

# Dairy Economics From a Global View

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# Overview

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- Economy and Demand
- Costs
- Too Much Milk



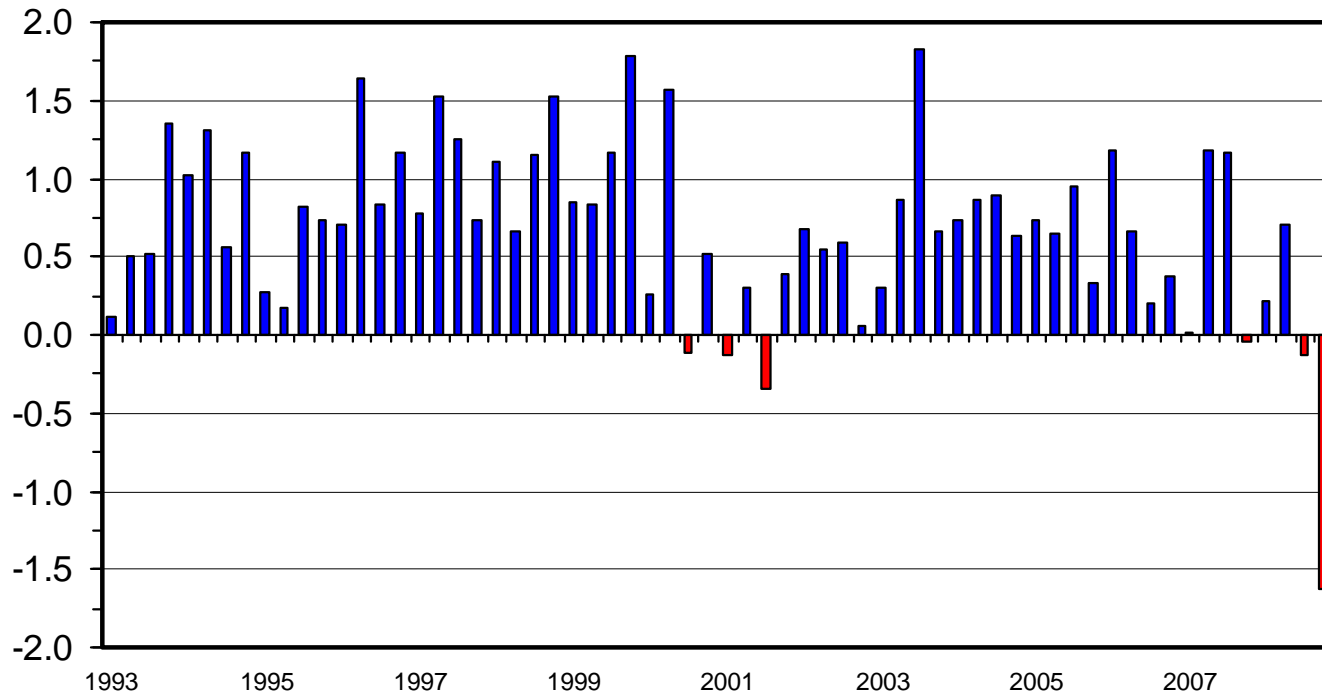
# Economy

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# QTRLY GROSS DOMESTIC PRODUCT (GDP)

