

# **Dairy Market Outlook**

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**Southern Extension Outlook Conference**  
**Atlanta, GA**  
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**Economist**



# Outline of Presentation

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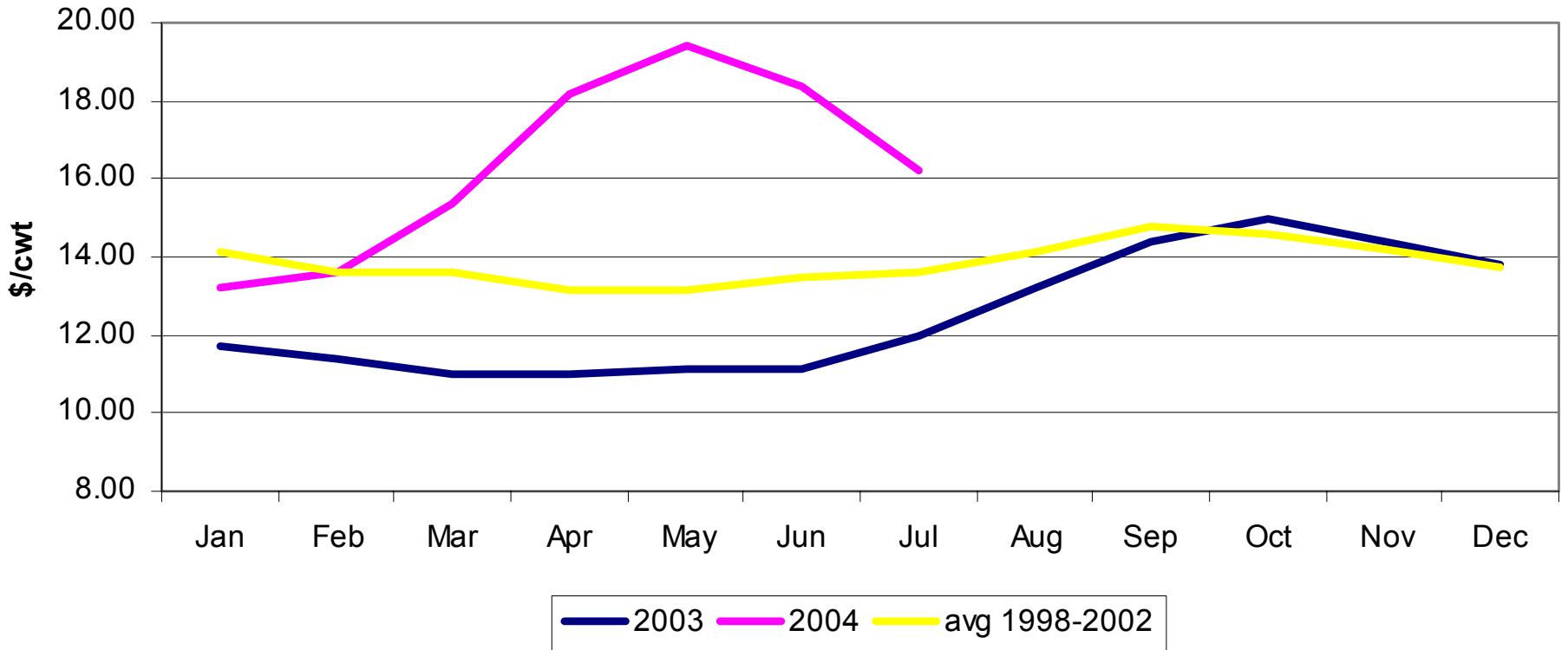
- Demand
- Supply
- 2005
- Questions



