The Milk Meisters

Our ranking of the nation's largest dairy farms

To comment or suggest additions to our Milk Meisters list send your response to agonline@agriculture.com

By Dan Looker
Business Editor

A narrow blacktop shaded by cottonwoods leads to a white Victorian farmhouse, headquarters for Joseph Gallo Farms. Upstairs, in a modest office, Mike Gallo works at his desk. He wears a long-sleeved shirt, no tie.

The informality is deceptive. This is a business with $50 million in annual sales. Gallo's father, Joseph, younger brother of winemakers Ernest and Julio, built his own empire on another drink—milk. It's made into cheese and sold in 12 states, Mexico and Japan. With five herd sites scattered near Atwater, California, this dairy seems smaller than Braum's of Oklahoma, where 10,000 cows pass through one huge milking parlor. But Gallo's, with 14,500 cows, is the nation's largest milking entity, according to Successful Farming magazine's first survey of the nation's largest dairy farms.

20 largest dairy farms
Ranked by cows in producing herds on August 1, 1995
Successful Farming exclusive

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From milkers to masters

These top 20 dairies represent a shift from traditional family-run dairies—one of the most hands-on, year-round forms of farming—to management. In just over a generation, the nation's largest dairies and dairying families have gone from being milkers to masters of large businesses. "I remember as a little kid my dad milking cows, but ever since I was 10 years old I never saw him milk another cow," says David te Velde, of the third generation of one of California's most successful dairy families. (See below.)

The trend is catching on, even in the Upper Midwest, where a typical dairy is over 200 times smaller than Gallo's.

In Manitowoc, Wisconsin, Mark Binversie of Firstar Bank sees his most successful farm clients borrowing to expand, increase profits, and "to start becoming managers rather than laborers themselves." (See below.)

"We've done 75 expansions of 200 cows or more in the last three years," he adds. Several have grown to 1,000 cows or more, far above the state's average herd size of 51.5 cows.

Not like hogs and poultry, yet
For smaller family dairies who see clouds of gloom on the West Coast horizon, our survey offers some hope. Dairy production is far from being as concentrated, or as vertically integrated as the nation's hog and poultry farms. The top 30 hog farms raise a fourth of the nation's pigs. Even if this list of dairies were extended to the top 30, they would still represent only 2% of the nation's 9.5 million dairy cows. If all of them had the outstanding production of 89-year-old Max Foster's five California herds—better than 27,000 pounds per cow (they don't)—they would sell only 3% of the milk.

Nor are most big dairies vertically integrated. About a third bottle their own milk, make cheese like Gallo's, or ice cream like Braum's.

"I don't know of any contract dairy producers," says Bill Braum, whose Oklahoma herd supplies half to three-fourths of the milk for ice cream and other dairy products sold in Braum's 265 retail stores. Braum may be one of the most integrated producers in the nation, with 40,000 acres of land and bakeries that make hamburger buns, cookies and bread sold in his family's stores. But he doubts that dairying will mimic hog industry integration or contracting.

"I don't think dairying will ever go that way," he says from his home overlooking green hayfields. "It's too personal. How those cows are taken care of makes a difference in what you get out of them.

"I don't think you can milk 40 cows and make a living on it, but you can milk 100 to 150 cows. You don't have to milk 12,000, that's for sure," he adds. That number soon will pass three times a day through his new parlor that milks 200 cows at once.

**Behind the cow count**

The cow totals in our table represent what is considered a milking herd. They include mature dry cows as well as those actually milked each day.

Nearly all of the numbers were supplied voluntarily by owners, employees or both. Fact finding involved phone calls to all of the farms on this list and at least a dozen more, to producer organizations, and to dairy specialists at universities. Interviews were made at prominent California farms and at Braum's Dairy. Some of the farms are in producer-owned Dairy Herd Improvement Associations, which verified the accuracy of numbers reported to us. The nonprofit DHIA keeps records of milk production.

The resulting list is as rich in diversity as cows. Hettinga Dairies was started by Hein Hettinga, a hoof trimmer who began by feeding discarded vegetables to cows. Aurora Dairy Corporation is a stockholder group and GenFarms is a series of limited partnerships managed by Ebony Bull Capital Corp. near Pittsburgh. (When the survey was done early this summer GenFarms owned 6,000 cows. We asked them to estimate cow numbers on August 1, so we've listed 8,500 that the firm's managers expected to have after buying more cows.)