Real Dollar (2000) Change from Previous Quarter

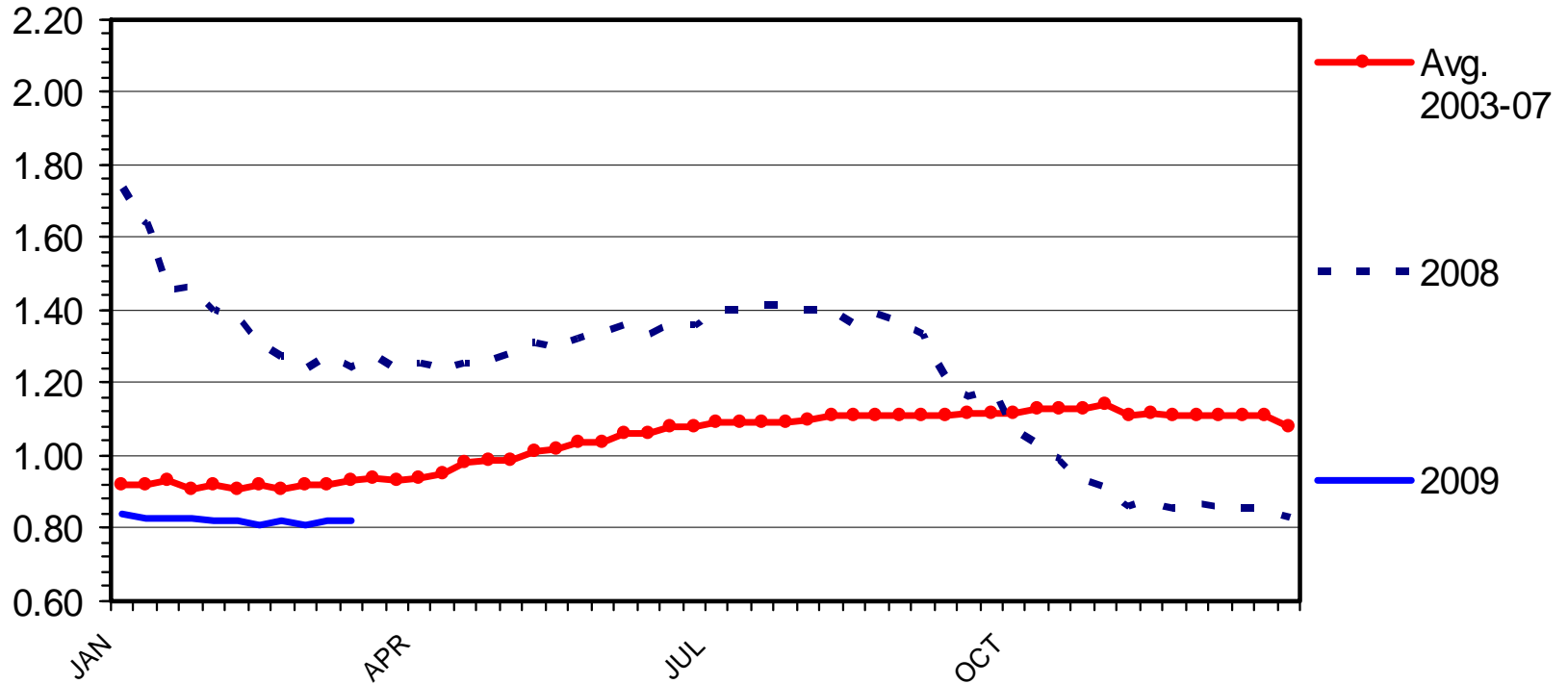
Percent Change



# NONFAT DRY MILK PRICES

## US, Weekly

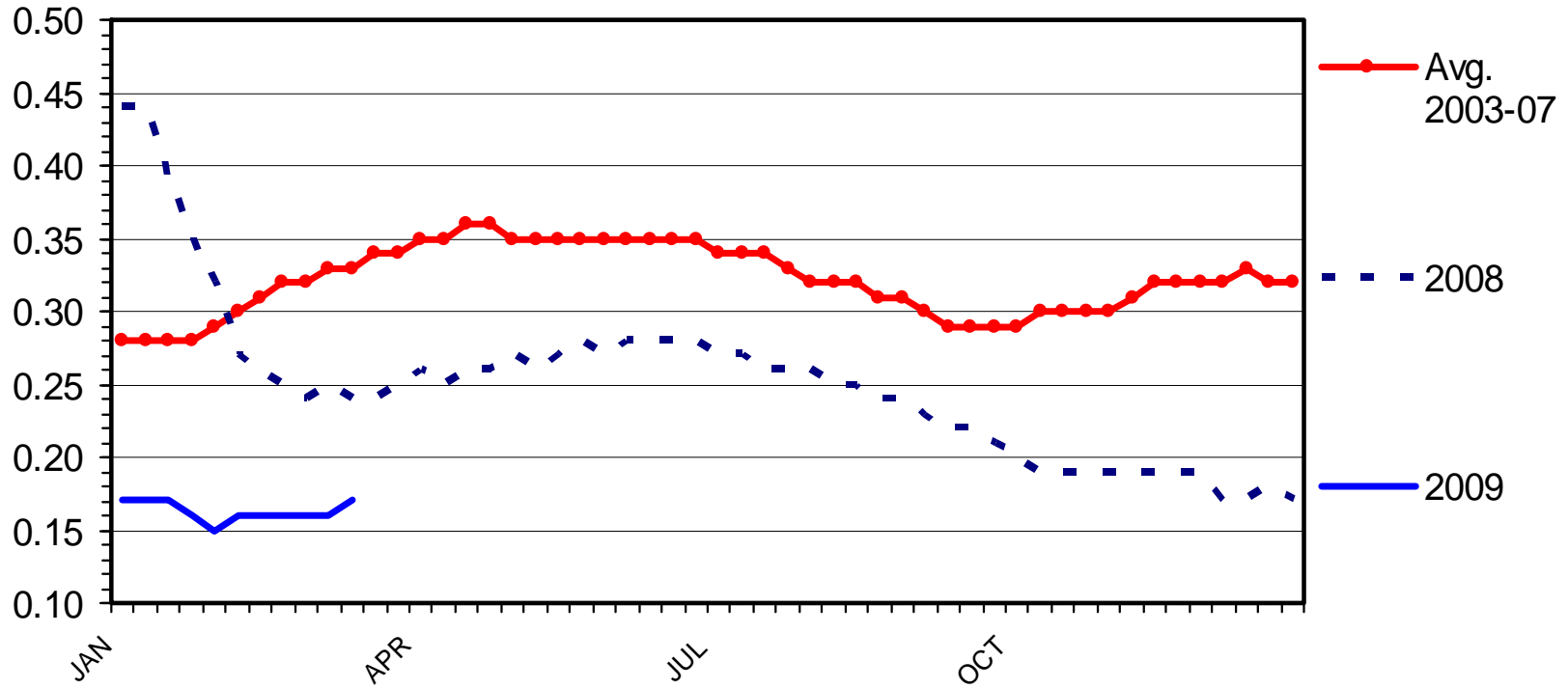
\$ Per Pound



# DRY WHEY PRICES

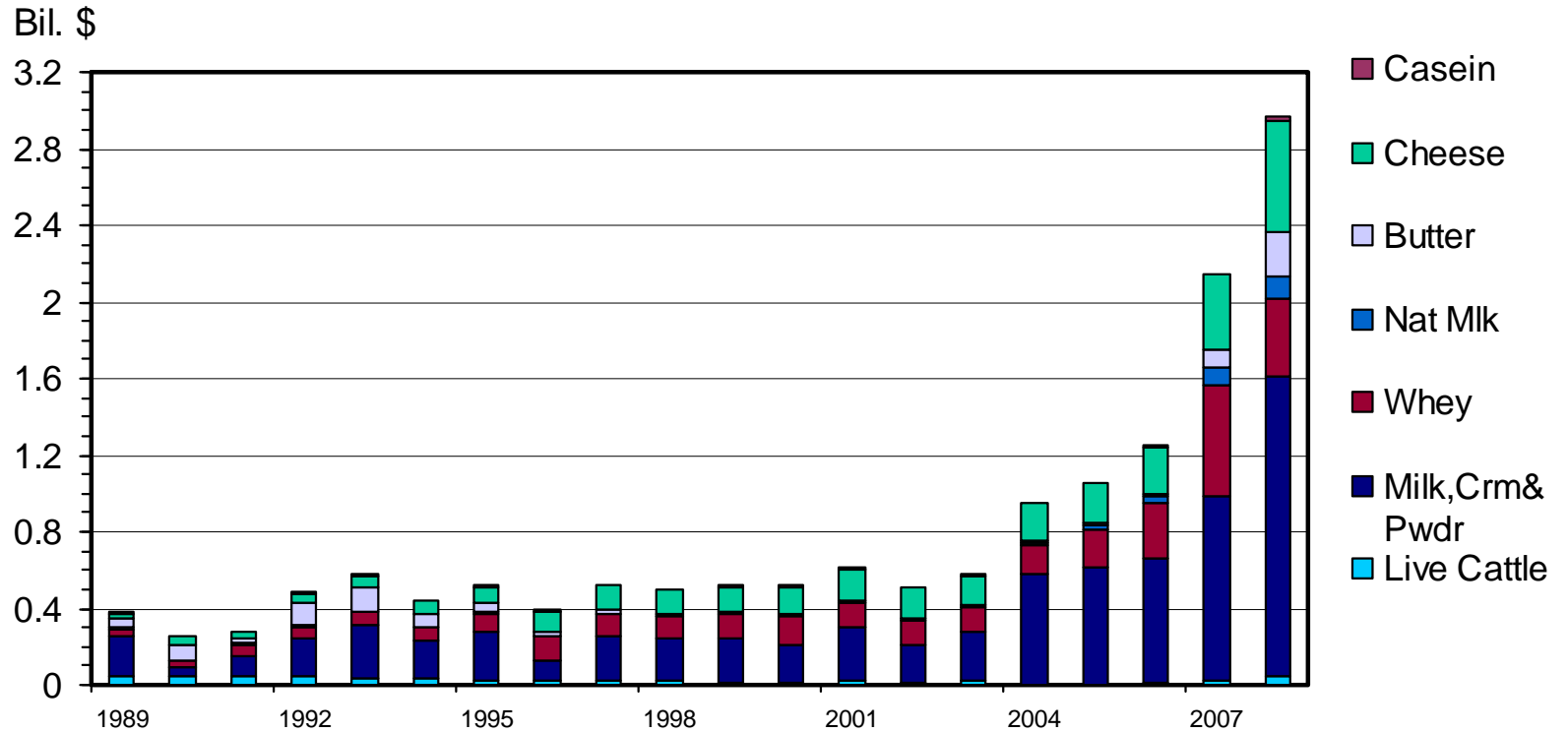
## US, Weekly

\$ Per Pound