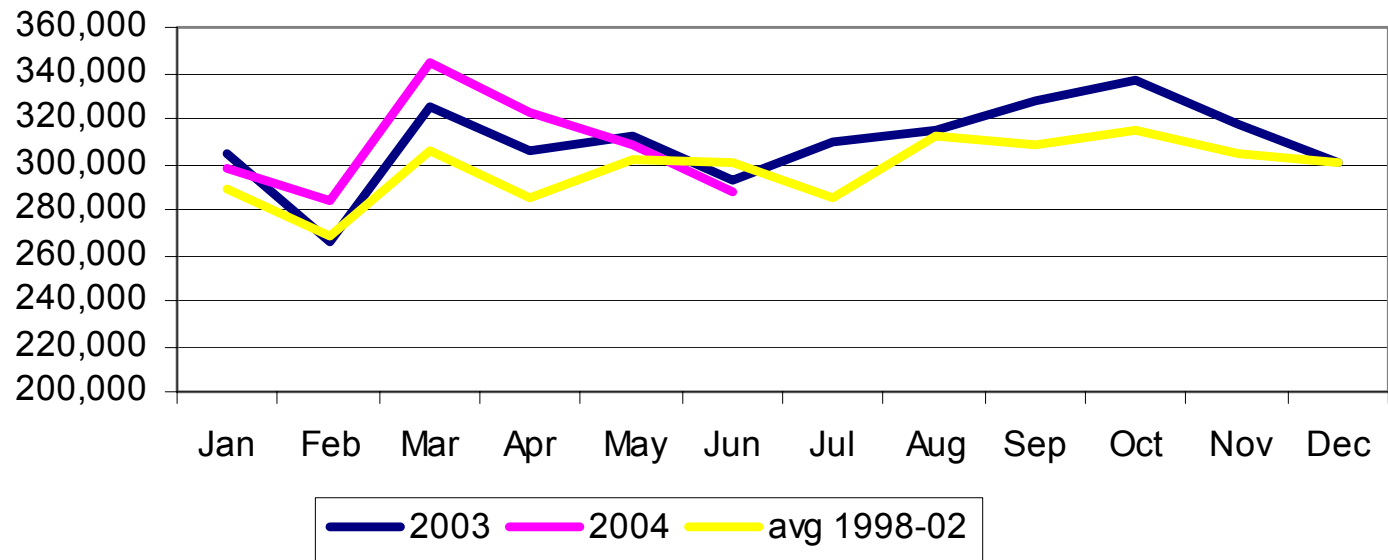
“...Pretty soon milk is gonna be more expensive than beer!”

