

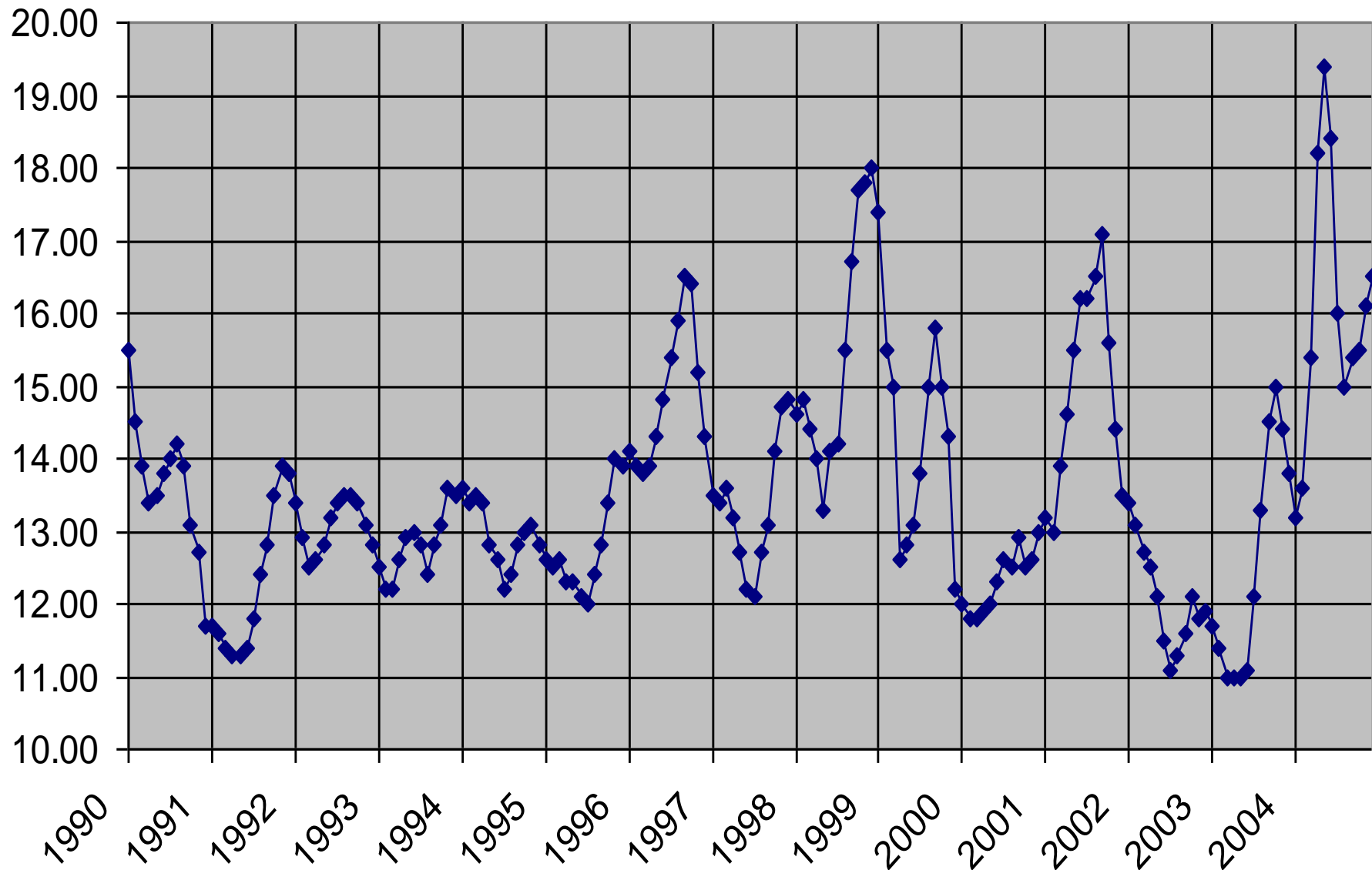
# National Dairy Situation and Outlook

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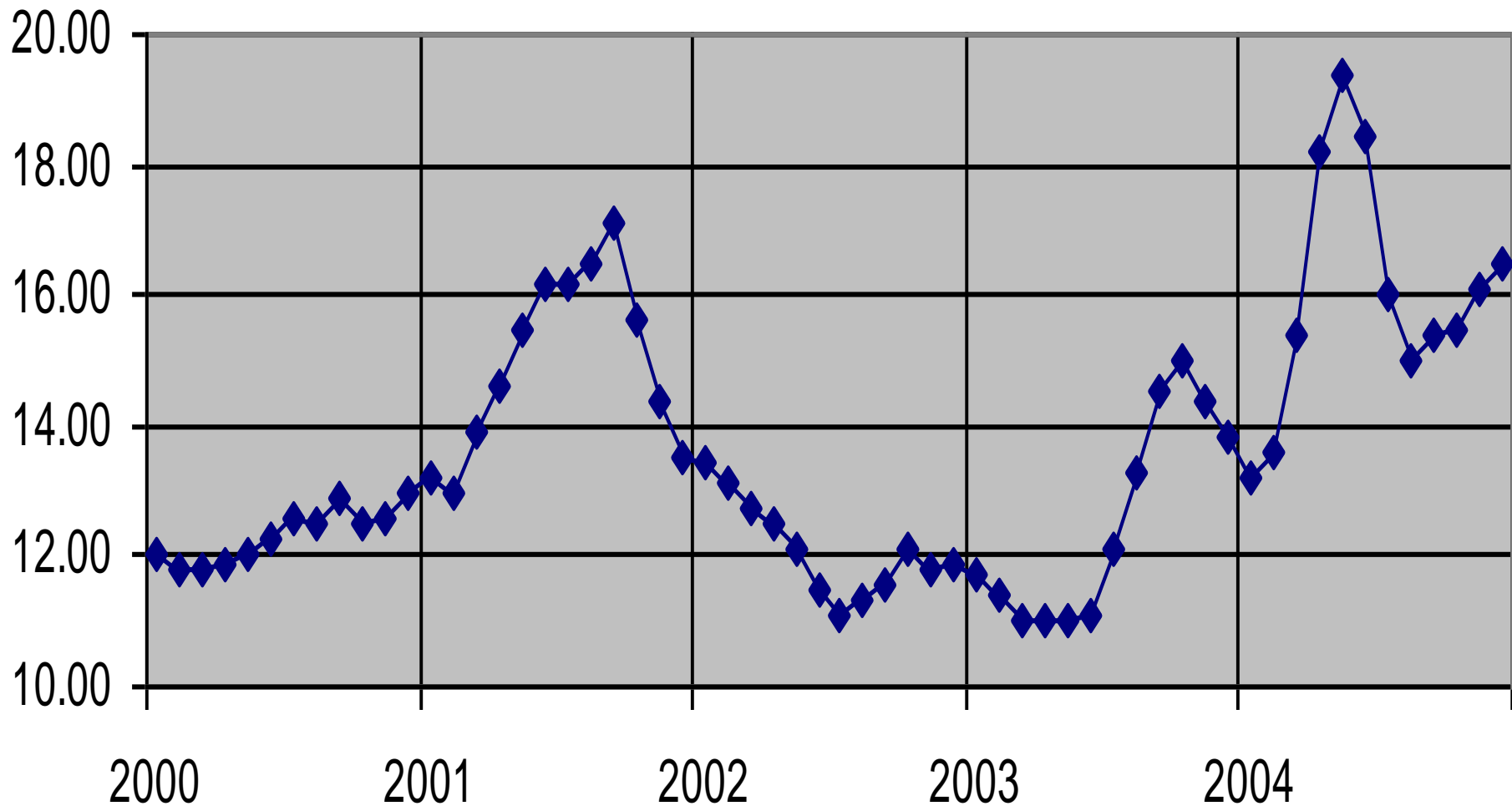
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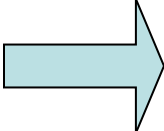
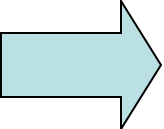
# U.S. All-Milk Prices, Monthly, 1990-2004






# US Monthly All-Milk Prices, 2000 - 2004



# How did we get here?

- In 2004 we had tight milk supply due to:
  - Lower than average milk production per cow
  - Higher than normal demand for milk and milk products.