# U S DAIRY INDUSTRY EXPORT VALUES

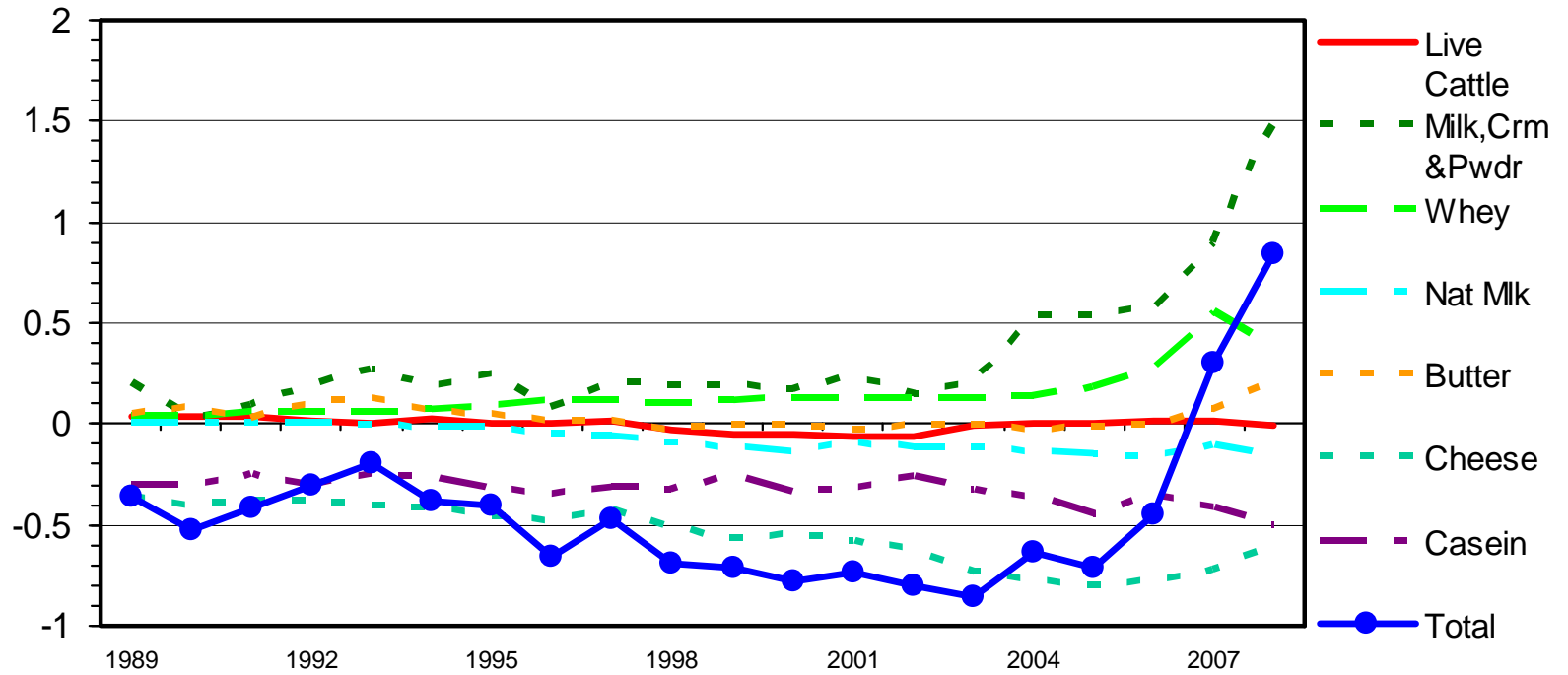
Annual



# U S DAIRY INDUSTRY NET EXPORT VALUES

Annual

Bil. \$





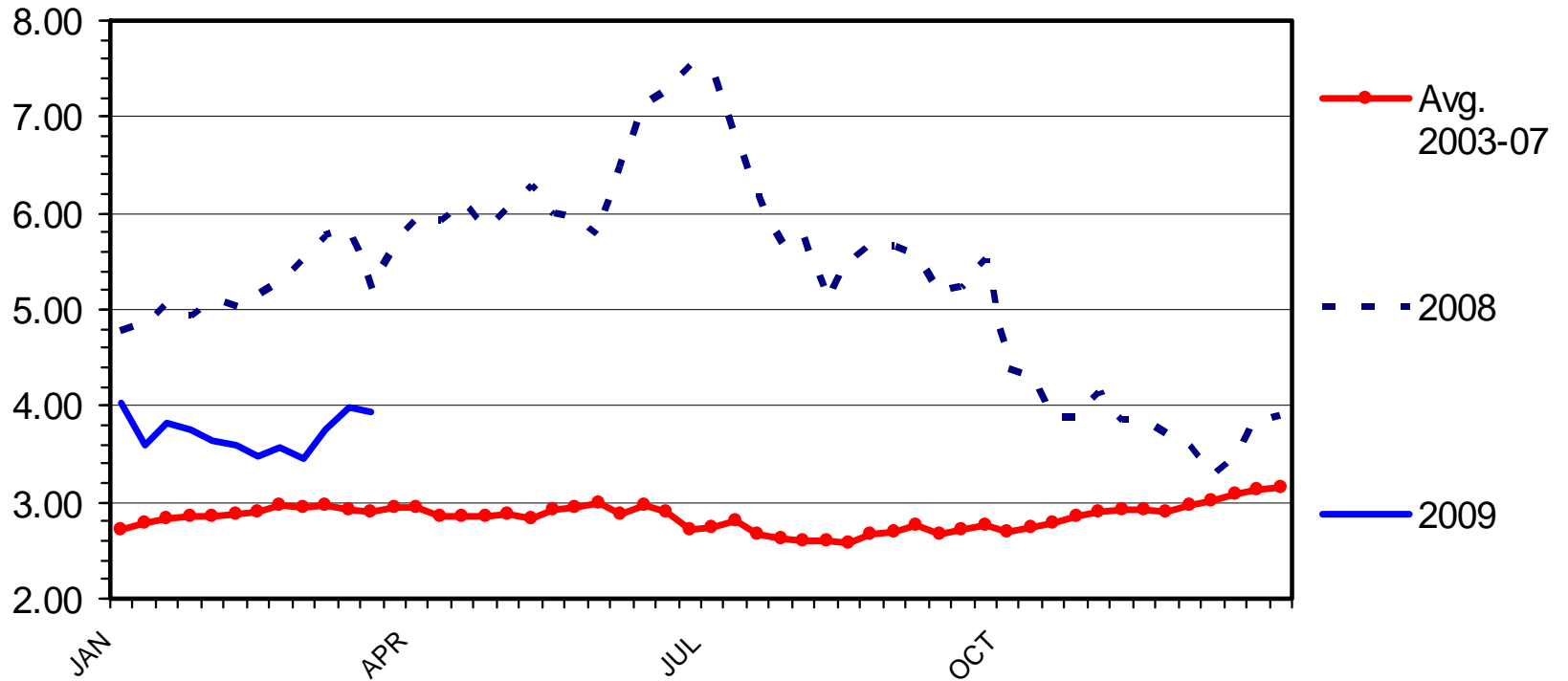
# Dairy Economics

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# SOUTHERN PLAINS CORN PRICES

Weekly

\$ Per Bu.