-Unnamed patron at Junek's Grocery, Wellborn, TX. Spring 2004

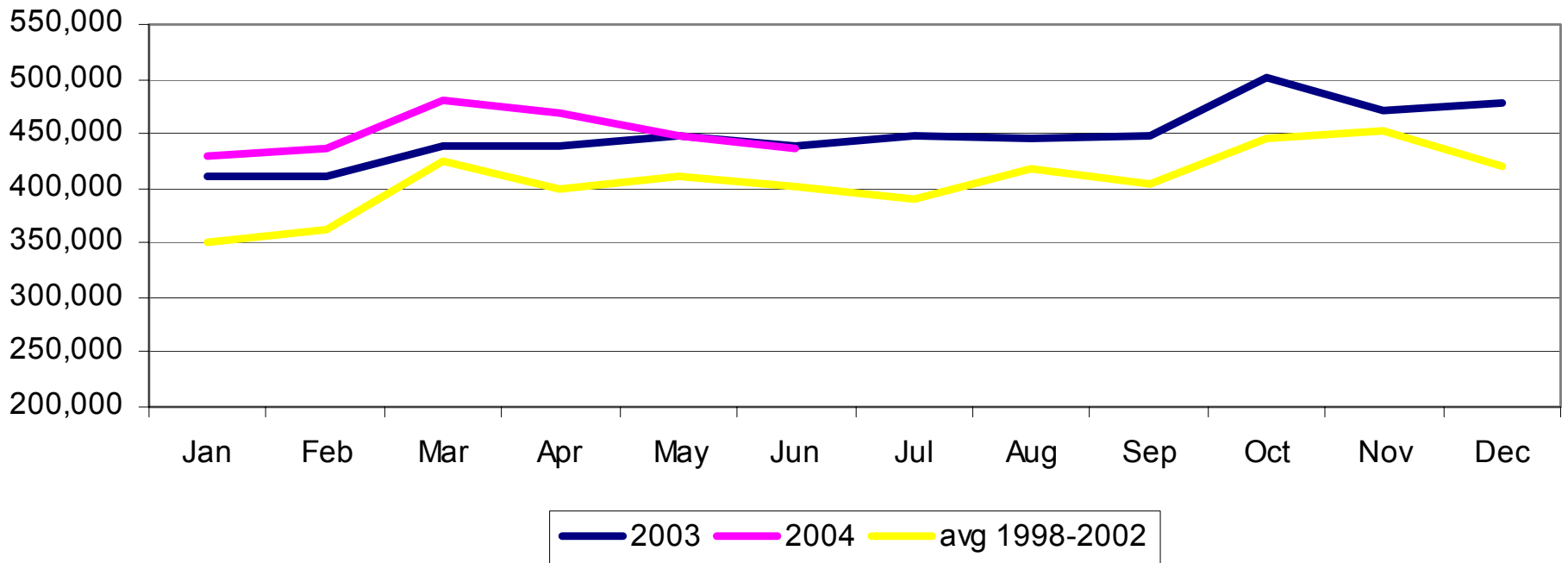
# US All Milk Price



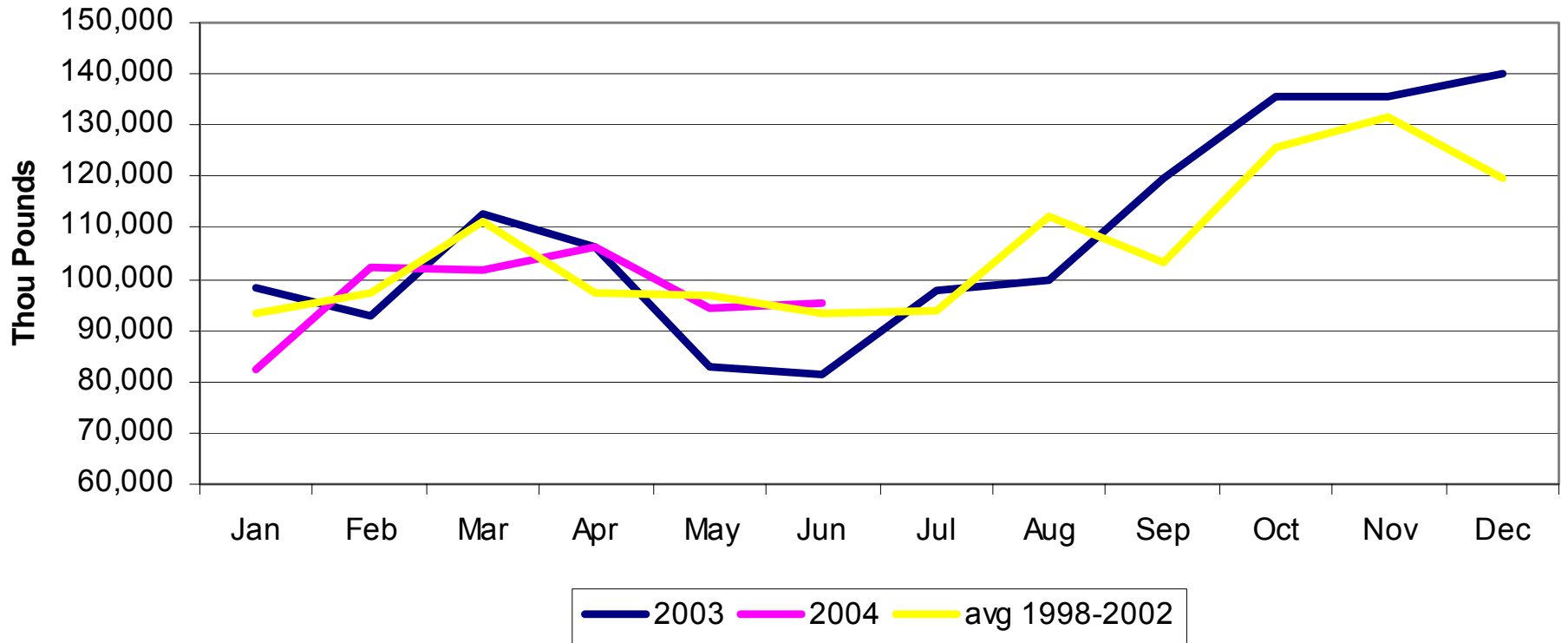
# Commercial Disappearance of American Cheese



