

# Dairy Market Outlook

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**Southern Outlook Conference**

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**Livestock and Food Products Marketing**



# Overview

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- Supply
- Expansion
- Prices
- Trade
- Policy
- Near Term Conditions
- Price Outlook



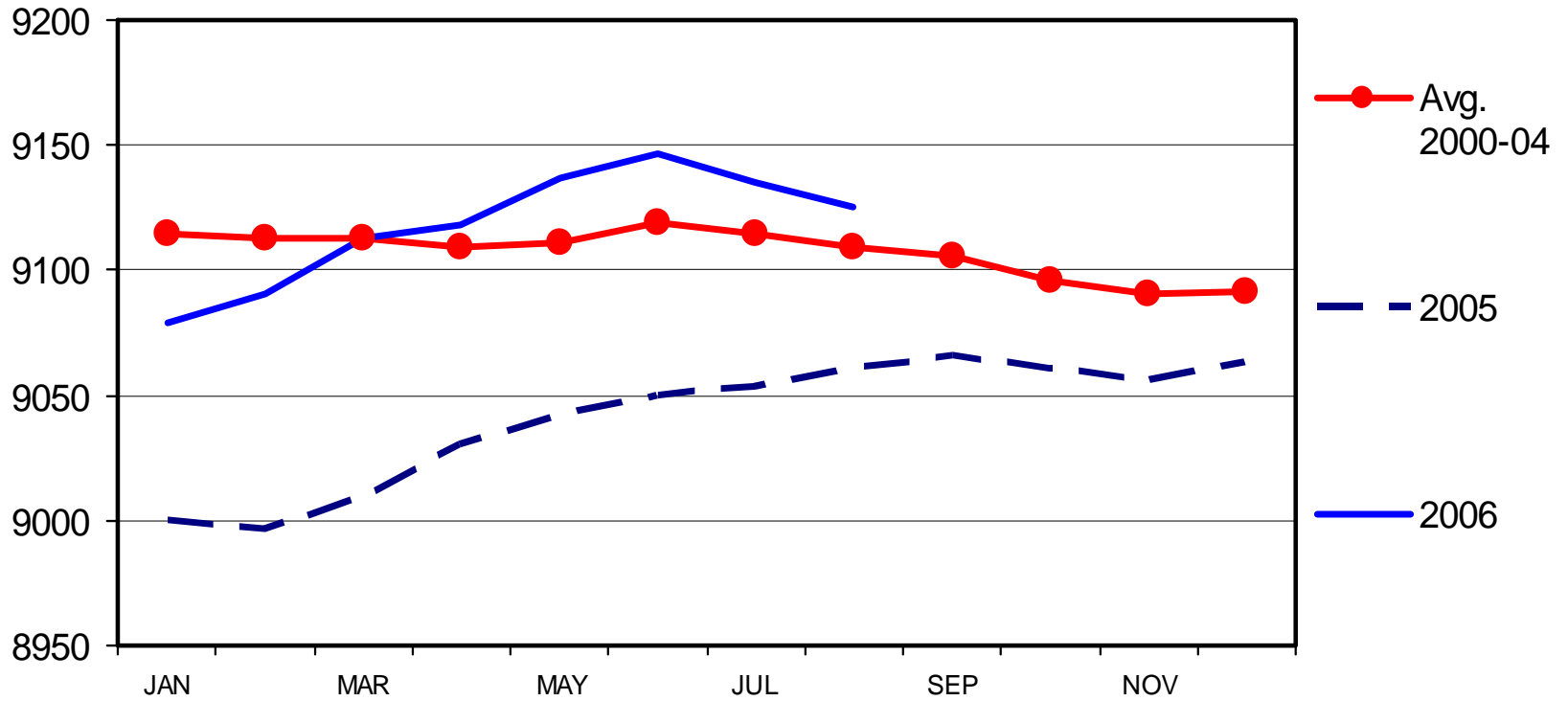