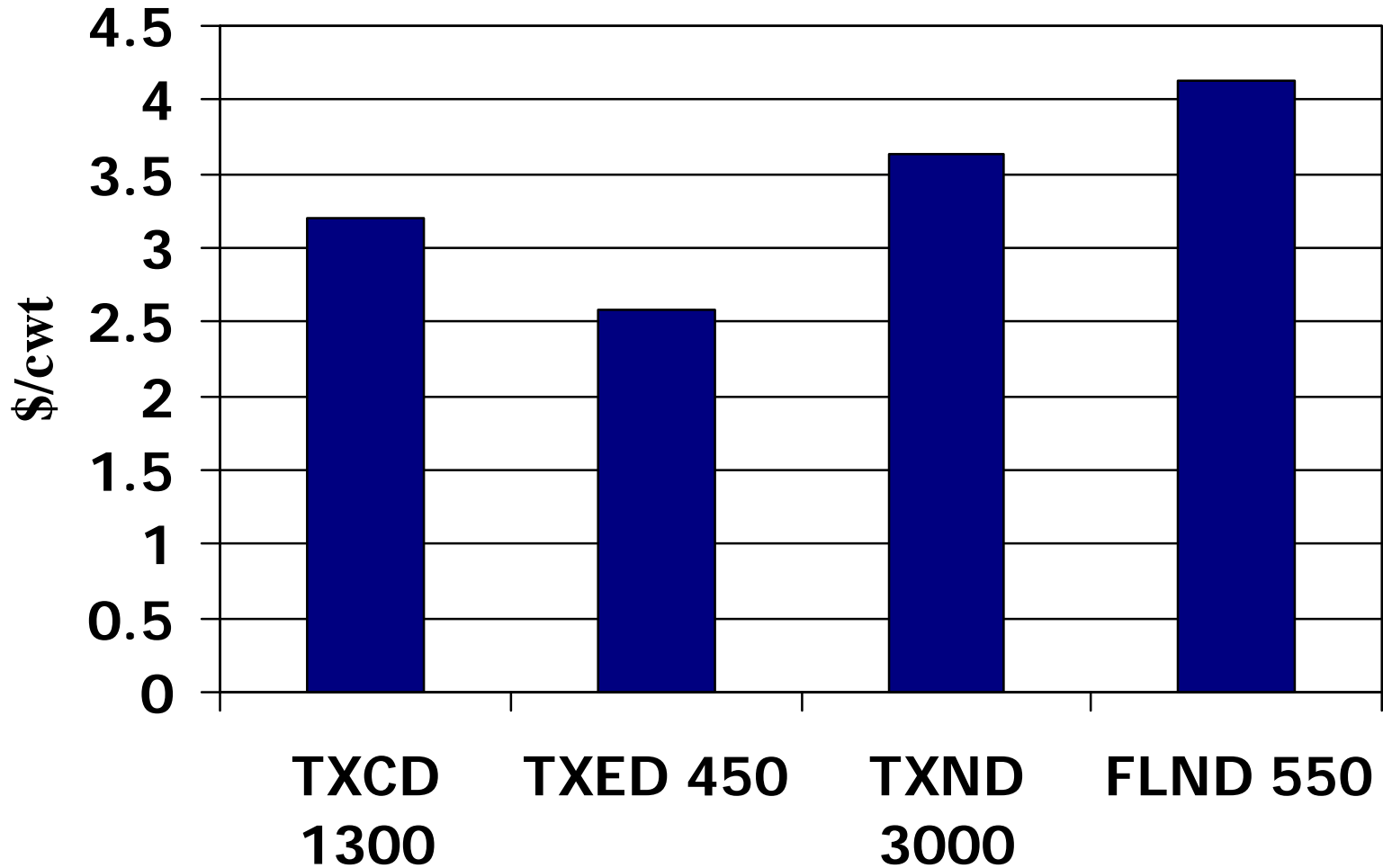


# AFPC Representative Dairy Farms

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- Developed With Producers
  - Consensus process
  - On paper the costs and returns for a dairy representative of the area
- Used for Policy Analysis
  - For more than 20 years
- 22 Representative Dairies

# Increase in Purchased Feed Costs/cwt, 2006-2008



# 2008 to 2009 Total Costs

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- Decline From \$1.00 to \$3.00 per cwt
- Why?
  - Lower feed, fuel, other costs from 2008
- Costs Range From \$14 to \$20 per Cwt (2009)
- Costs Back to the Same as 2007
- \$2-\$4 per Cwt Higher Than in 2006