**Few investor-owned dairies**

Most of these farms aren't investor groups but large family businesses. Gallo, for example, is a partnership of Joseph, who is 76, Mike and Mike's sister, Linda Jelacic. Investor-owned dairies usually haven't succeeded, says Case Van Der Eyk, Sr., whose son made our list and has expansion plans that may one day put him at the top.

One farm of the 20 is the aftermath of a venture that didn't succeed. In Georgia, Southern Dairy Farms now manages a 5,200-cow dairy started by the Irish Masstock Dairies. Rabobank Nederland, a Dutch co-op that financed the dairy, is trying to sell the business.

Few of the top dairies are diversified. Shamrock Farms bottles milk and runs a food service business ranked seventh in the nation. Cow Palace was started by Bob Dolsen, an accountant with a Coca Cola franchise and a leasing business. The dairy began with leased cows that had been repossessed.

**Gallo, a giant underdog**

Joseph Gallo's famous name helped little in the dairy business. He got only modest backing from his more famous older brothers to start his own farm. In 1986, Ernest and Julio sued him in a trademark dispute that now bars the name Gallo from his Joseph Farms brand of cheese.

"Nobody in history, as far as we know, has ever lost the use of their own name on products that aren't competing," Mike says today. Consumers didn't notice the change, so sales weren't hurt, he says. (The dispute is covered in Ellen Hawkes' book, Blood & Wine, the Unauthorized Story of the Gallo Wine Empire. Joseph's family is described sympathetically.)
Gallo's entry into cheese processing was almost a necessity. Before that, Mike's father raised grapes and cattle, and tried some dairying with partners. He sold Holstein springers in the U.S., Mexico and Korea. In 1979, he and Mike started a 4,000-cow dairy.

"None of the co-ops would let us in," Mike recalls. "They felt we were too large, that we were going to ruin the dairy industry." So the Gallos shipped milk out of state, as far as Idaho.

"It didn't take us long to figure out that with what it cost us to ship it and what we were getting for the milk, we could afford to build a cheese plant," he says. They began making cheese in 1983. It took a year to convince grocery chains they had a premium product. Until then, California cheese had a reputation for inconsistent quality. By 1984, the Gallos had their own label.

This year, Joseph Gallo Farms will produce 28-29 million pounds of cheddar, Monterey Jack and mozzarella cheese. The farm raises haylage for the dairy herds on its 15,000 acres, as well as grapes. It runs a 1,700-sow farrow-to-finish hog business. It has 480 full-time and 200 seasonal employees. Gallo's cows give 19,500 pounds of milk a year—and under the state's 20,258-pound average. That's partly because 15-20% of the cows are Jerseys, which boost the protein content for cheese. Gallo won't reveal the dairy's cost per cwt, but it's below $9.50. "Everything here needs to make a profit. The dairies compete against each other."

Dazzling dairy on the Plains

While Gallo's appears deceptively modest, Braum's Dairy is a cow condo rising from the Oklahoma plains. It's the largest milking parlor and concentration of dairy cows in the U.S. Sixteen free stall barns with room for 12,800 cows stretch over a half-mile. The milking parlor has four double-50 herringbone stalls processing 1,400 cows an hour. Milkers earn $8-$9 an hour and work six days on, two off. Braum pays overtime, gives health benefits and offers a savings plan.

Bill Braum "backed in" to dairying from the ice cream business. "We like all parts of it—producing, processing and selling but I guess I like farming a little better," he says. "We've tried a lot of new things here," such as making total mixed ration cubes in the farm's mill. Braum focuses on quality to draw consumers back to his stores for burgers, shakes and ice cream cones.

He won't sell watery skim milk. The new processing plant has a $2 million evaporator. "When we reduce the fat, we increase the other things—protein, calcium." Most processors don't. "I think they're being short-sighted... it gets rid of an awful lot of milk."

A milky crystal ball

Dairy farming remains too diverse to draw sweeping conclusions about its future from our list. Some expect the shift from the Midwest to the Southwest to continue.

Mike Gallo believes farms will keep growing in size. In California, environmental laws require a minimum amount of land for manure disposal. That will force smaller drylot dairies out if they can't buy more land. The smallest, under 400 cows, are exempt for now. And for all, profit margins will get slimmer, he believes.

Lynn Daft, former agricultural advisor in the Carter White House, agrees that slimmer profit margins are going to drive expansion in dairy farms. "The bottom line is that to be profitable, you're going to have to have pretty high volume," he says.