# Supply

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# DAIRY COW INVENTORY

## US Total, Monthly

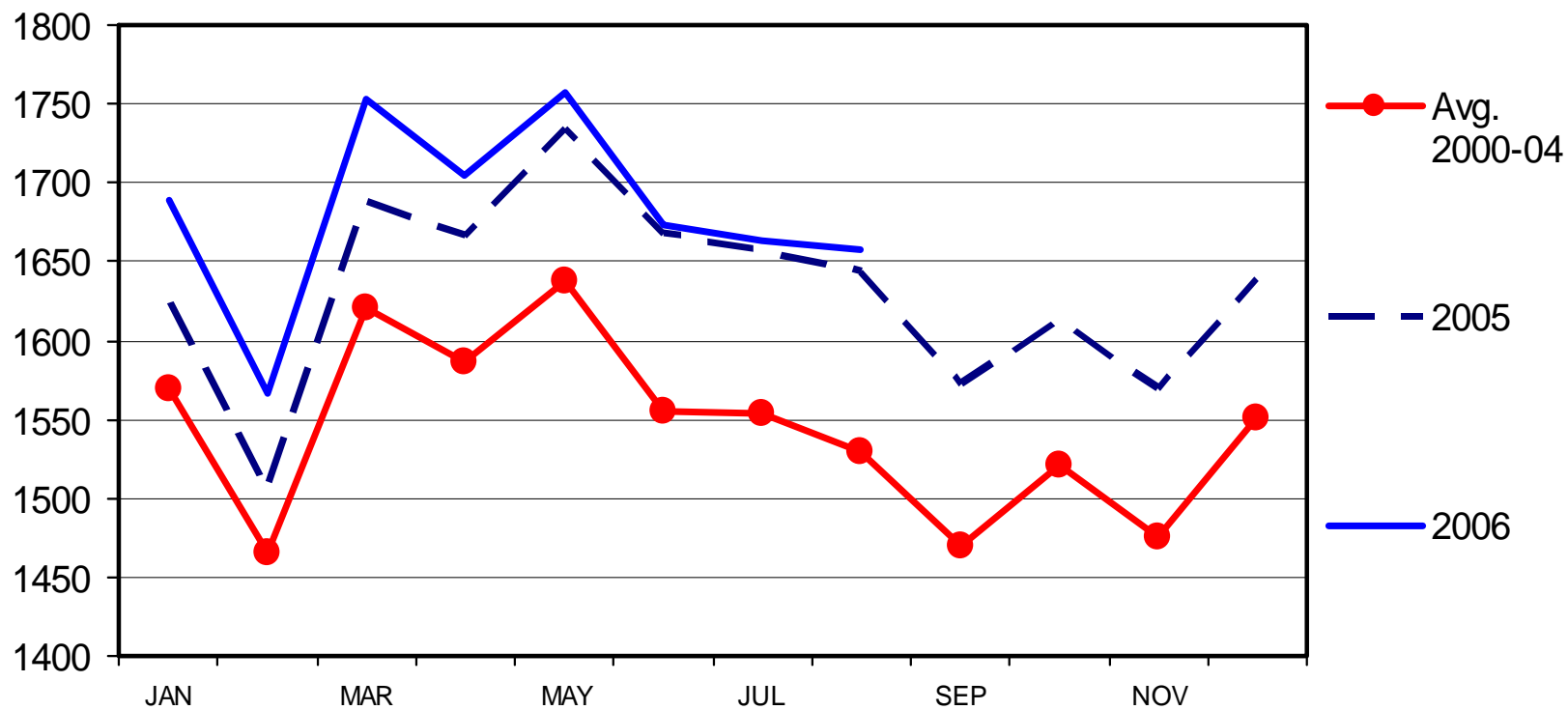
Thou Head



# MILK PRODUCED PER COW

US Total, Monthly

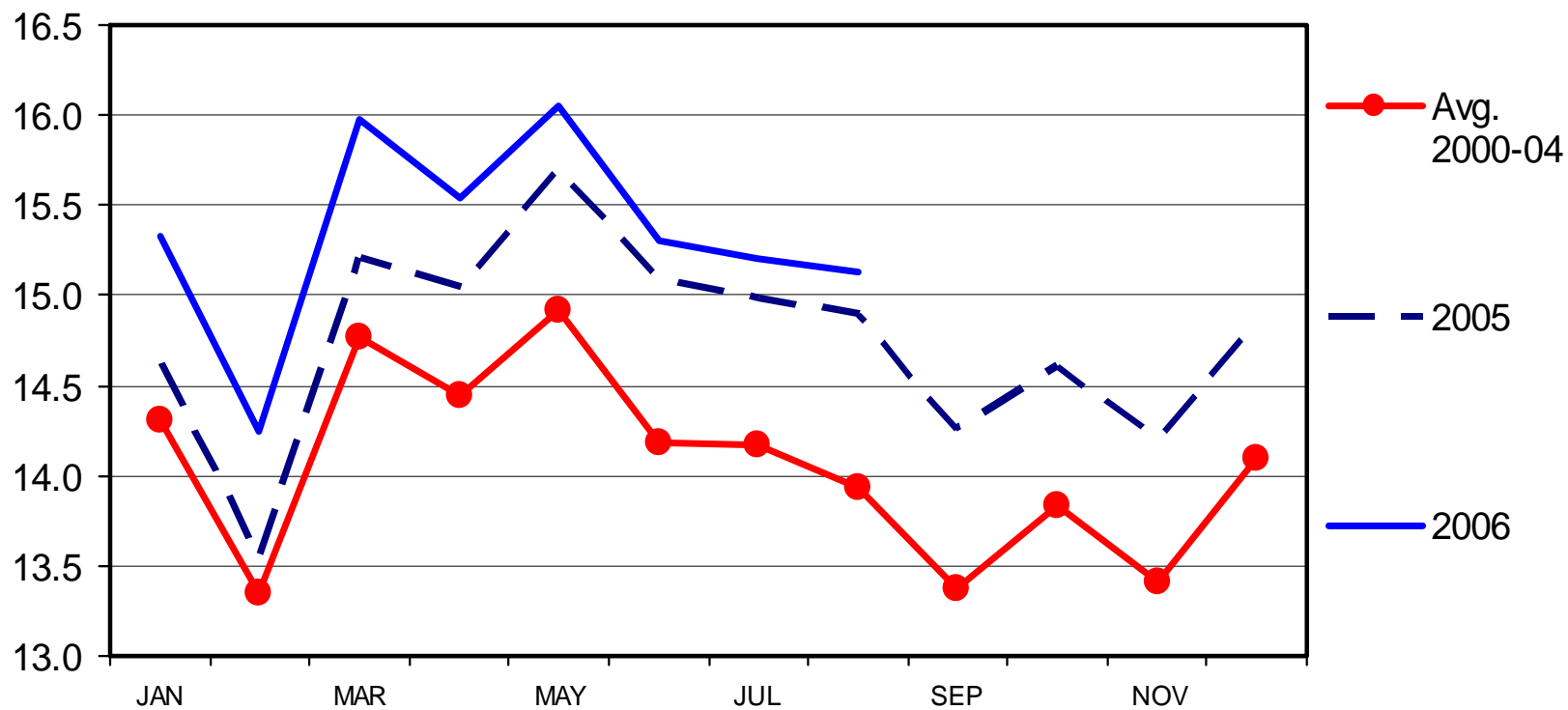
Pounds



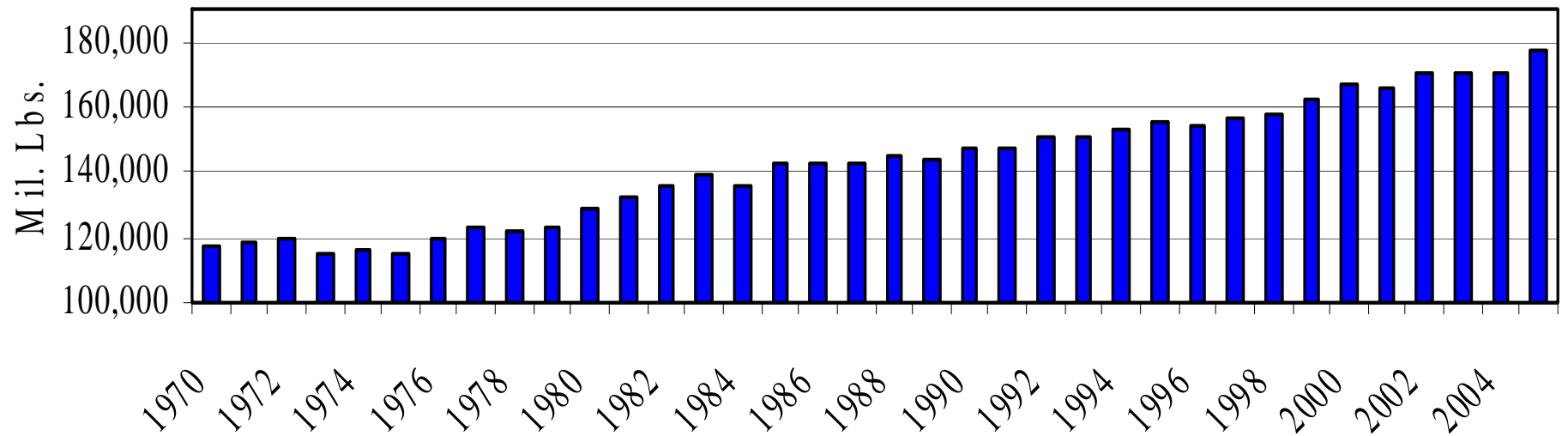
# MILK PRODUCTION

US Total, Monthly

Bil Pounds



# Annual Milk Production



# Expansion

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# Top 10 Texas Dairy Counties