# Prior to Price Meltdown

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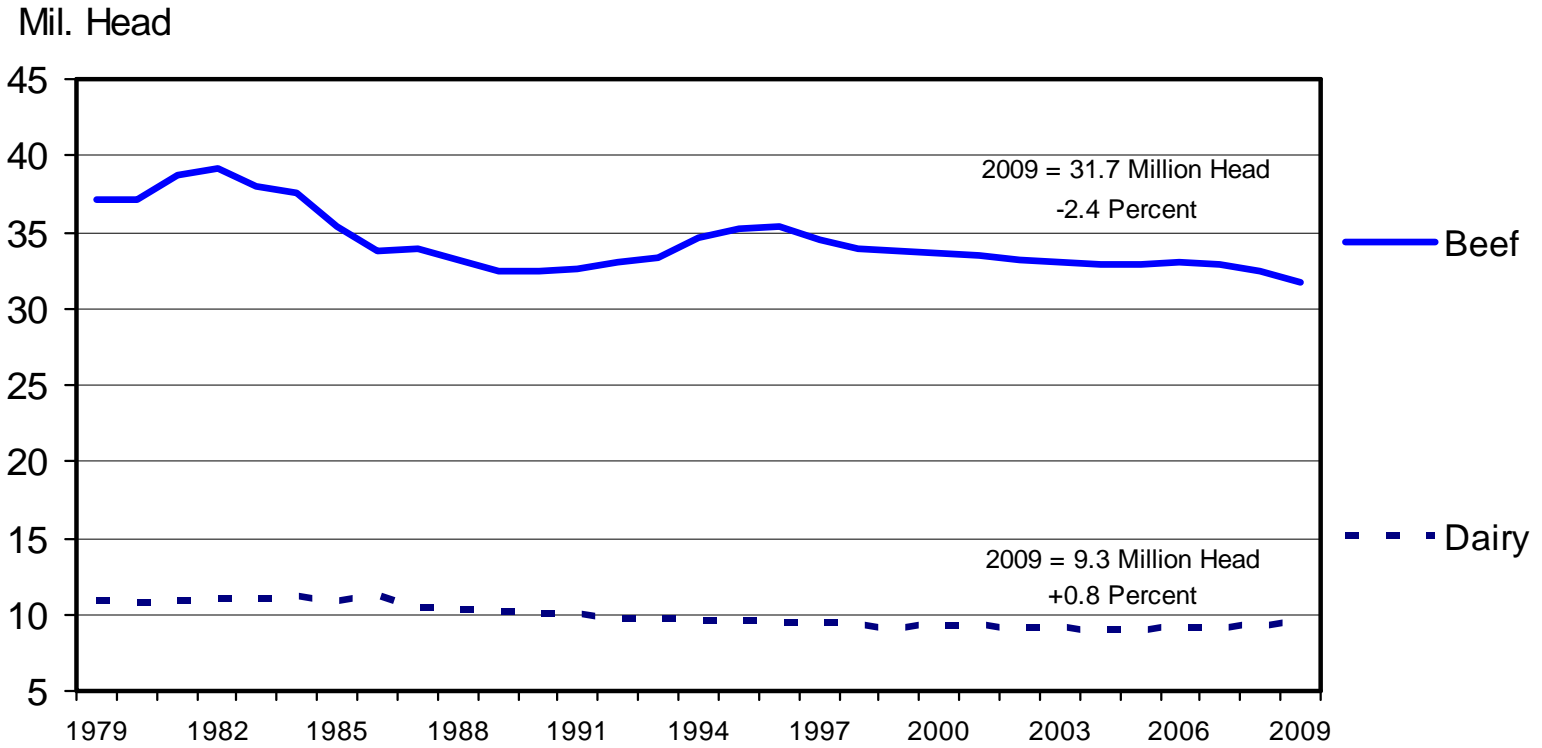
- 14 of 22 Dairy Farms Would Have a Negative Ending Cash Balance If...
- Revenue Declined by Only 10%
- That Was Using FAPRI's December Baseline
- With Higher Debt-Asset Ratio
  - Half unable to recover financially with this year's projected price