-  Higher cheese and butter prices
-  Record high milk prices

# Other Factors

- Higher heifer prices (due to borders being closed)  Dampened herd expansion
- Higher feed prices  reduced milk production
- Higher than normal exports of dairy products and lower than normal imports  domestic supplies tight.
- CWT Program

# 2004 Commodities

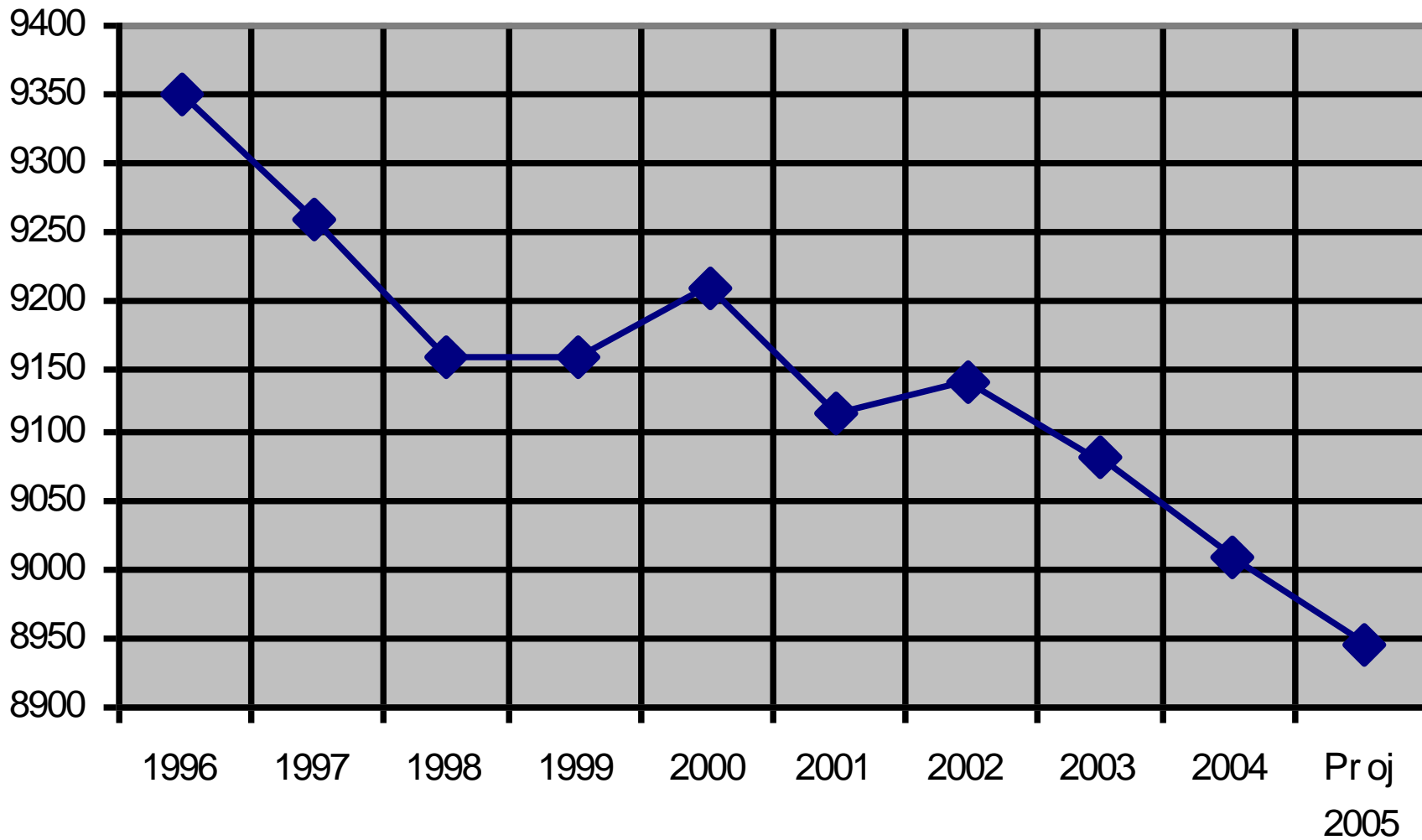
- Cheddar cheese production steady
- Total cheese production up 2.7%
- Butter production down 2.4% - lowest production since 1998.
- NFDM powder production down 11.2% - 5 year low production