More complexity in dairying will encourage farms big enough to have several owners or managers who specialize, he adds. That same complexity will discourage vertical integration.

Daft's Washington firm recently reported to the International Dairy Foods Association—a processor trade group—that in all areas of the country, the best-managed farms still have a good return on equity. It runs from 17% in the Northeast, to 20% in the Upper Midwest, to 35% in the West.

With this year's depressed prices, returns aren't quite that high, says George te Velde, Jr. of Modesto, California. But 20-25% might still be a reasonable goal over 10 years.
Daft predicts: "Areas with access to feed, markets, processing—which includes the Upper Midwest—are going to adjust to larger scale, but not in the prototype of California or New Mexico," he says. Instead of 10,000-cow dairies, he expects more 500- to 1,000-cow dairies. "You could see quite a few of those taking root in the Upper Midwest," he says.

**Dutch dairy dynasties rule the West's milkshed**

In 1924 George te Velde landed in Halifax, Nova Scotia after an ocean voyage from the Netherlands. "It was just an adventure. I wanted to see what was on the other side of the Atlantic. I liked what I saw," he recalls.

After working on Canadian farms and the Prairie wheat harvest, making chairs in Michigan and shipping dairy cows from Washington state to Hawaii, he returned home to visit his mother on her Dutch farm. She made him a loan that he pooled with savings to buy a dairy farm in what is now Paramount, California. "I bought 38 cows and milked 32 by hand. It was a pretty tough job," he says.

At 92, te Velde is patriarch of a family that owns 35,000 dairy cows, estimates grandson, Jay, Jr. of Visalia, California. Yet, no te Velde made our list because each family member runs independent units smaller than 4,000 cows. Other clan—De Jagers, De Jongers, Vander Dussens—had similar success. Rajen Dairy's Randy and Jenise Vander Dussen moved from California to Clovis, New Mexico, where their dairy grew to 4,600 cows.

Half of California dairy farmers are of Dutch descent; 40% are Portuguese, says Bees Butler, ag economist at the University of California-Davis. "We've got these two cultural factions competing with each other." The Dutch took to managing big dairies.

Why the success? First, families encourage independence. Fathers help sons with loans or partnerships. But George, Jr. says his father warned him and his brothers not to be partners.

Second, he says, "it goes back to where the Dutch people settled, in the Los Angeles milkshed." When they sold land to relocate, "it gave them a pretty good grubstake. They picked that up and ran with it." Third, says his non-Dutch daughter-in-law, Elizabeth, a historian, "They seem to be hard workers." Pete Vander Poel, Jr. of Visalia can't milk 1,000 cows alone, but trusts AI to no one else.

Management means "we're behind our cows every day. We know if anything's wrong."

**Will Wisconsin's grass fire spark revival?**

Belmond, Wisconsin dairy producer Charlie Opitz and son Mark run one of the state's largest dairies—in the summer at least—with 1,300 cows. All are grazed intensively; 900 are milked year-round and 400 only in the warm season in a New Zealand-style parlor that looks like an open air carport. "If the Upper Midwest gets back on track and realizes that grass is the cornerstone of the dairy industry up here, California can't touch us," he says.

In southwest Wisconsin many smaller grass dairies are expanding just by retaining heifers, says Extension agent John Cockrell. Whether that will work for everyone remains to be seen, but Opitz has hit upon the Midwest's weakness. USDA data shows the upper Midwest had the lowest cash costs for dairies—$7.75/cwt in 1990-92—mainly because of cheap feed. But California had the lowest total costs of $11.69/cwt, mainly because it costs a lot less to grade a drylot and put up metal shades there than to build barns in the North. Upper Midwest total costs were $14.29/cwt.

Opitz contends that while Southwest dairies net $200 to $500 per cow, low investment, grass-based dairying can be more profitable. "I know three people that are paying income taxes on about $800 per cow," he says.

Still, Opitz concedes that even a $200 net can be profitable. "If you're running 1,000 cows, that's a good chunk of change."

Fred Buttel, a rural sociologist who heads the University of Wisconsin's Agricultural Technology and Family Farm Institute, worries that the state's political and ag leadership is pushing the wrong model—getting big farms to adopt the California approach.

Only 7% of Wisconsin farms have over 100 cows. The most farmers who want to expand are young producers with 40-60 cows who want to go to 80 or 100. Helping them is the best way to save Wisconsin's dairies, he says. "These people the dairy leadership doesn't much care about."