# Supply

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# JANUARY 1 COW INVENTORY

## U.S., Annual

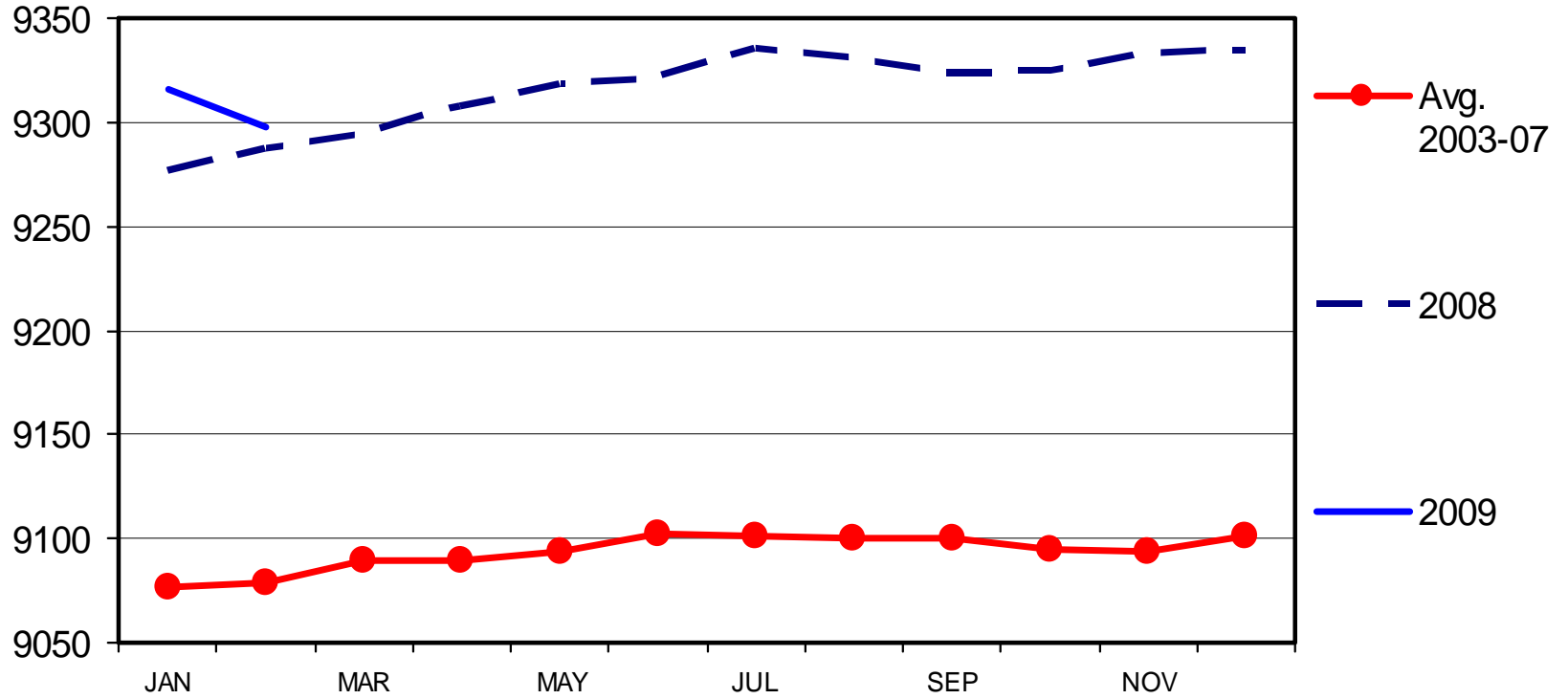




# DAIRY COW INVENTORY

US Total, Monthly

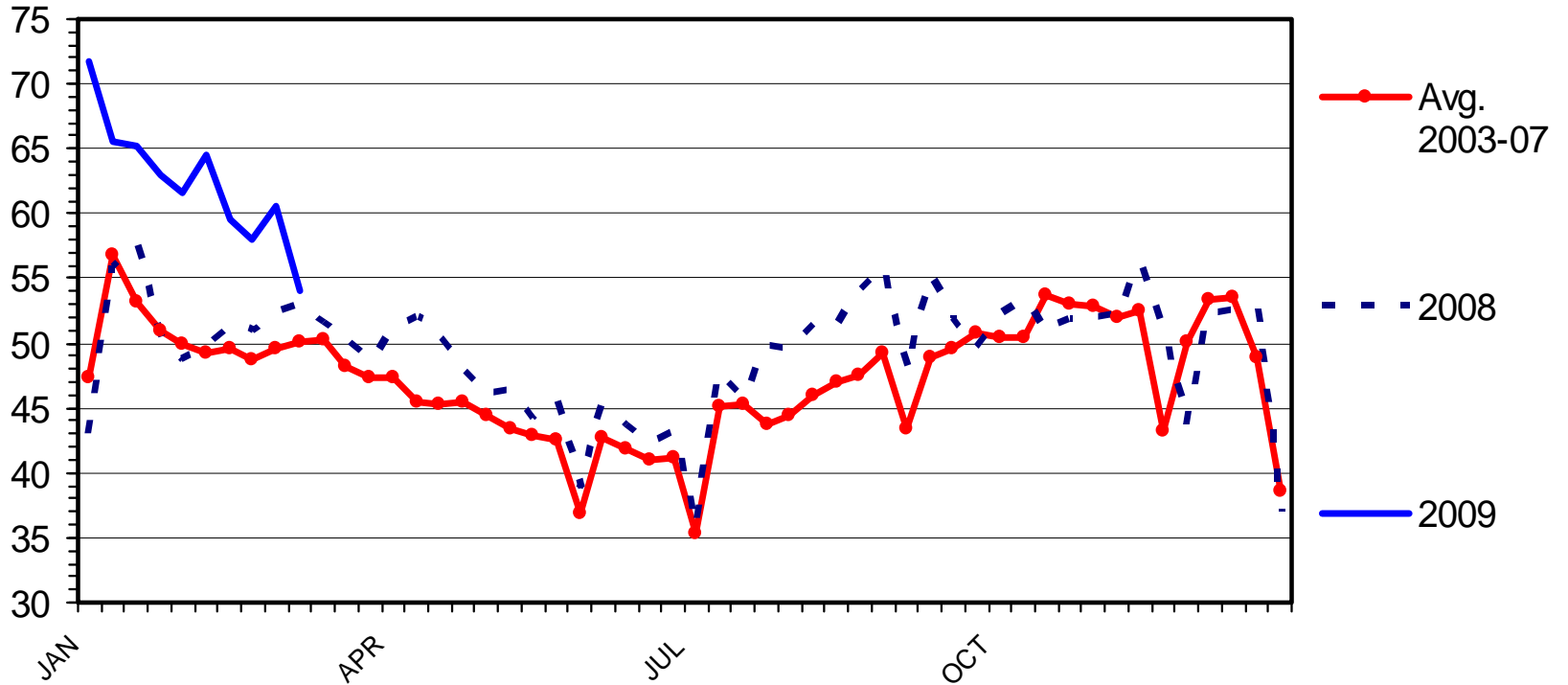
Thou Head



# DAIRY COW SLAUGHTER

Federally Inspected, Weekly

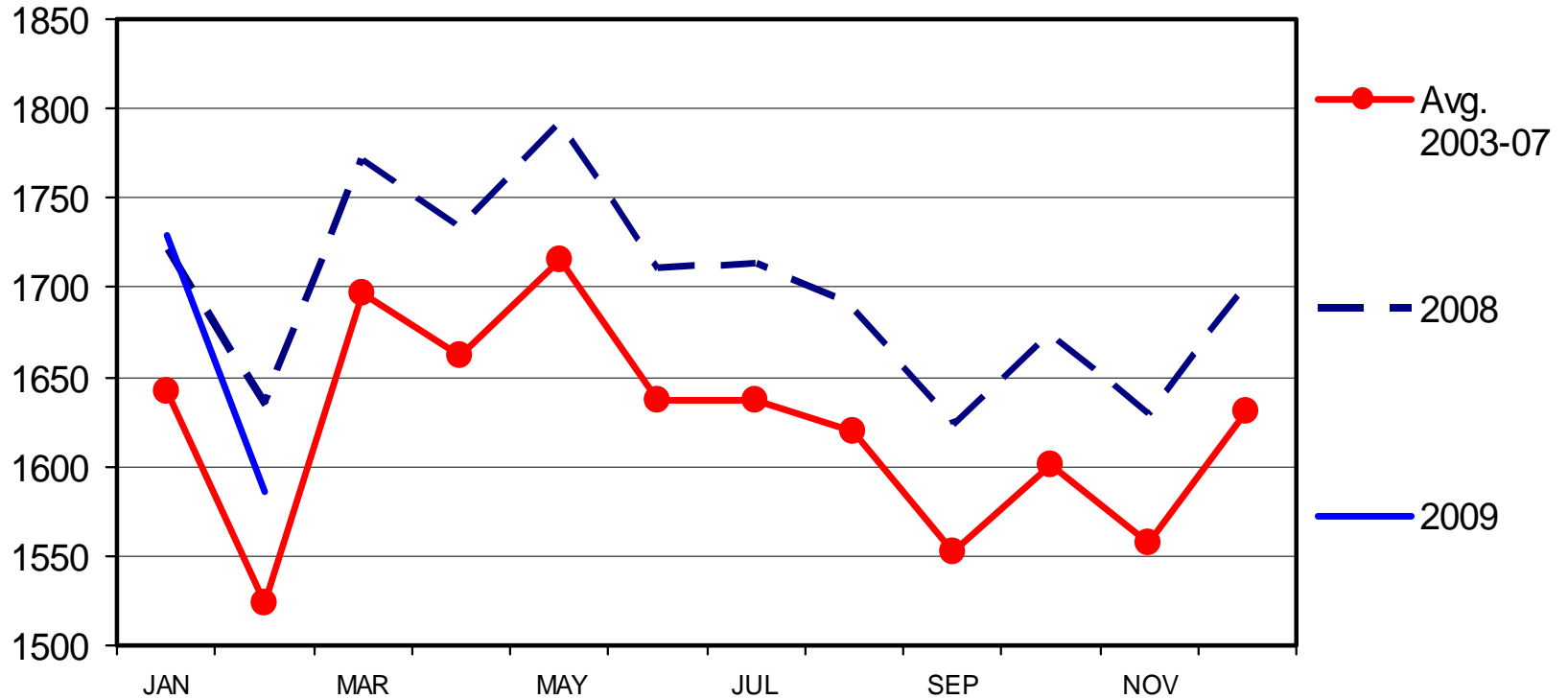