**ARE THERE REASONS TO  
BELIEVE THAT 2005 WILL  
BE ANY DIFFERENT???**

# 2005 Outlook

- MILK PRODUCTION:
  - **Cow number are expected to decrease on trend**

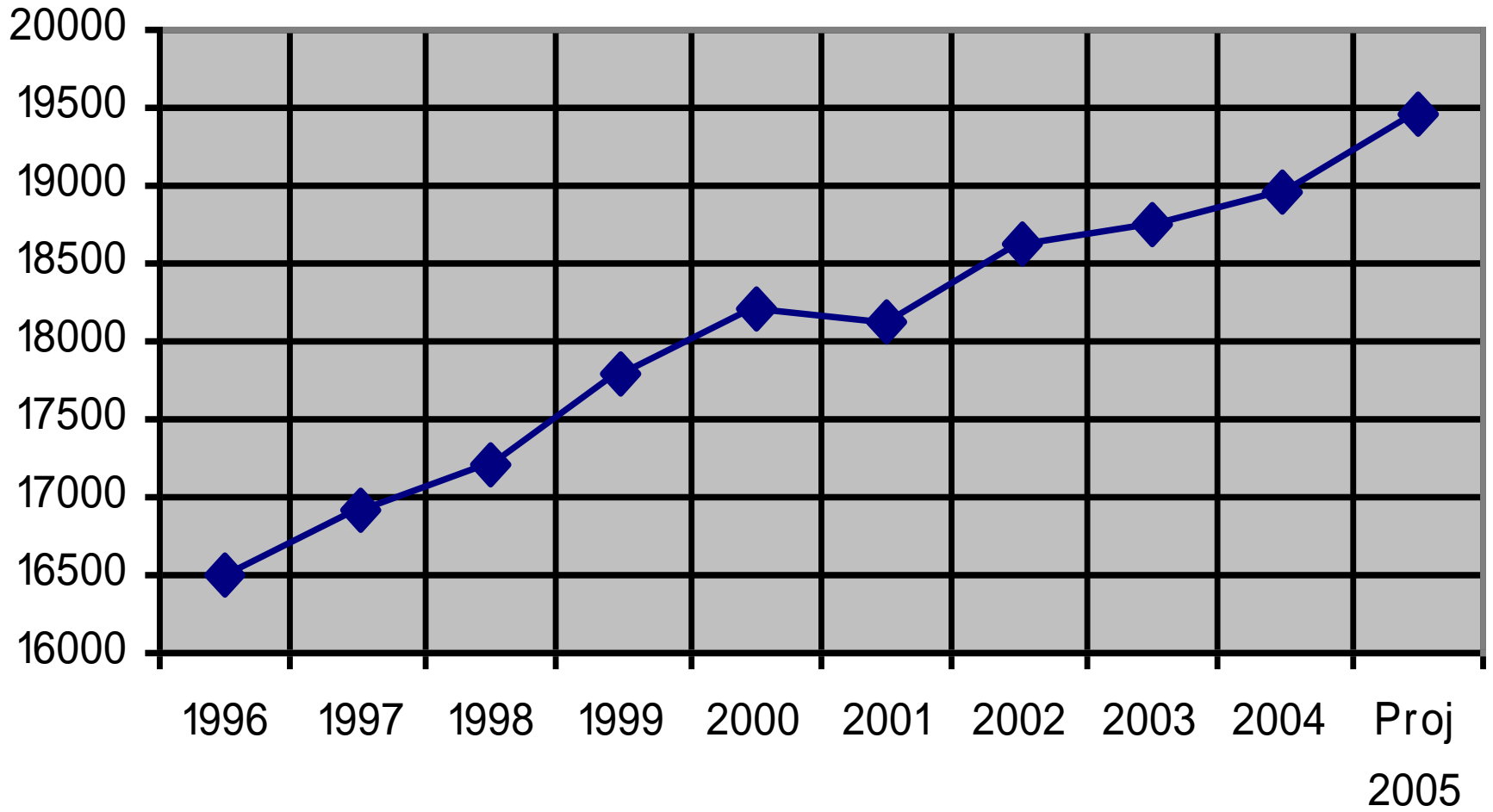
# Number of Cows (000's)