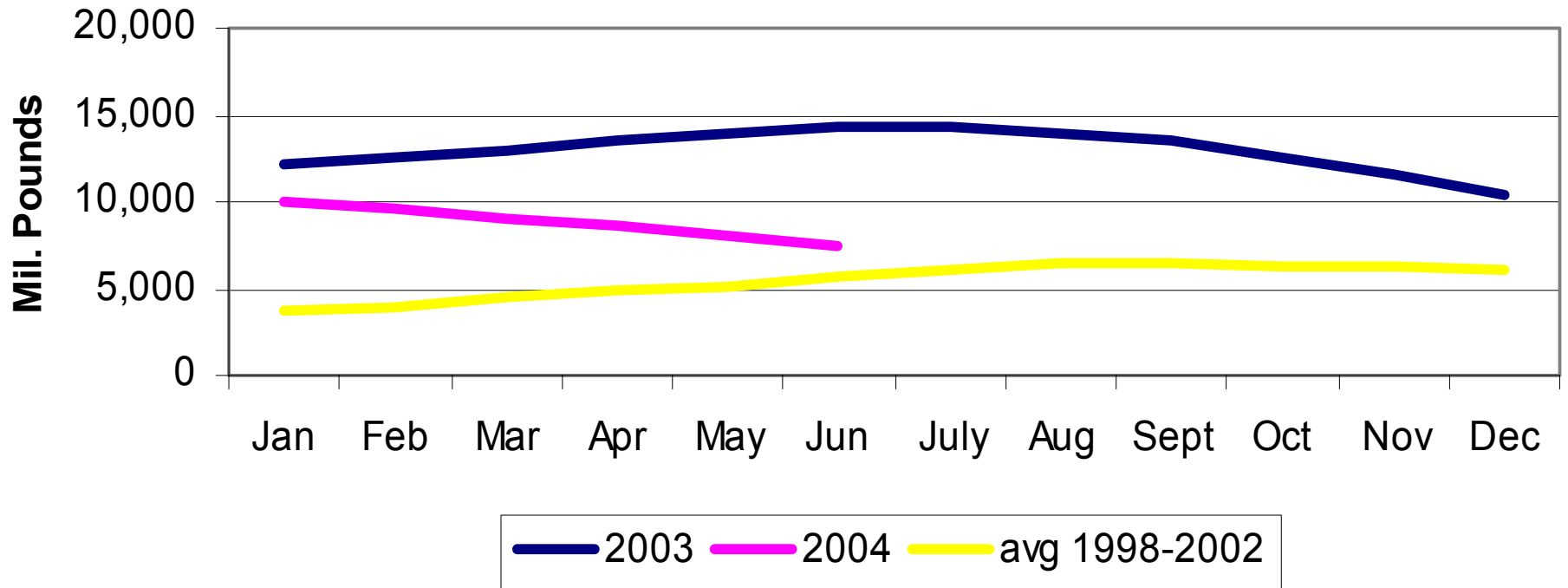
# Commercial Disappearance of Other Cheese