Thou. Head



# MILK PRODUCED PER COW

US Total, Monthly

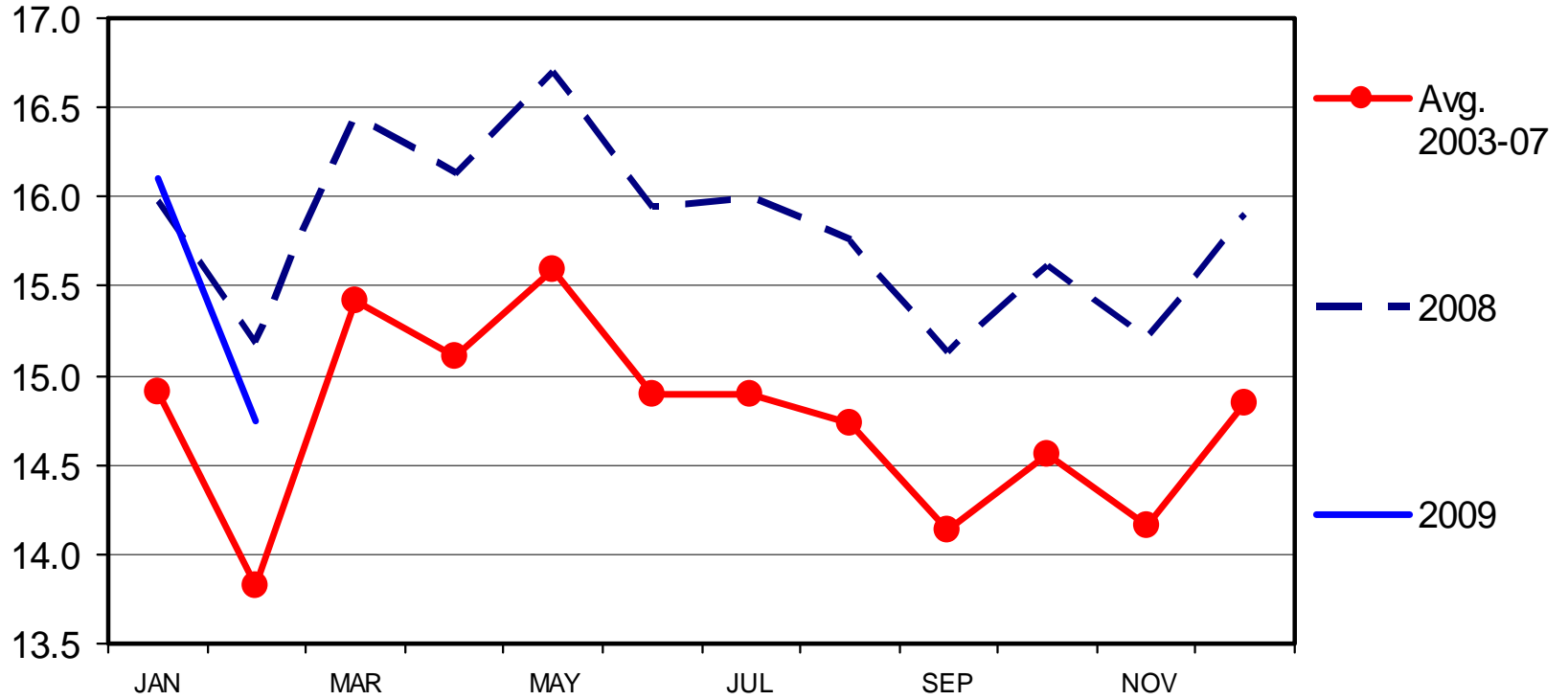
Pounds



# MILK PRODUCTION

US Total, Monthly

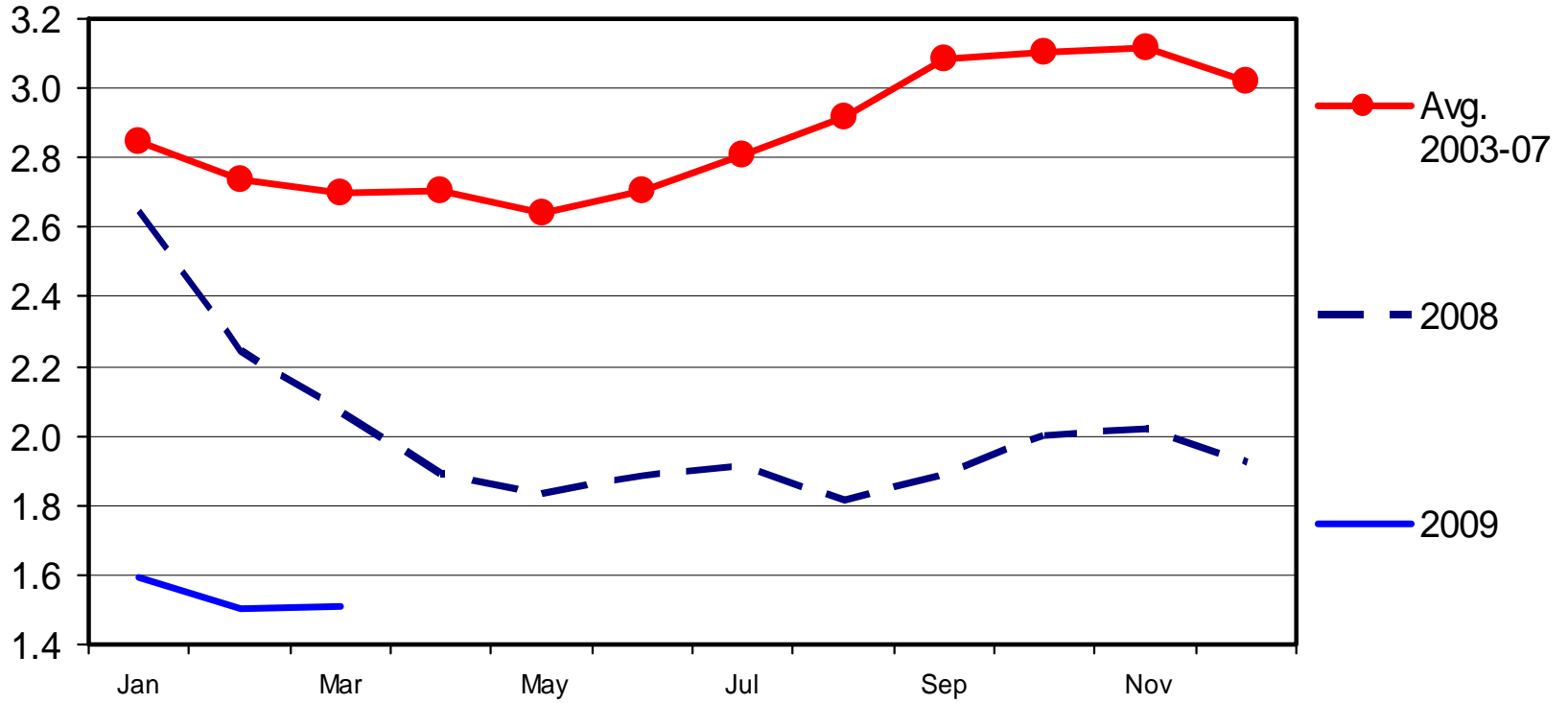
Bil Pounds



# MILK - FEED PRICE RATIO

US, Monthly

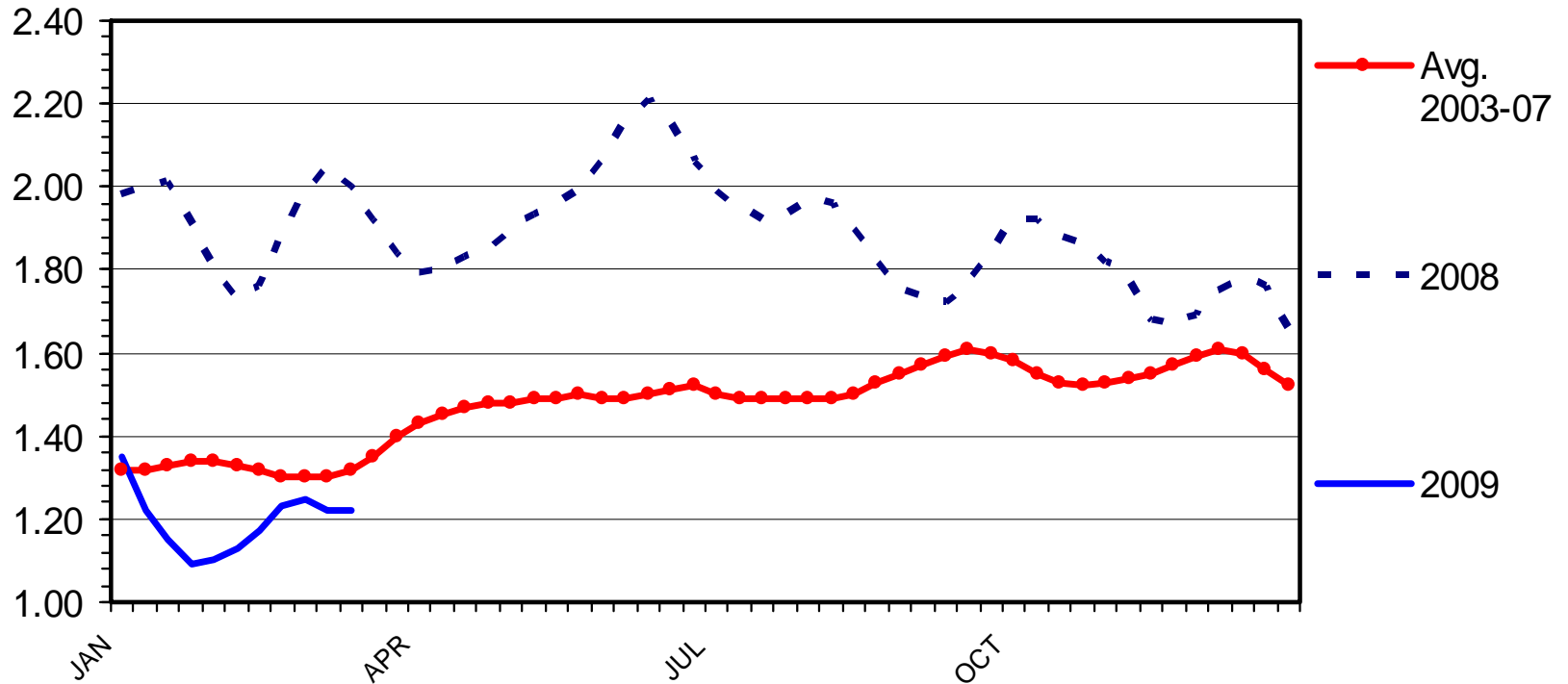
Ratio