# 2005 Outlook

- MILK PRODUCTION:
  - Cow numbers expected to decrease on trend
  - **Milk production per cow expected to increase back on trend**

# Milk Production per Cow (lbs)



# 2005 Outlook

- MILK PRODUCTION:
  - Cow numbers expected to decrease on trend
  - Milk production per cow expected to increase back on trend
  - **Other factors include:**
    - **Continued closed borders**
    - **Uncertain Feed supplies and prices**
    - **Higher milk prices have kept weaker dairies in business**

# 2005 Outlook

## **Qualifications:**

- U.S. dairymen entered 2005 with the largest crop of replacement heifers in the last decade. This suggests capacity for increased milk production.**
- Feed prices are likely to be lower this year due to a projected 17% increase in corn harvest and high ending stocks.**

## **However:**

- Dairy farm numbers are projected to continue to fall by about 6% below 2004.**

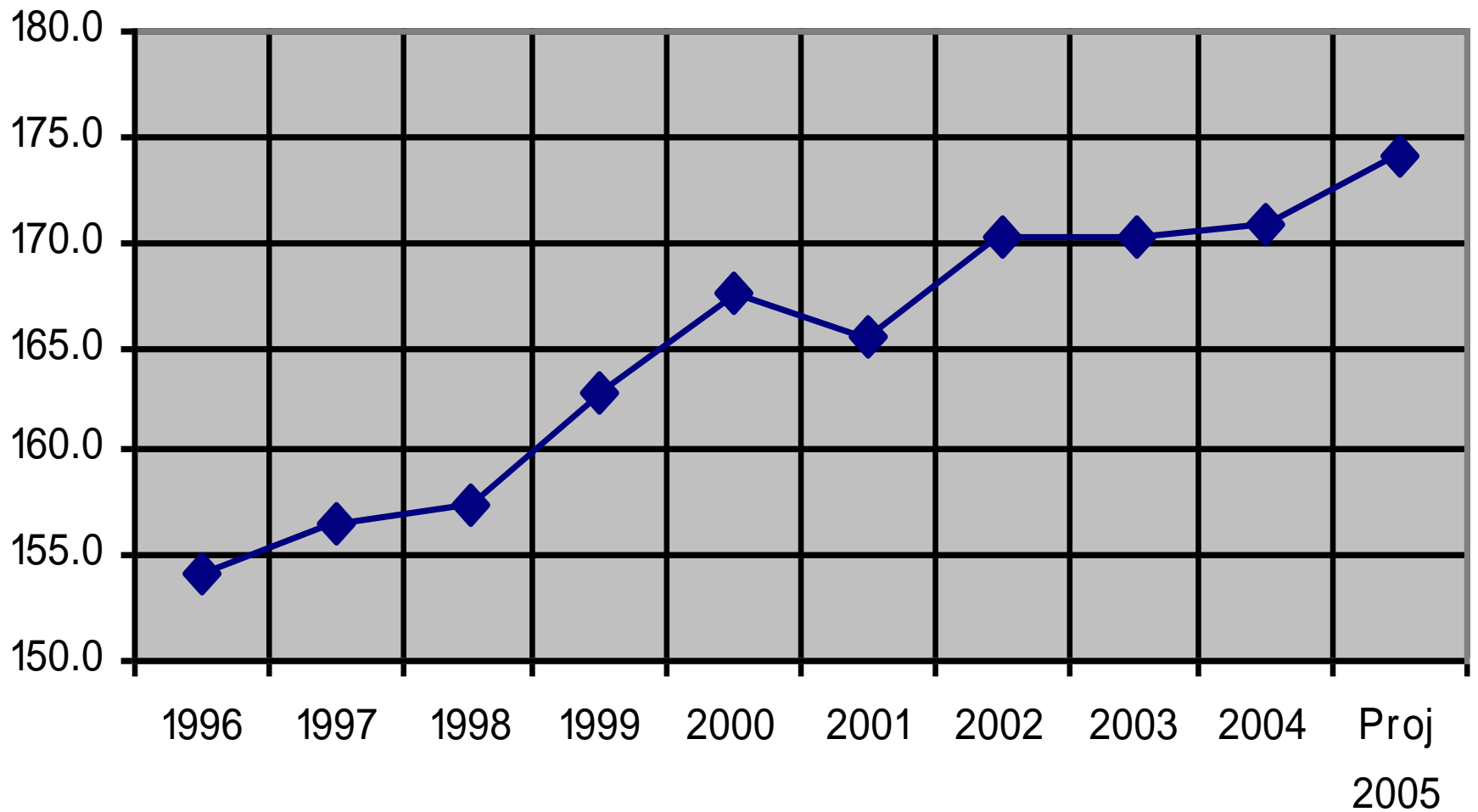
# MILK PRODUCTION

- In summary:
  - Cow numbers down but replacements up
  - Milk per cow up and lower feed prices

## BOTTOM LINE

- **Total milk production is expected to increase at least 2% - and maybe as much as 3%.**