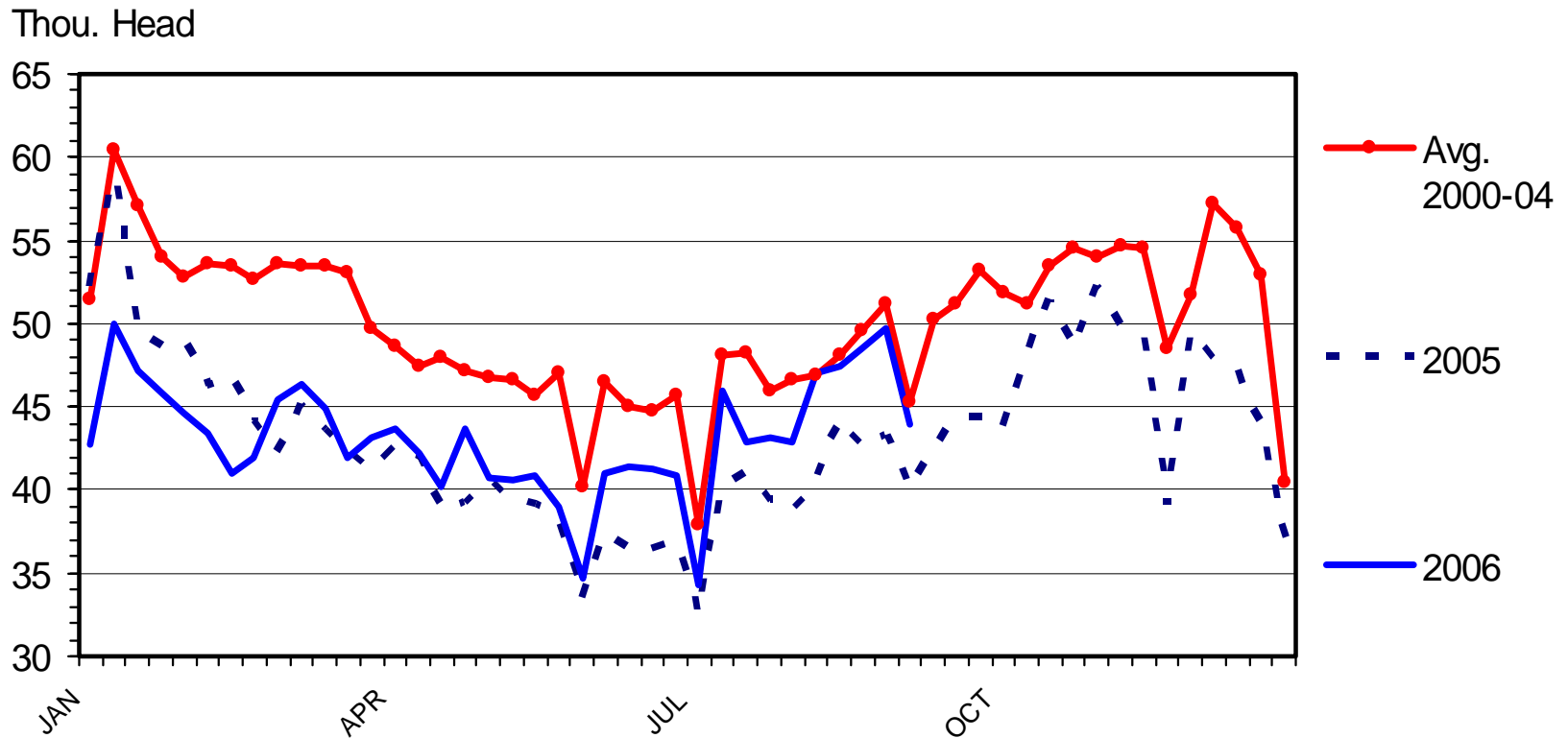
## Milk Production

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1996	2006
Erath (115)	Erath (96)
Hopkins (57)	Hopkins (43)
Comanche (35)	Comanche (39)
El Paso (19)	Lamb (33)
Archer (18)	Deaf Smith (31)
Johnson (18)	Castro (27)
Hamilton (16)	Hale (26)
Wood (14)	Parmer (20)
Cherokee (13)	Bailey (20)
Van Zandt (11)	Hartley (19)

# DAIRY COW SLAUGHTER

Federally Inspected, Weekly



# Supply

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- Large Growth Over 18 Months
  - Profits
  - New cows online, fresher
  - Good weather
- Short Term
  - HOT!!!
  - Feed quality issues, hay costs
  - Poor breeding back
- Increased Cow Slaughter

# Supply

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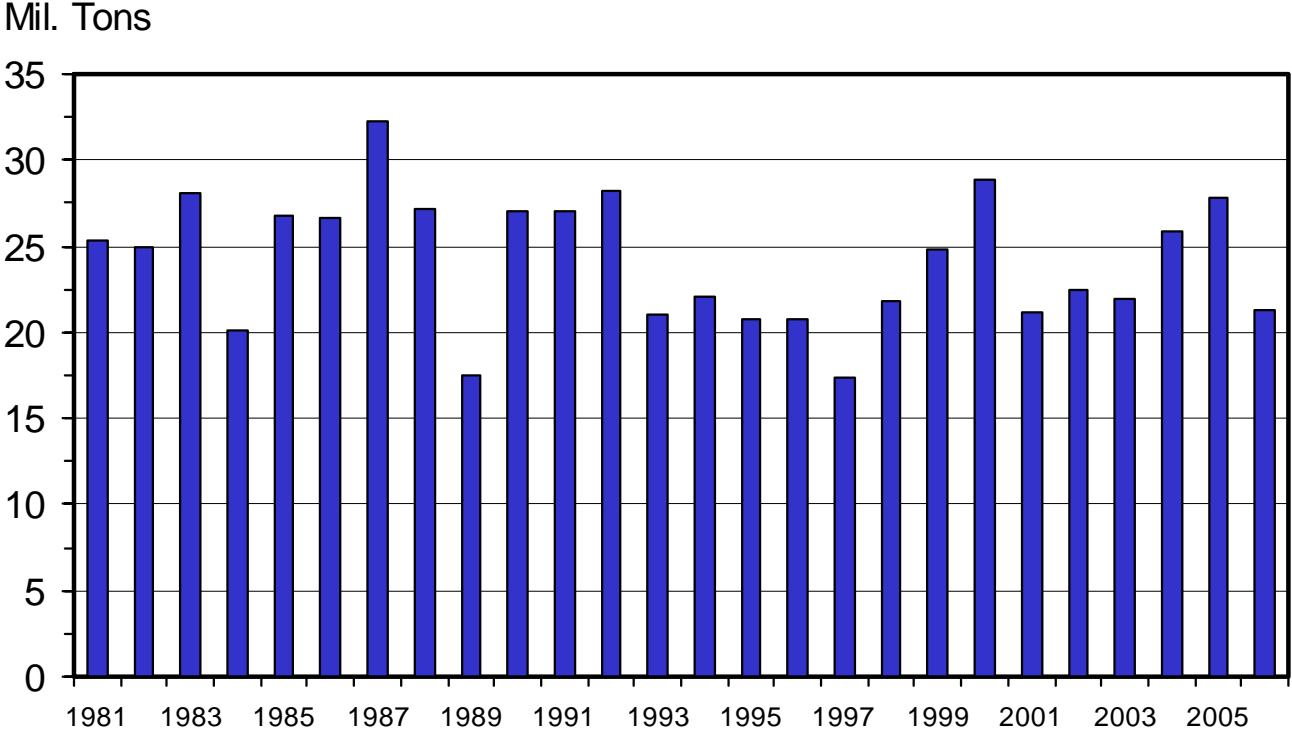
- Diverging Industry
  - Large expansion continues
  - Small producers declining
- Slowing Production
  - May even decline, near term
  - But, ample supplies
- Modest Growth Next Year