# Commercial Disappearance of Butter



# Government Stocks, M.E. Skim



# Demand

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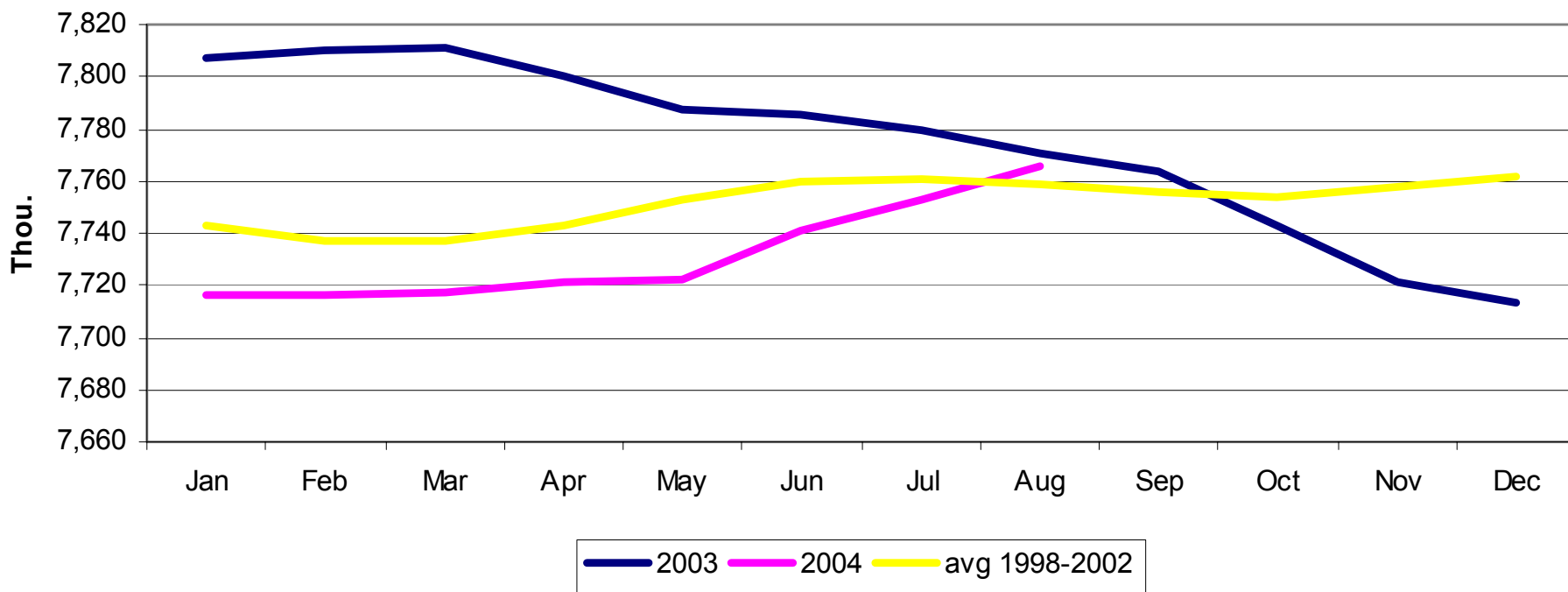
- Appears Strong
  - Should continue
- Why? Atkins?
  - No bread, potatoes
  - Yes to cheese and all the other good stuff
- Milk Products
  - Products made from components of milk

# Demand

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- Supermarkets Are Losing Share
  - Drug stores, Club stores
- Lowest Milk Volume Since Mid-90s
- Consumers Switch to Smaller Containers in Response to Higher Prices
- Milk Demand is More Elastic Than Earlier Thought
  - Container size, branded product, other products