# Total US Milk Production

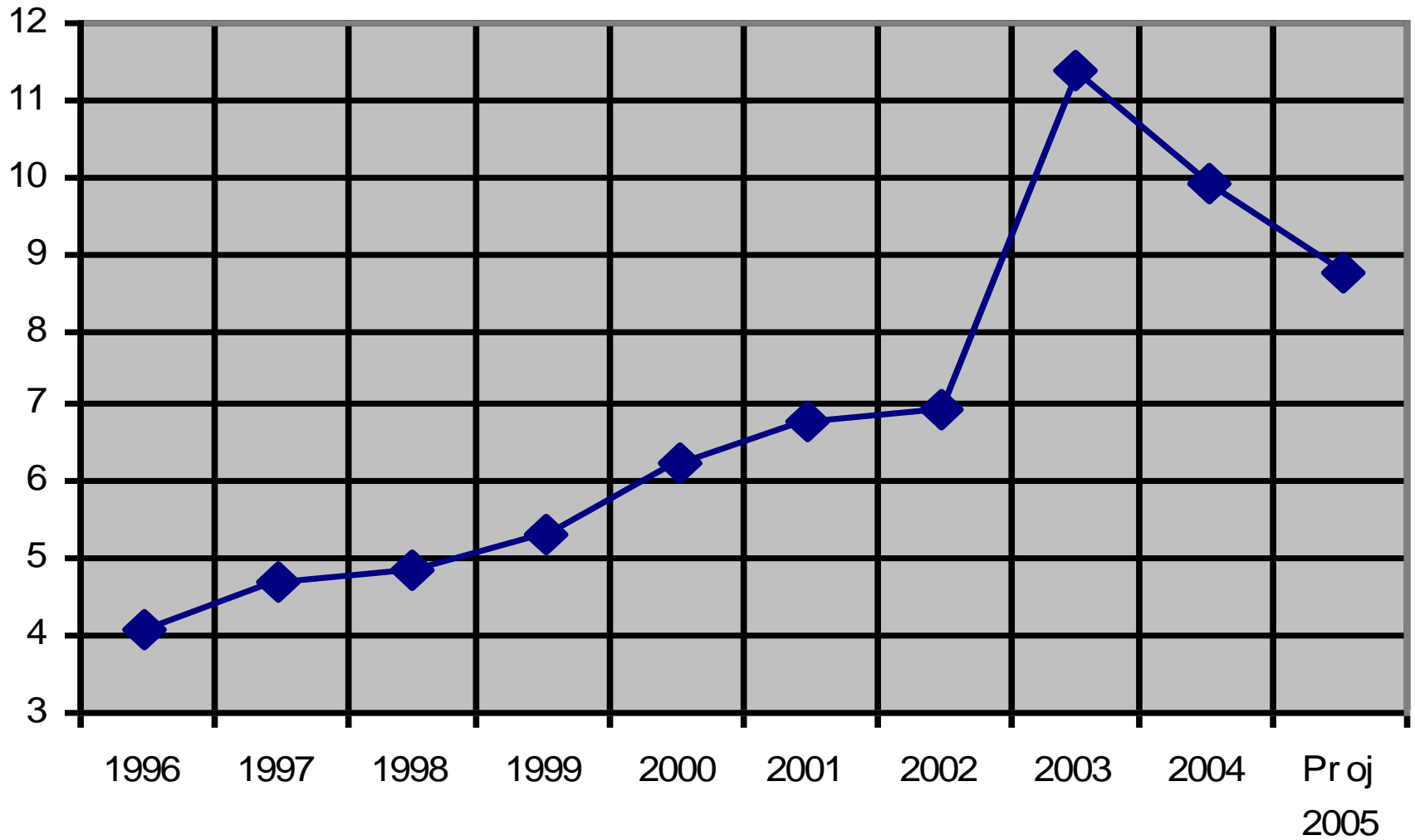


# DEMAND FOR MILK & DAIRY PRODUCTS

- Stocks of butter, powder and cheese were trimmed in 2004 to much lower levels due to:
  - Higher domestic demand
  - Higher exports
  - Lower imports