# Prices

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# U S ALL HAY STOCKS

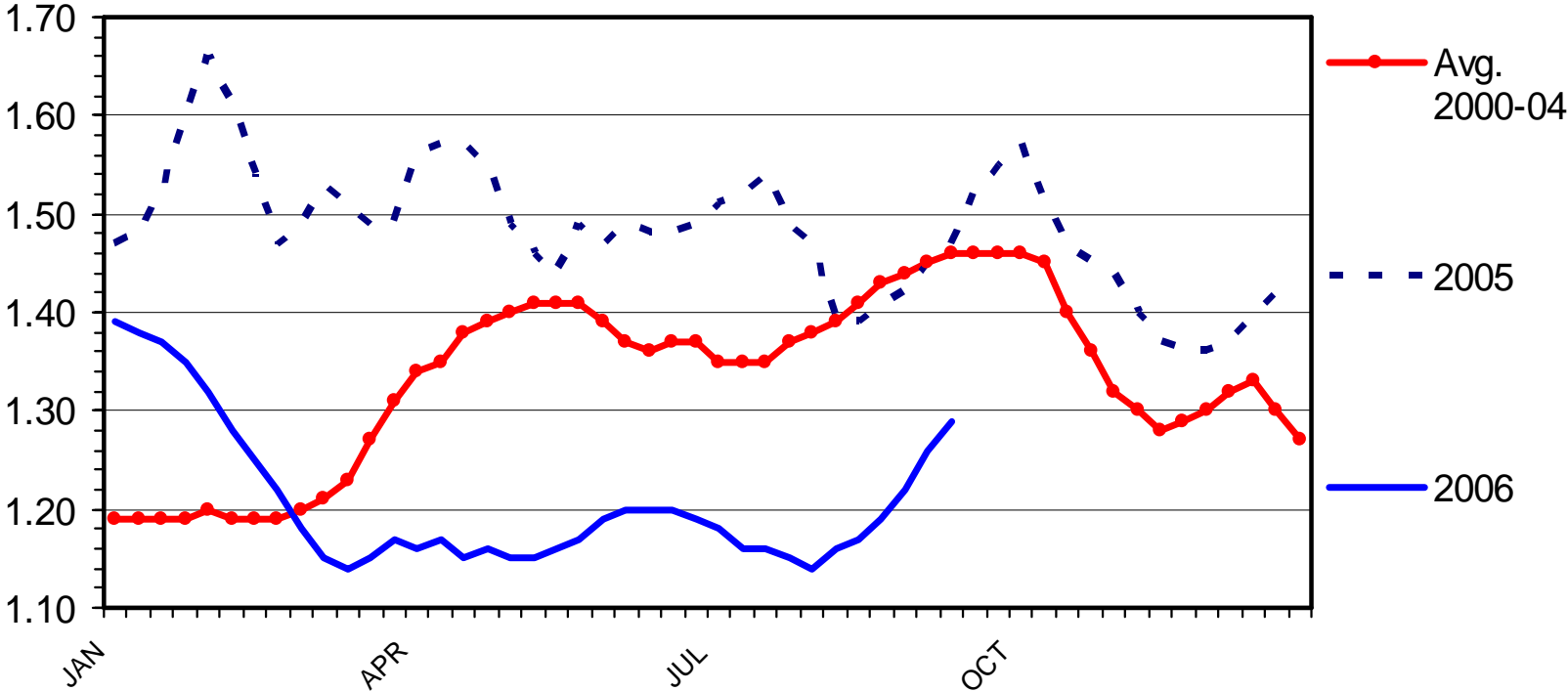
May 1 (Beginning of Crop Year)



