tight financial position.

## Dairy farms need relief

- Support consistent funding for State Dairy Profit Teams.
- Changes to the Rogers Allen Act. As the law is now written, the Commissioner of Ag and Markets has to be petitioned by cooperatives to set an emergency over order price for fluid milk. NYFB supports changing Rogers Allen to allow the Commissioner the ability to call for an emergency price, when petitioned by 35% of dairy farmers.
- Increased funding for Pro Dairy and animal health and disease programs at Cornell which serve the dairy industry.
- Reduce the cost of doing business through Worker's Compensation reform, property tax reform, and affordable health insurance.
- Support immediate, additional funding for the MILC payment program.
- Increase the production cap and payment utilization rate for the MILC payment program.
- Reform the Federal Milk Marketing Order system or establish a regional pricing structure.