WHEN YOU THINK of dairy products, you probably think of fluid milk, ice cream, cheese, yogurt, and similar foods. All these are generated from raw milk produced at a dairy farm. Dairy producers market their raw milk as a main source of income but also have secondary sources of income to support their dairy operations. These include veal production, beef production, and by-products. Income from the marketing of secondary sources aids in supporting dairy operations during lower raw milk prices or in covering high input costs, such as feed, labor, and electricity.

**Objectives:**

1. Describe options for marketing milk.
2. Describe options for marketing secondary dairy products.

**Key Terms:**

- by-product
- colostrum
- Federal Milk Marketing Order
- Grade A milk
- Grade B milk
- veal production
Marketing Milk

Milk prices tend to fluctuate throughout the year due to demand and consumption. Supply and grade also influence the price of milk. Typically, higher prices are achieved in the fall, and lower prices are common in the early summer. If milk prices dip below a certain level, the Federal Milk Marketing Order is activated. Milk is graded for quality when it is delivered to processing plants. Dairy farms producing higher-quality milk receive premiums from milk processors.

MILK GRADING

A milk processor grades milk when it arrives at the plant to determine how to utilize the milk and whether premiums are to be paid to the producer. Milk is either Grade A or Grade B, depending on its quality, storing temperature, bacterial counts, somatic cell count, residues, and other factors. **Grade A milk** has the highest standards and is allowed to be processed into fluid milk for human consumption. Typically, a large percentage of milk produced is Grade A. **Grade B milk** has less stringent requirements but cannot be used as fluid milk. It is typically used for processed dairy foods. Premiums paid for Grade A milk tend to vary based on the changing environment at a dairy farm, cow health, and how much detail is paid to achieving high-quality raw milk.

FEDERAL MILK MARKETING ORDER

The Federal Milk Marketing Order began in 1937 to establish price support programs for dairy products. Surplus products tend to drive markets down, and the Federal Milk Marketing Order is designed to remove any surplus from the marketplace. Excess cheese, butter, and nonfat dry milk products are purchased by the Commodity Credit Cooperation and distributed to governmental institutions. These institutions include schools, prisons, and relief agencies, among others. In 1999 the process of implementing a milk order was changed. In the newly updated system, the fair market value of milk is determined by dividing milk into four classes and assigning premiums for quality of raw milk. This has created a more fair approach to marketing milk and has reduced the number of orders implemented by the Federal Milk Marketing Order.

Marketing Secondary Products

Many dairy farms have explored and even taken advantage of the opportunity to market secondary products. These products include veal, beef, and by-products. Marketing secondary products can assist in generating revenue during times of lower milk prices or higher production costs.
VEAL

Veal production is the raising of young cattle on a milk-based diet until they are harvested for meat consumption. They are typically harvested at or before the age of three months and weigh between 110 and 180 pounds. Veal calves can include bulls, steers, and heifers. Meat from veal calves is light pink and contains little fat. Veal is considered by some as a high-quality, elite meat product. It can commonly be found in upscale restaurants, markets, and grocery stores. Due to the short-term, extensive production of veal, producers typically receive higher prices for their product.

BEEF

Beef production is often not thought of as a marketing option for dairy producers. However, their cull cows and bulls do have a salvage value, even after the animals are no longer suitable for breeding or milk production. Bull calves from dairy cows can also be utilized for beef production. Typically, the heifer calves are maintained for replacement, while the bull calves are castrated and fed just the same as beef calves. Dairy beef can be just as high quality as regular beef and is highly accepted by consumers. Meat marketed from cull cows and bulls is normally ground into hamburger. While premiums like those from younger beef animals are not achieved, a salvage value is recovered from all older animals and can generate revenue for a dairy operation.

BY-PRODUCTS

By-products can also serve as a secondary marketing option for dairy producers. A by-product is an incidental product that arises from the production of the principal product. Common by-products that can be marketed as secondary sources of income from a dairy operation include manure, colostrum, hides, and bones. These products may not be as valuable in some regions as they are in others, but they contain some type of value. Manure can be marketed to crop producers for fertilizer or as a means of improving the organic matter in soil. It also can be used as a natural source of fertilizer by vegetable producers. Colostrum can be marketed to beef or other dairy producers. Colostrum is the first milk produced by a cow after giving birth. It contains many nutrients and enzymes critical to the health of calves. It is not suitable for human consumption but very valuable to producers when needed for young calves. Dairy cows typically produce more
colostrum than is needed by their own calves, and the surplus can be sold to other producers who have a shortage. The utilization of such animal by-products as hide or bones has been common since the origin of humans. Today animal by-products are used in the manufacture of medicines, cosmetics, clothing, furniture, and other luxury items. Thanks to the advancement of technology, the entire animal can be utilized for some type of product after it is no longer suitable for milk production. Similar to the salvage value of beef from dairy animals, by-products can generate secondary income for a dairy producer.

Summary:

Marketing options for the dairy industry are quite extensive and offer a variety of opportunities for secondary income. The marketing of milk can be complicated, but once it is understood, premiums can be achieved for high-quality raw milk. Minimum price support and purchasing programs have been put into place to aid the dairy industry. Secondary income can be generated from marketing products from the dairy farm besides milk. These can include veal, beef, and by-products. All have value and can generate revenue.

Checking Your Knowledge:

1. Identify the two grades of milk and explain how they differ in quality.
2. Explain why the Federal Milk Marketing Order was established.
3. Identify three secondary products that a dairy producer can market.

Expanding Your Knowledge:

Marketing options for dairy farmers can be complicated at first glance. Talk with dairy producers about how they market their milk, premiums they receive or strive for, and other opportunities to generate revenue for their dairy operations. Purchasing agents from milk processors may be able to provide some insight into how they price milk and the effects of supply and demand on the dairy industry.

Web Links:

- Federal Milk Marketing Order
- Virtual Tour of a Veal Farm
  [http://www.vealfarm.com](http://www.vealfarm.com)
- Dairy Beef
- Agricultural Career Profiles
  [http://www.mycarert.com/career-profiles](http://www.mycarert.com/career-profiles)