# CHEDDAR CHEESE PRICES

40 Pound Block, US, Weekly

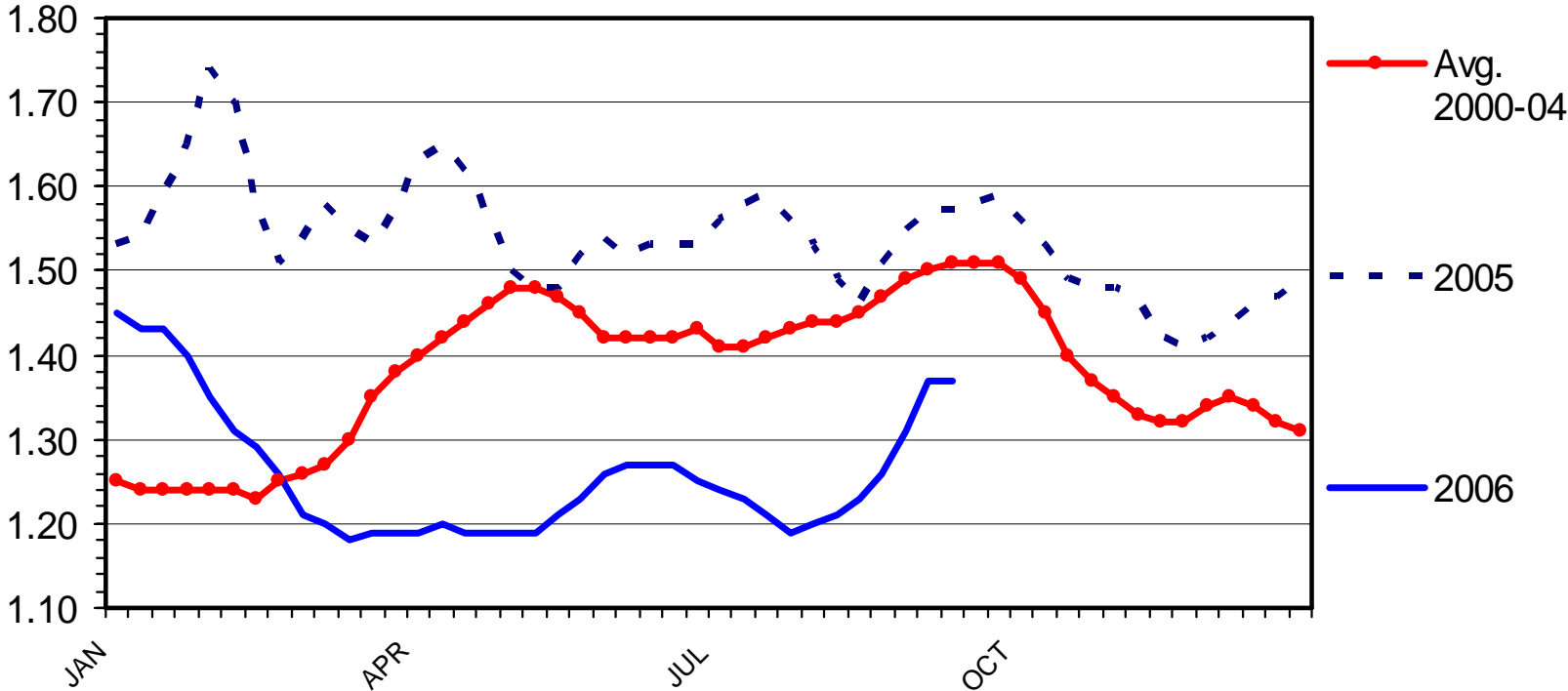
\$ Per Pound



# CHEDDAR CHEESE PRICES

500 Pound Barrel, US, Weekly

\$ Per Pound

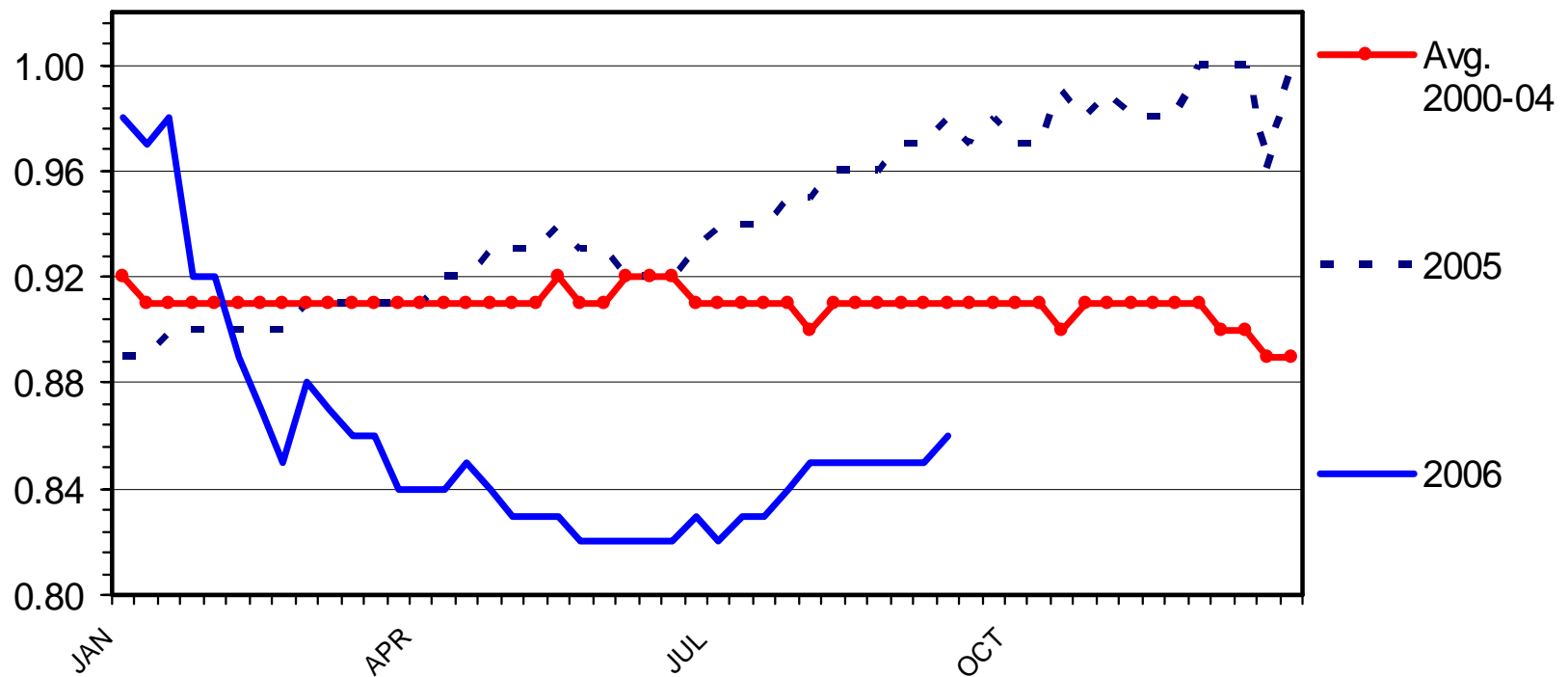




# NONFAT DRY MILK PRICES

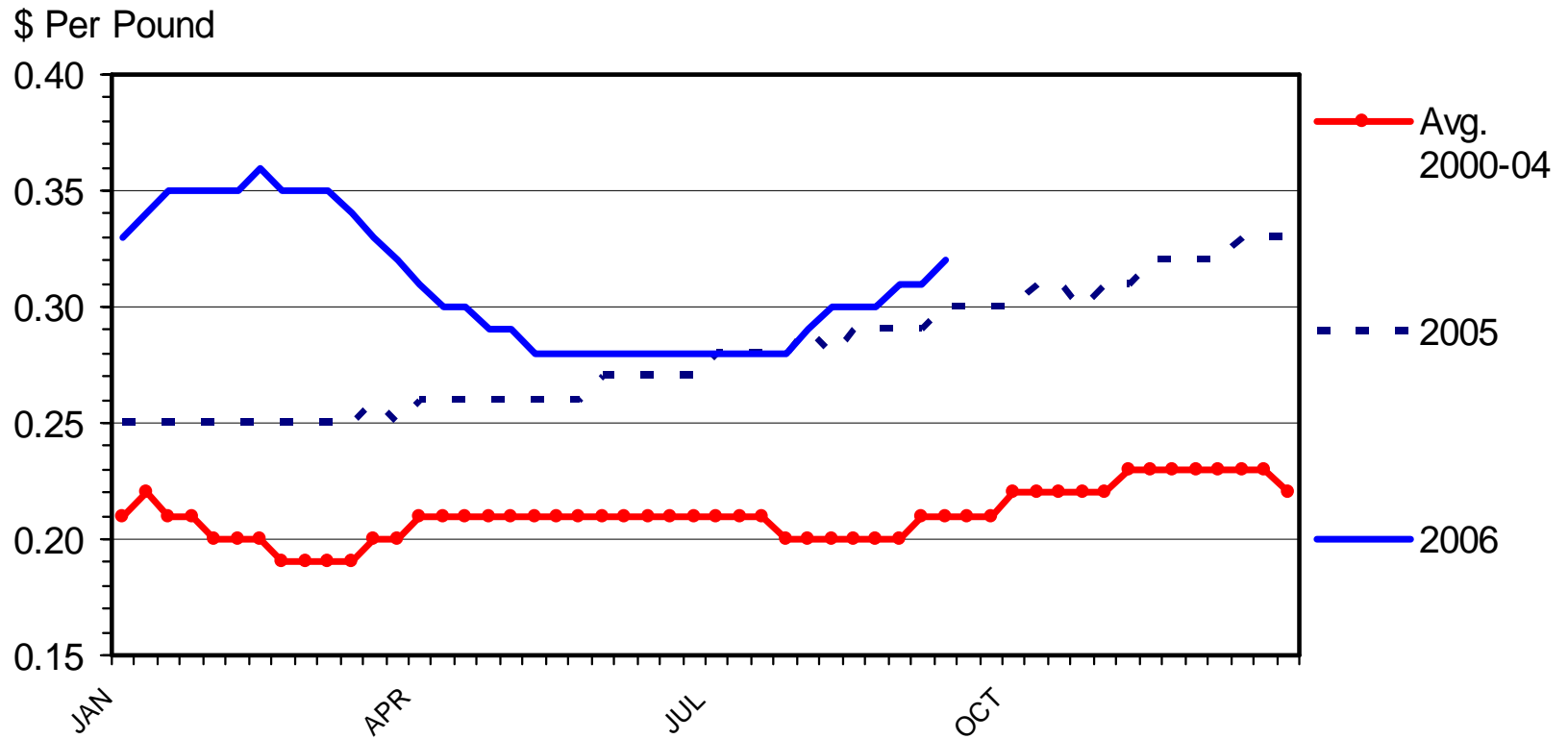
## US, Weekly

\$ Per Pound

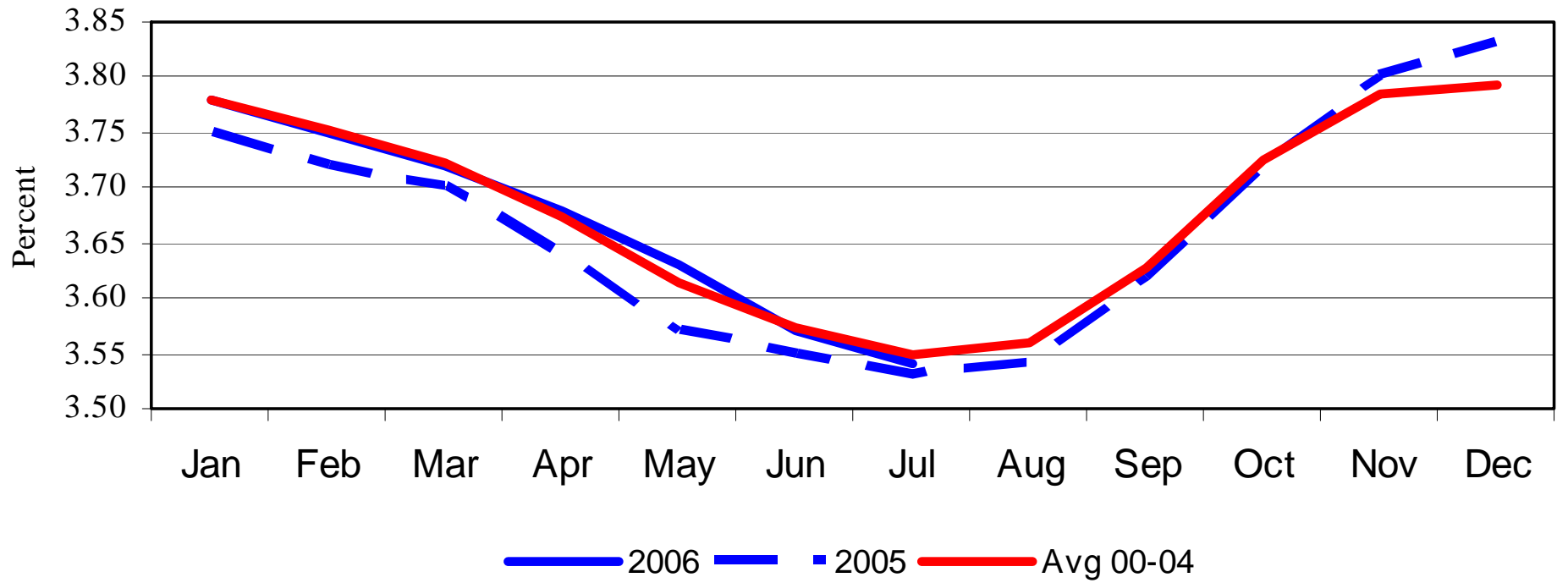