**Thus, lower beginning inventories this year**

# Beginning Inventories



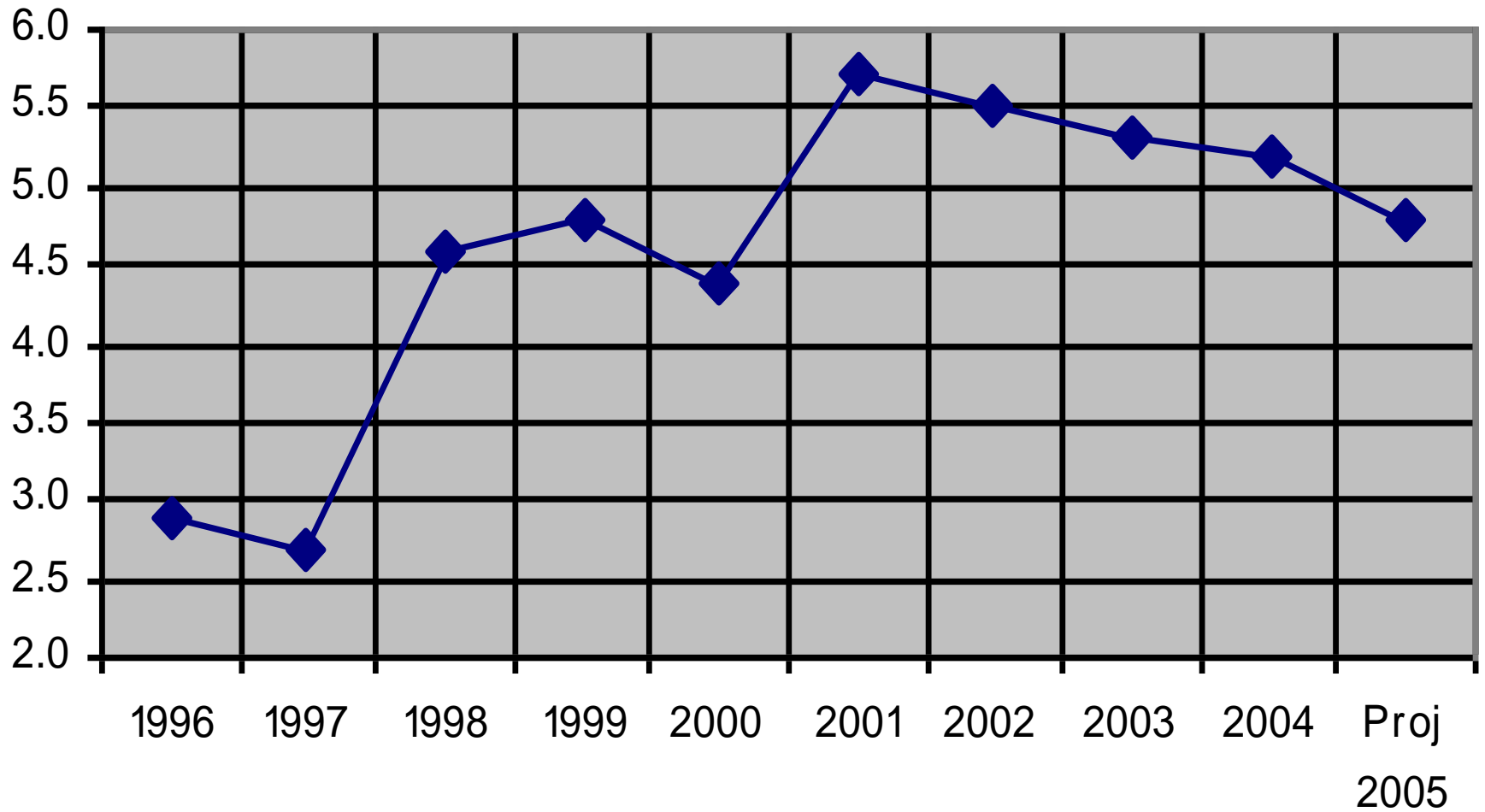
# DEMAND FOR MILK & DAIRY PRODUCTS

- Lower beginning inventories.

In addition, international markets are tight, thus:

- **Imports are expected to be down.**
- **Exports are expected to be up slightly**

# Imports



# DEMAND FOR MILK & DAIRY PRODUCTS

- Lower beginning inventories.
- Tight international markets imply imports are expected to be down and exports are expected to be up slightly.

However:

- **Commercial use of milk and dairy products has some uncertainties:**

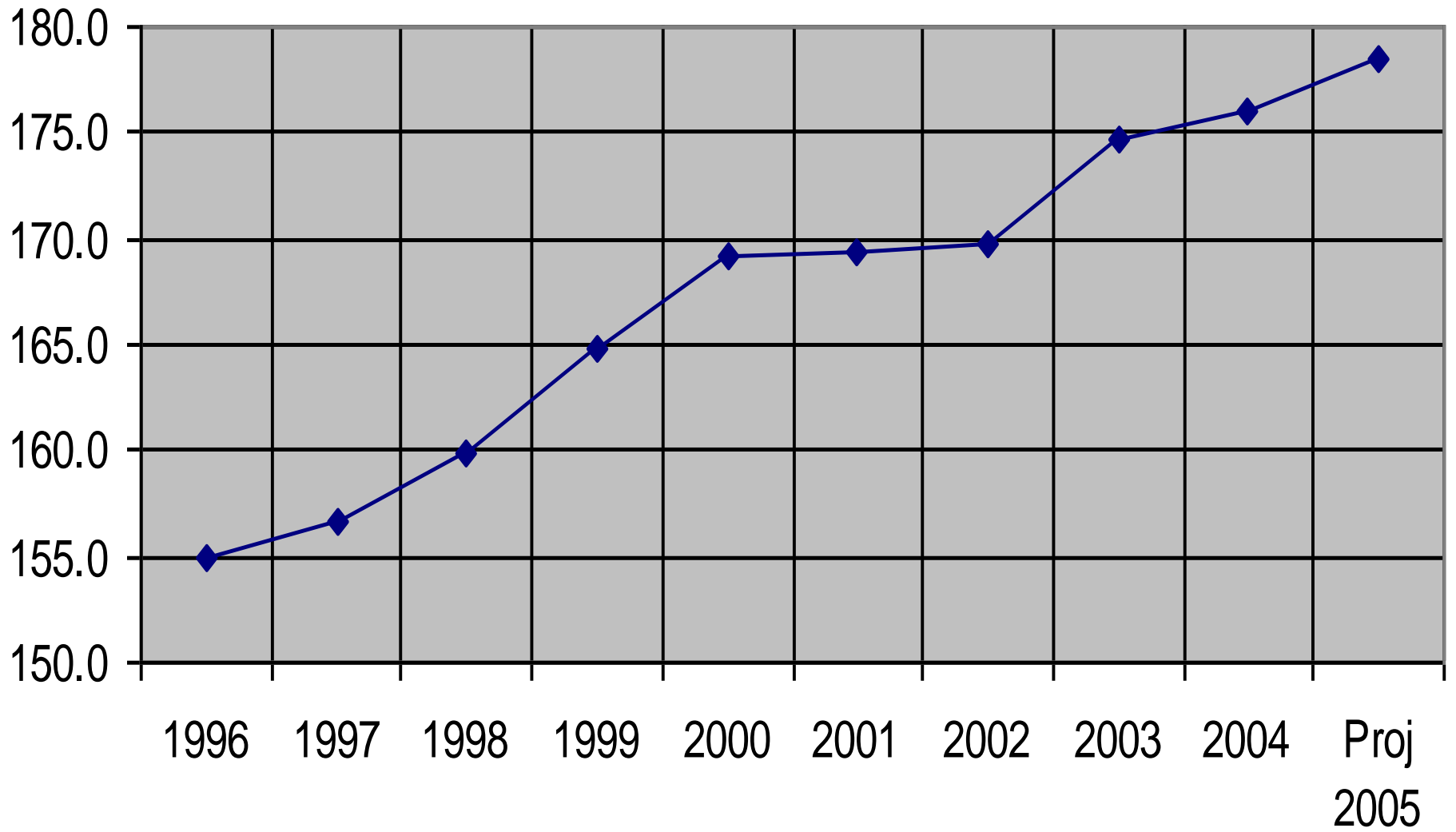
# Commercial Use

- Sales are mixed:
  - Fluid milk consumption is down and continues to go down
  - Cottage cheese and frozen products are lower and not expected to increase in 2005
  - Sour cream and yogurt are expected to continue their upward trend
  - Butter, cheese and NFDM powder markets are tight

