

Industry drying up throughout state, nation as recession worsens

VALLEY CENTER: Konyn Dairy calls it quits

GARY WARTH - Staff Writer | Posted: Monday, January 12, 2009 12:00 am

VALLEY CENTER -- The Konyn Dairy in Valley Center last month became the latest dairy farm to close in San Diego County, where the once-robust industry has dwindled amid rising expenses, a challenging economy and changing landscape. "It's an unfortunate trend," said Eric Larson, executive director of the San Diego County Farm Bureau. "There was a time when we had more than 100 dairies in San Diego County, but the smaller dairies are not faring well."

With the closing of the Konyn Dairy, San Diego County has only five dairy farms left, four of them in North County. The Valley Center dairy had been in the Konyn family for 40 years, and a dairy has been on its site at the northwest corner of Valley Center Road and Mirar de Valle for 75 years.

In recent years, the T&C Louters dairy farm left San Marcos and the Vander Woude, W&W dairy farm was taken over by Steve Dowle's dairy in Ramona. In 2003, the last cows left Hollandia Dairy in San Marcos to make room for Mission Hills High School. Still in business are the Frank Konyn Dairy and Verger Dairy in Escondido, Steve Dowle's and TD Dairy in Ramona and the Van Ommering Dairy in Lakeside.

Trudy Simpson, daughter of Konyn Dairy founder John Konyn, declined to comment last week about the dairy's closing and about the family's plans for the land. Frank Konyn, a cousin and owner of the Frank Konyn Dairy in Escondido, said the Valley Center family has no immediate plans for the property, but is keeping its options open.

Reducing supply

Konyn said the dairy's cows were bought by a national cooperative of dairy farmers that hopes to increase profits by reducing milk supplies throughout the country. The supply-reducing strategy began in 2003, after the National Milk Producers Federation formed Cooperatives Working Together, which "retires" herds of cows by buying them from farms with money pooled from its 60,000 members. The cows then are sold to slaughter.

Christopher Galen of Cooperatives Working Together said the organization twice in 2008 bought the entire milk-producing herds of 385 dairies in the nation. Last summer, it bought 25,000 cows from 201 dairies, and as the economy worsened it staged a second buyout of 61,000 cows from 184 dairies, including the Konyn and Van Ommering dairies. While that is a lot of cattle, the purchase makes only a dent in the nation's population of 9.2 million milk-producing cows. "Percentage-wise, it's pretty small," Galen said. "But it doesn't take a big change in either the supply, which is what we deal with, or the demand to produce big swings in price."

Dave Van Ommering, whose family has operated Van Ommering Dairy in Lakeside since 1960, participated in the cooperative's most recent herd-retirement program, but is not abandoning the business. "It's tough times right now," he said, adding that farmers are selling their milk at 1970 prices while dealing with 2009 expenses. Despite the industry's challenges, Van Ommering said he and his brother, Rob, would tough it out and return to dairy farming. Until then, he hopes the money they got from selling their cows and special events at their farm will see them through. The Van Ommerings sold 500 cows, their entire milk-producing stock, but still have about 600 left.

While most of those are calves too young to produce milk, four heifers that just gave birth are producing milk, and Van Ommering said he expects to have 20 new milk-producing cows each month as his herd matures. "You have to be optimistic at this point," he said about his plans to return to dairy farming. "Then we'll see what the market looks like."

Tricky times

Even if the market does improve, San Diego County is no longer the friendliest place for dairy farmers. Van Ommering noted that the high cost of land makes it difficult for farmers to expand their operations, sometimes leading them to sell their property to developers and relocate.

Dairy farmers also have been affected by a wide range of seemingly unrelated issues, Van Ommering said. Sales of exported powdered milk dropped when the overseas value of the dollar increased, he said, and the price of feed jumped after the government mandated an increase in the production of ethanol, which is made with corn.

But the biggest problem facing dairy farmers today may be the recession, said Michael Marsh, chief executive officer of Western United Dairymen in Modesto. "It's a very difficult time in our dairy industry in California," Marsh said. "Farmers are just hemorrhaging cash."

About 60 percent of dairy products are sold to the food-service industry, which is not buying as much as in the past because of a drop in business.

"As we've analyzed the data deeper, what's really happening right now, which is very concerning to us, is consumers are just not buying," he said. "They're not going out to dinner. They're not going out to lunch. It's really the first time I can remember where we've had this situation." As demand drops, so do the prices paid to dairy farmers. Marsh said.

The Chicago Mercantile Exchange sets the minimum price that companies pay to dairy farmers for milk, and last week the price was \$10.49 for 100 pounds of milk. Last June, it was \$17.42, and in 2007 it was about \$20. Marsh said California has about 1,700 dairy farms -- the U.S. Department of Agriculture figures differ, with a tally of 2,200 dairy farms in the state -- with all but one family-owned.

With farmers now getting 30 cents for every dollar consumers spend on milk, down from 70 cents in 1995, Marsh said he doesn't know how many of those dairies will survive the recession. "I would not be surprised if we lose another 5 or 10 percent of our dairy farms in the first six months of this year," he said.

Tom Van Tol, who owns TD Dairy with his brother, Dan, said he is operating at a loss and may consider a Cooperatives Working Together buyout of his 700 head of cattle if things don't improve. "With milk prices and with what feed costs have been, you just can't make any money at it," he said. "The next CWT that comes along, we're going to take a look at it. We're not going to burn up all our equity just to stay in business."

Frank Konyn said his heart goes out to his cousins, who closed their dairy. But while his own 700-head dairy is "doing miserably," he said, he does not want to sell off his cows. While he sometimes goes to work knowing he may lose \$2,000 to \$3,000 that day, Konyn said he doesn't know what he would do if he didn't have his dairy.

"This is a dairy that was started by my father," he said. "This dairy has been here since 1962. I grew up and was born and raised on a dairy farm. These are the only things we know."

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