# DRY WHEY PRICES

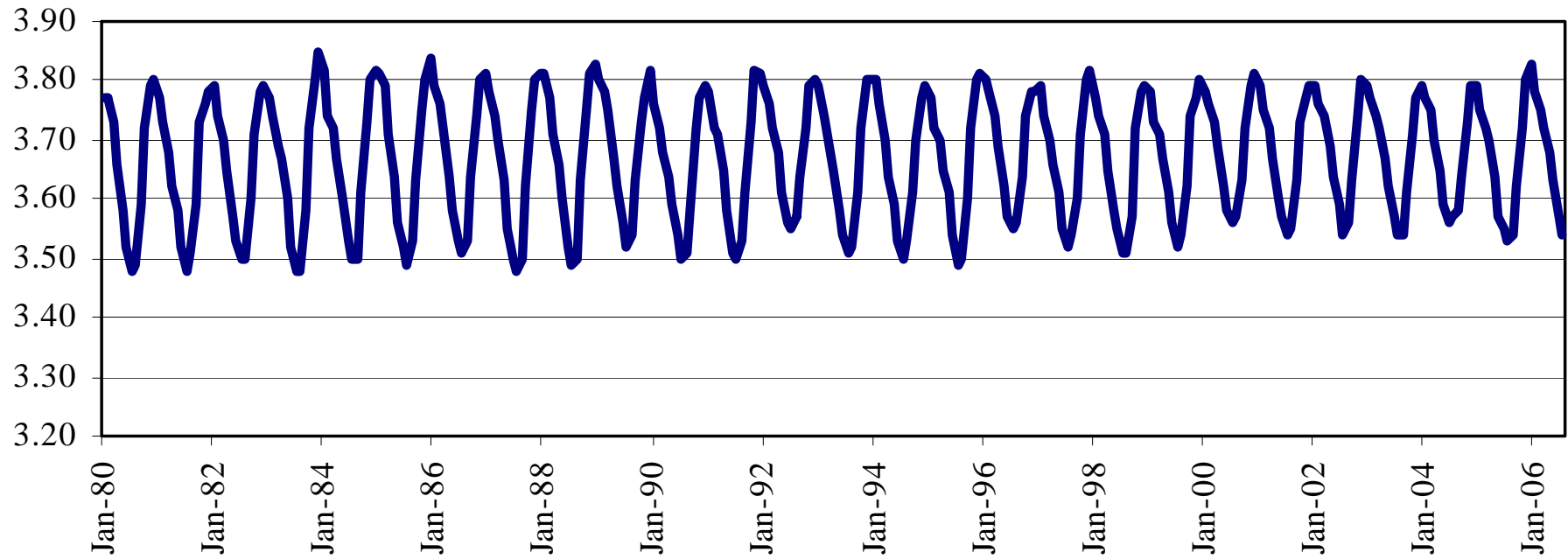
## US, Weekly



# All Milk Fat Test



# All Milk Fat Test, Percent



# Prices

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- Weak
- Not Enough to Cause Rapid Liquidation
  - More like holding or slowing
- Expansion Continues for Large Dairies
  - But, high hauling costs
- Increased Components
  - Nutrition, breeding