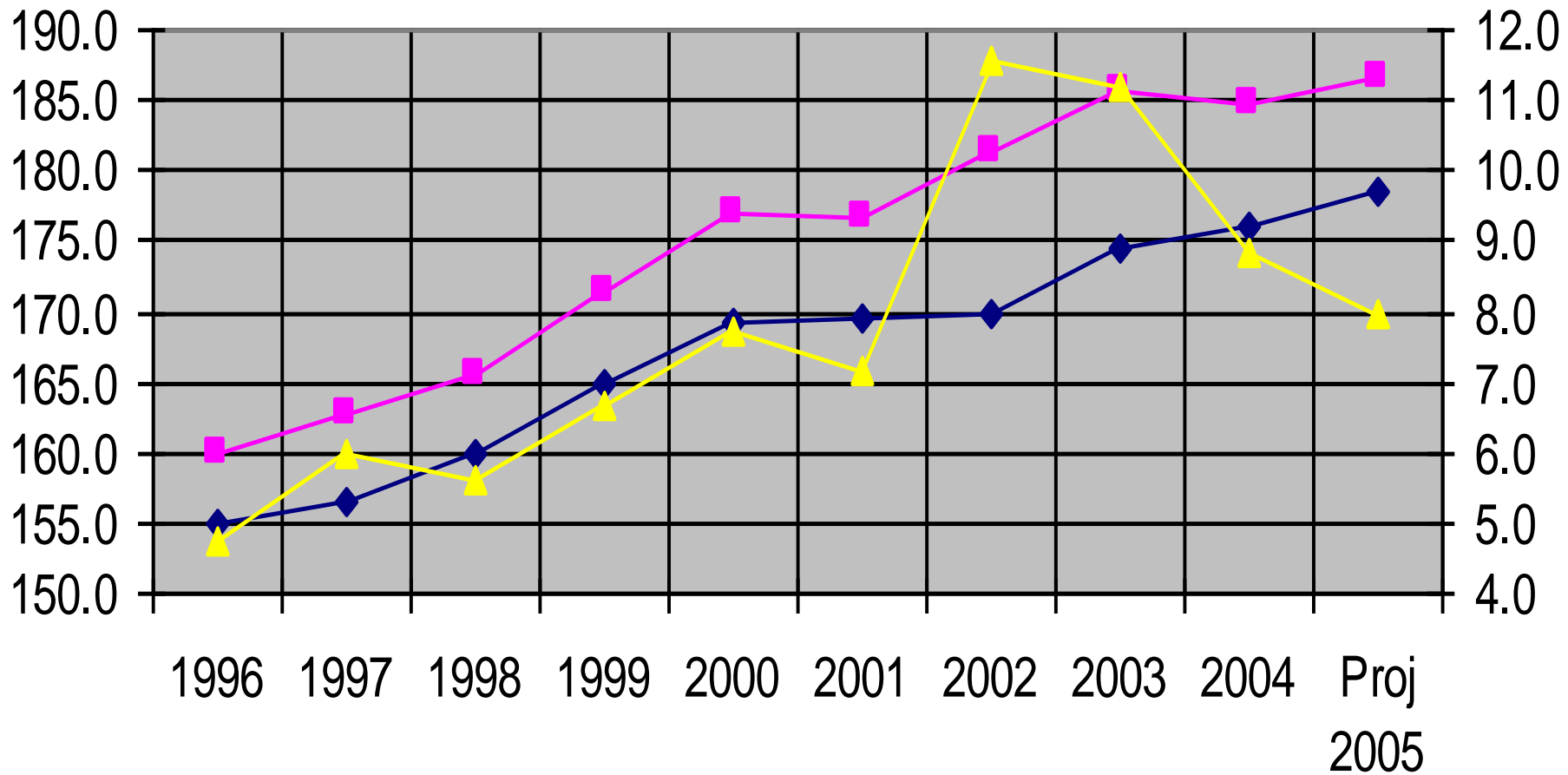
## **OVERALL:**

**Commercial sales expected to increase by 2%**

# Commercial Use





# Total Supply, Commercial Use and Differences

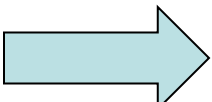


# U.S. Milk Supply & Utilization

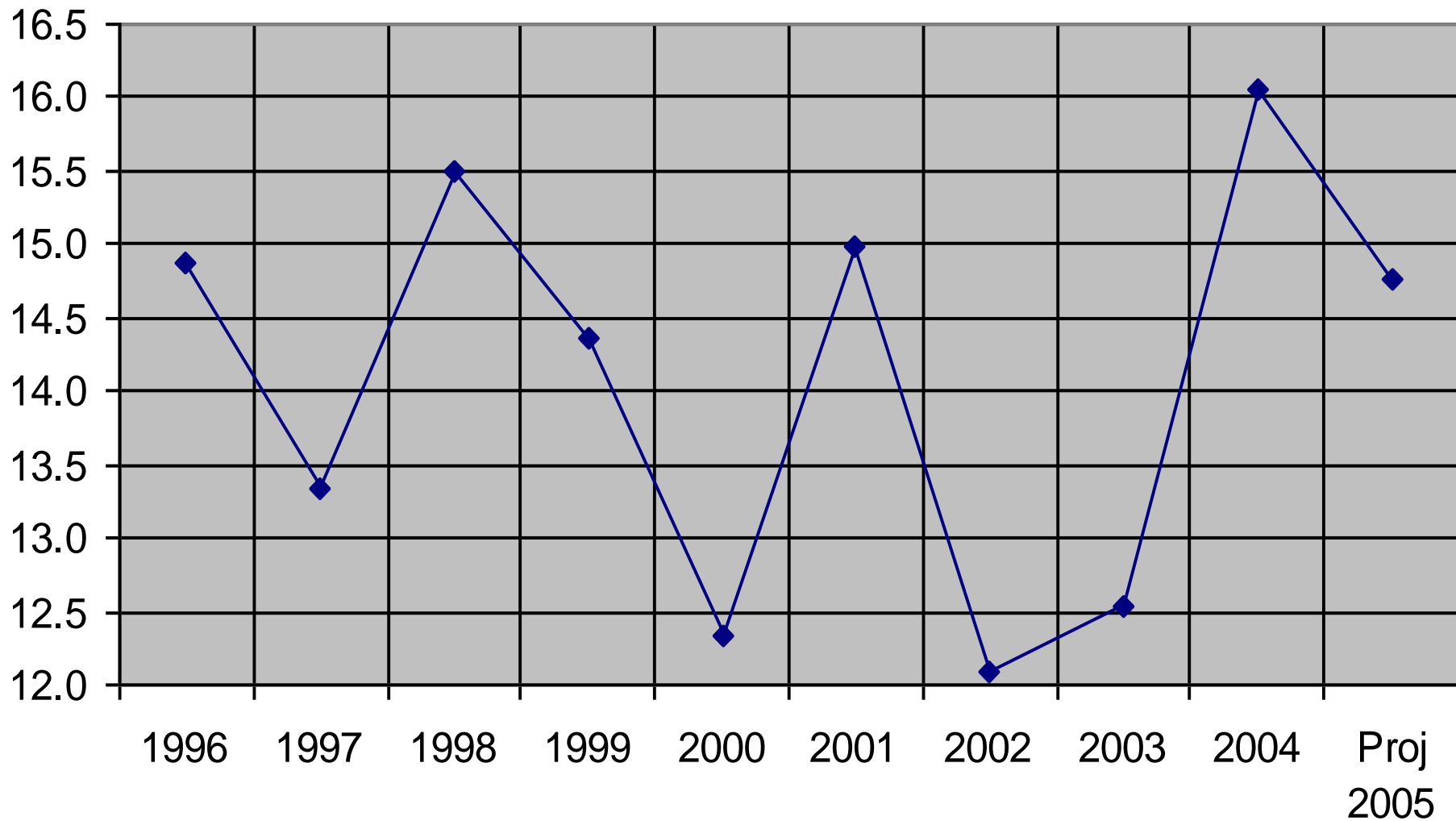
	<b>2004</b>	<b>% Chge</b>	<b>2005</b>	<b>% Chge</b>
# Cows	9,010	-0.8%	8,945	-0.7%
Milk/cow	18,970	1.2%	19,455	2.6%
Milk Prod	170.9	0.4%	174.0	2.0%
Marketings	169.7	0.4%	172.9	1.9%
Beg. Stocks	9.9	-13.1%	8.7	-11.9%
Imports	5.2	-1.9%	4.8	-7.7%
Tot. Supply	184.8	-0.5%	186.4	0.9%
Comm. Use	176.0	0.8%	178.5	1.8%

# 2005 Outlook for Prices

- The combination of high prices in 2004, plus lower fed prices and increased heifers in 2005  Higher milk production  
 LOWER MILK PRICES.

BUT – International markets are tight and commercial use expected to increase  
 TEMPERED Milk Prices

# US Average All-Milk Prices, 1996-2004 with 2005 Projection



# Other Things to watch for

- Economy – uncertain
- Weak dollar – more exports/less imports
- International markets – tight
- Retail prices expected to increase 8% - decreased demand?

# In the longer term

- Increased inventories of butter, powder and cheese lead to lower prices
- Farm programs?
- International markets?
- Economy???