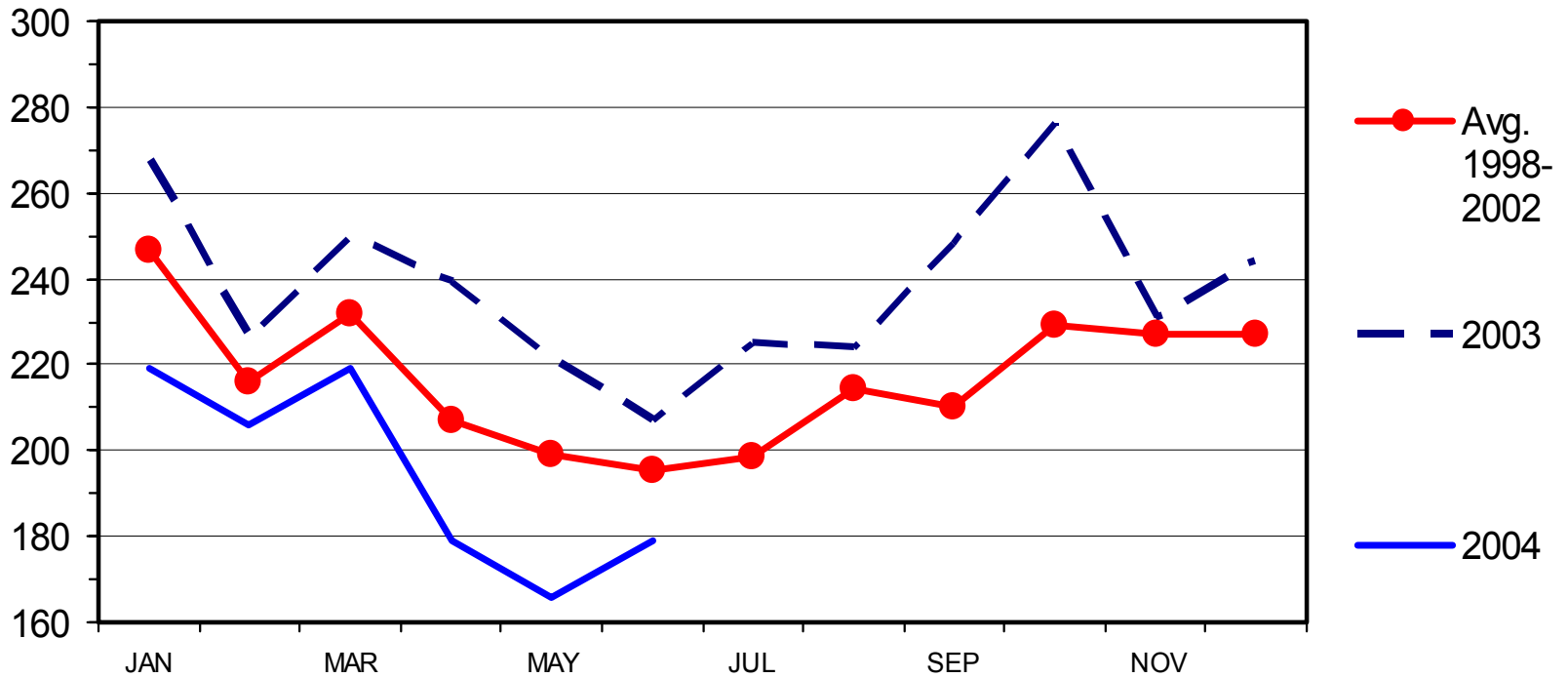
# Milk Cows, 20 Major States



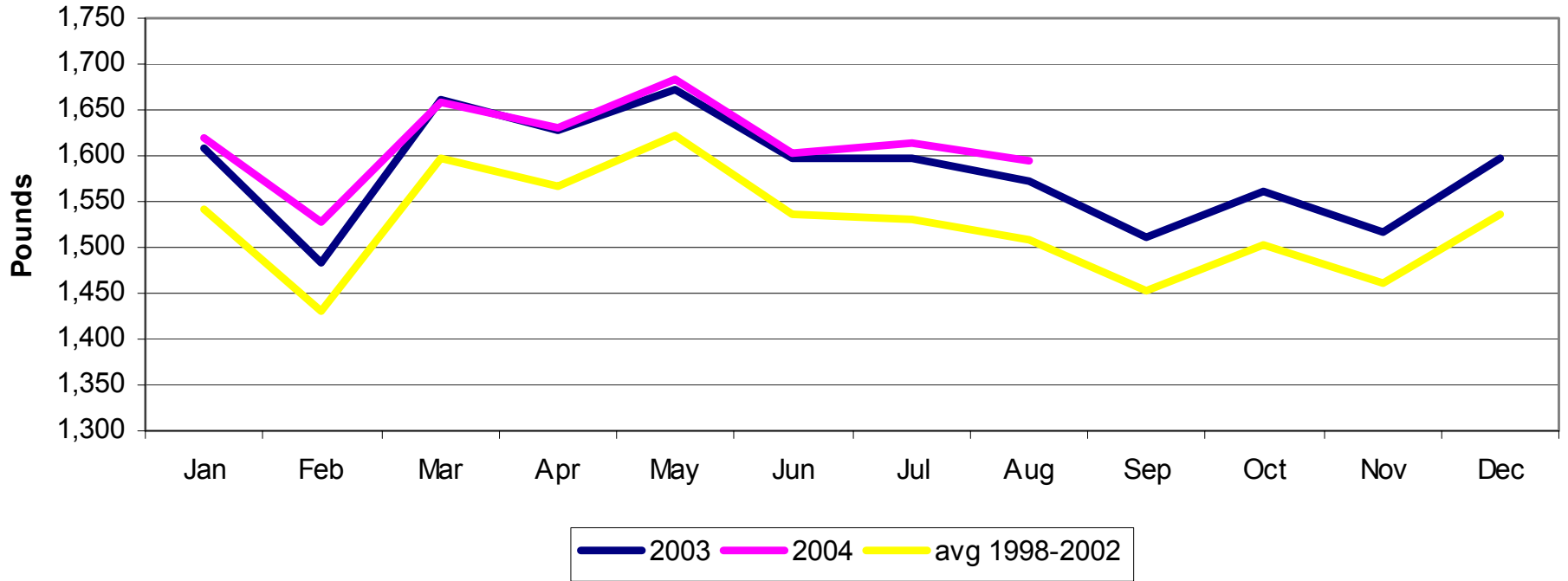
# DAIRY COW SLAUGHTER

Federally Inspected, Monthly

Thou. Head



# Milk Production Per Cow

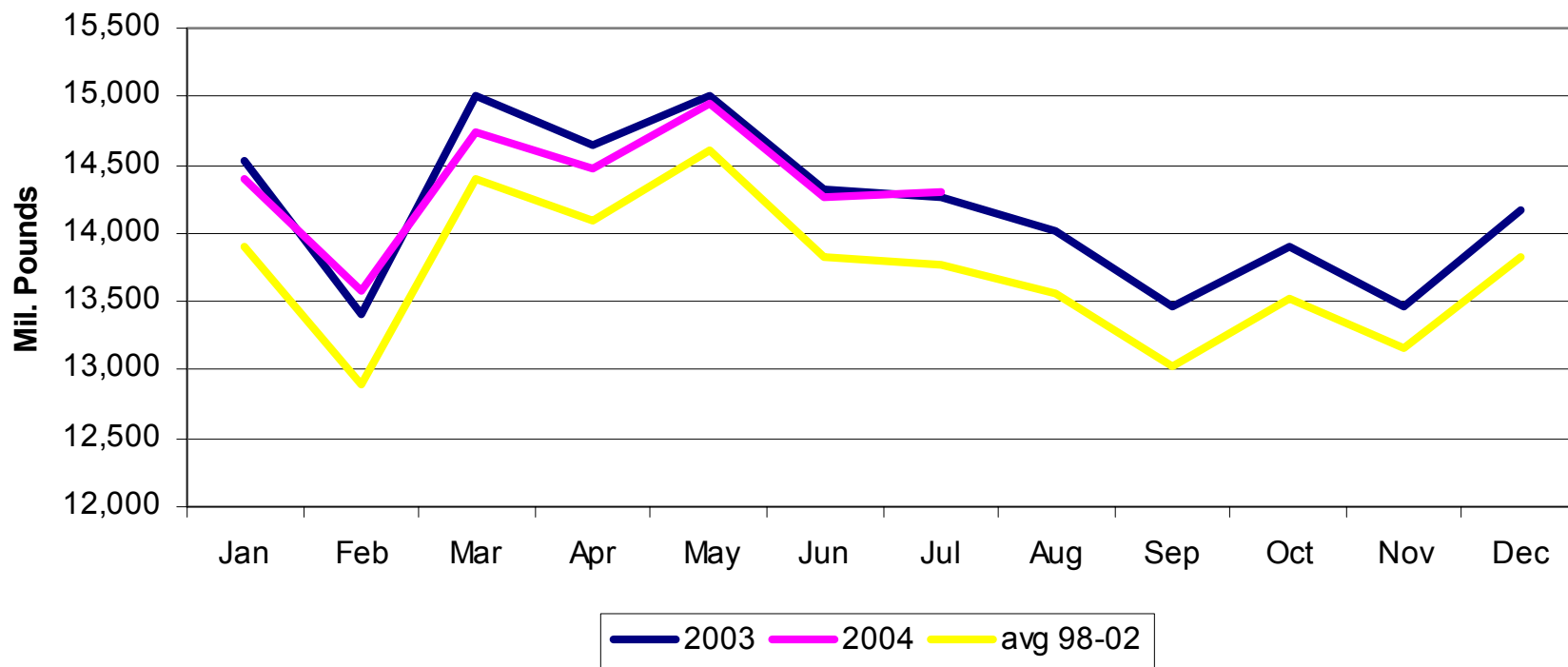


# Production Issues

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- BST
- Feed Quality
- Canadian Cattle
- Culling Patterns
  - Downer cows
- Feed Prices
- Replacement Prices

# US Monthly Milk Production



# Price Forecast

Quarter	All Milk Price \$/cwt
III	15.40
IV	14.75-15.10
2005	
I	13.00-13.50
II	12.25-12.85
III	13.00-13.60
IV	13.50-14.10

# Conclusions

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- A Lot of Uncertainty
  - Expansion?
- Demand
- Potential for More Supply
  - More normal growth milk per cow
  - Increasing cow numbers