# Policy

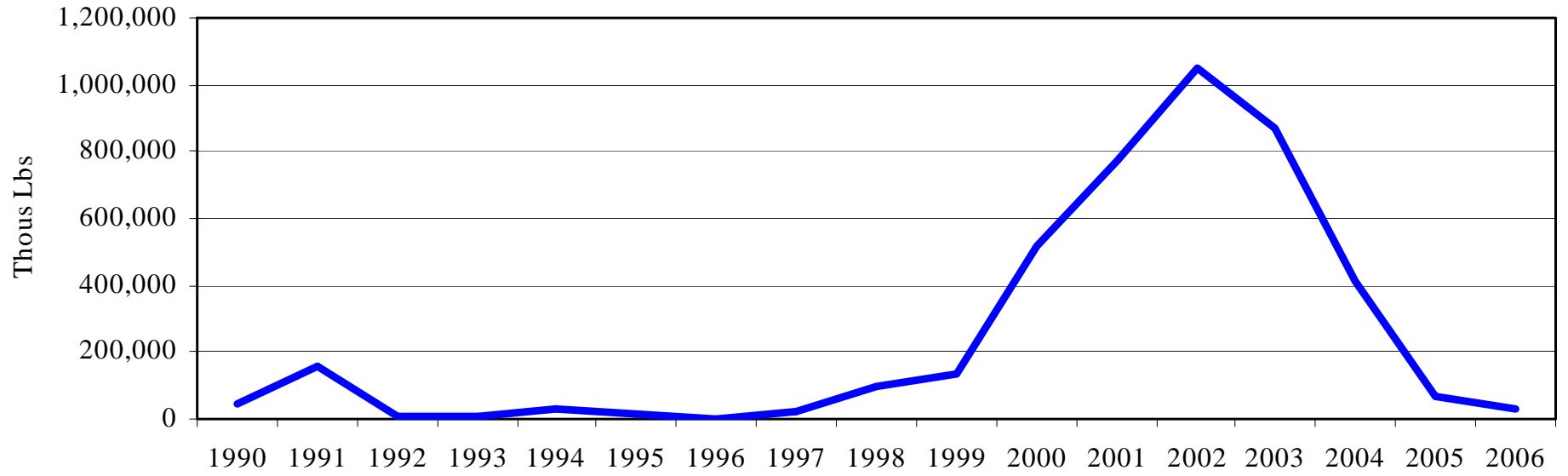
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- Make Allowance Ruling
  - Reduced pressure on processors
  - Lower producer prices
  - Issues between proprietary firms and coops
- Choices
  - Dairy Price Support Program
  - MILC
  - DPSP helps large producers more
  - MILC helps small producers more
  - Fight will continue

# Near Term Conditions

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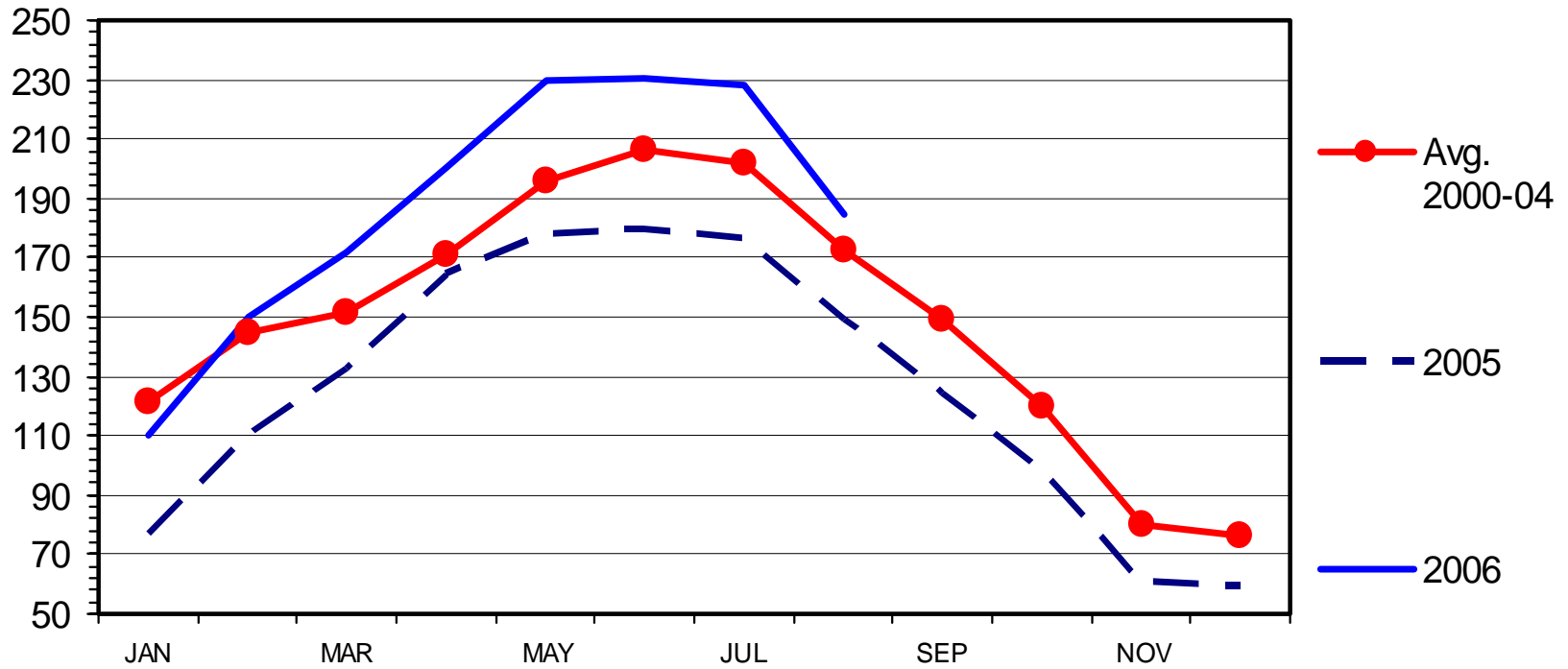
# Government NFDM Stocks



# BUTTER IN COLD STORAGE

End of the Month

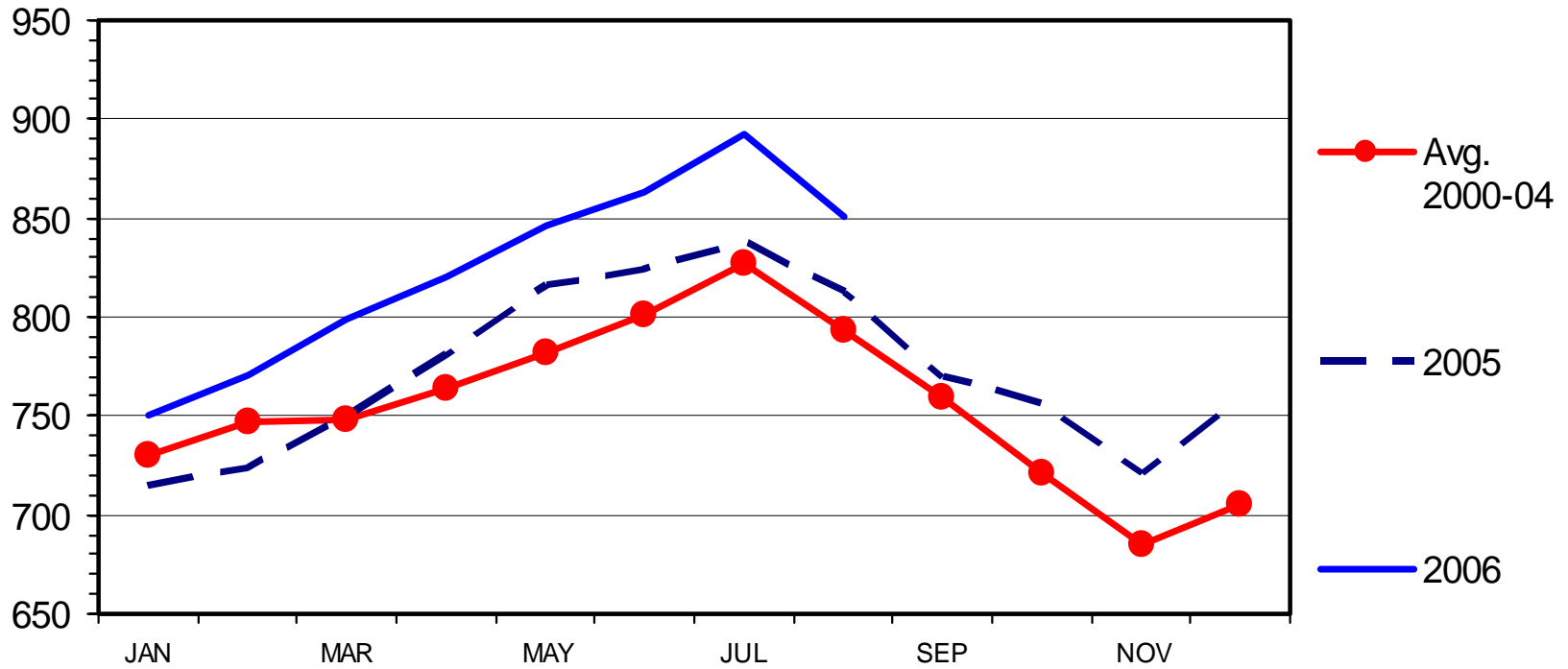
Mil. Pounds



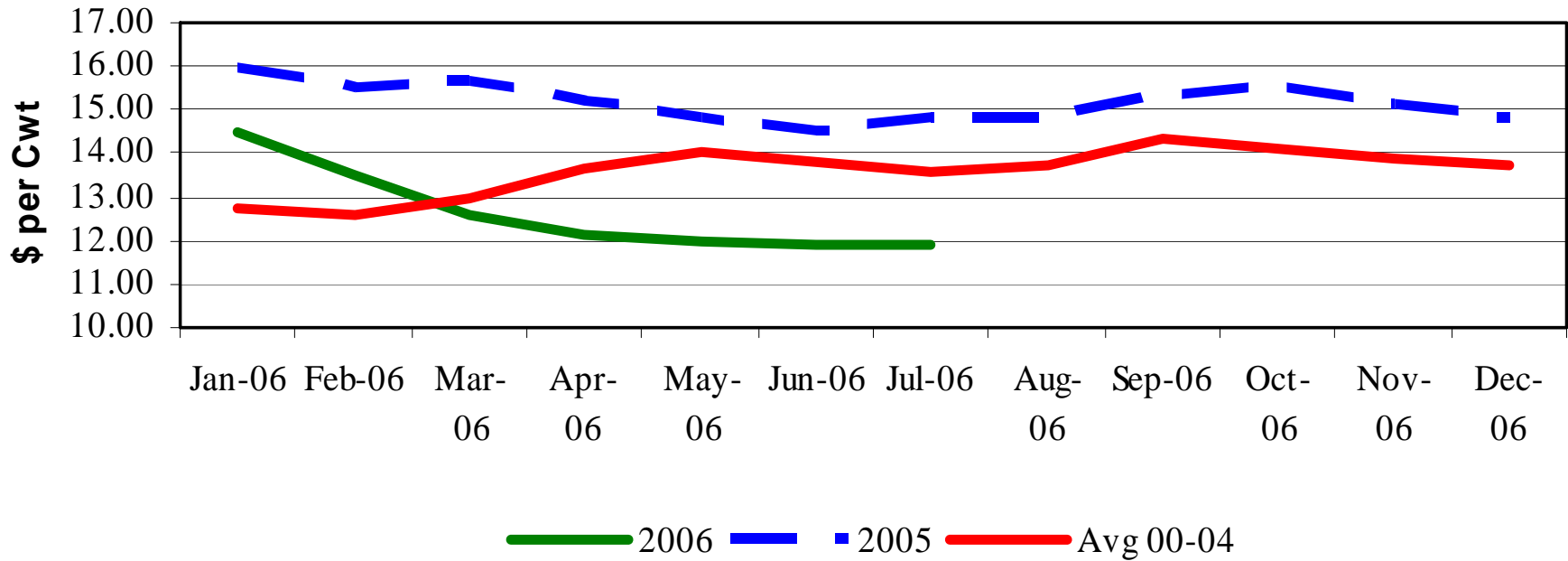
# TOTAL CHEESE IN COLD STORAGE

End of the Month

Mil. Pounds



# U.S. All Milk Prices



# Market Summary

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- Moderating Production Growth
  - Cows and production per cow
- Some Buildup of Private Stocks
- Stagnate Prices

# Projected Prices for 2005-2007

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	<b>Prod.</b>	<b>All Milk</b>	<b>Class III</b>
<b>2005</b>	177	15.14	14.05
<b>2006 I</b>	45.5	13.53	12.23
<b>II</b>	47.0	12.07	11.02
<b>III</b>	44.7	12.52	11.46
<b>IV</b>	44.3	12.90-13.30	12.00-12.40
<b>2007 I</b>	45.9	12.60-13.00	11.70-12.10
<b>II</b>	47.4	11.90-12.20	10.90-11.20
<b>III</b>	45.0	12.00-12.30	11.05-11.35
<b>IV</b>	44.7	12.10-12.40	11.15-11.45