# CHEDDAR CHEESE PRICES

40 Pound Block, US, Weekly

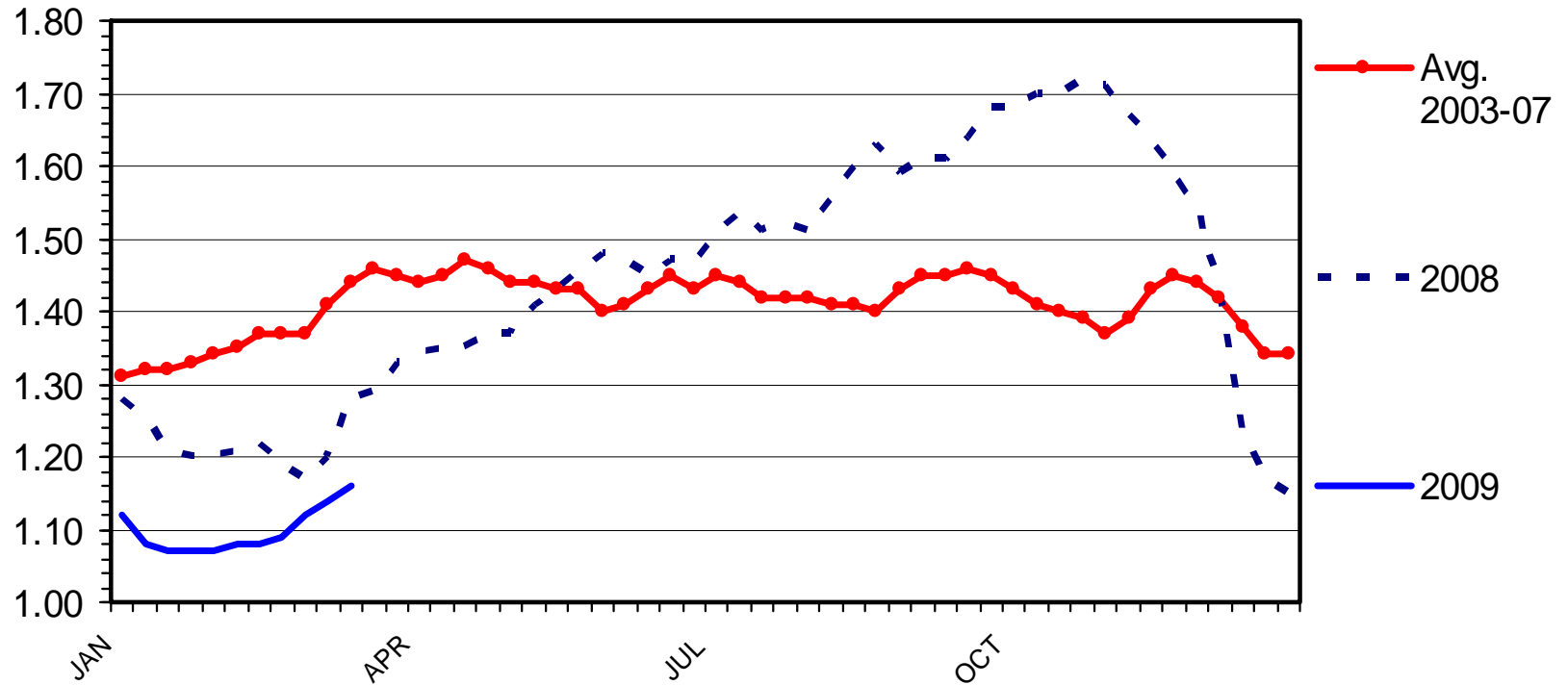
\$ Per Pound



# BUTTER PRICES

US, Weekly

\$ Per Pound



# Projected Prices for 2008-2009

|               | <b>Prod.</b> | <b>All Milk</b> | <b>Class III</b> |
|---------------|--------------|-----------------|------------------|
| <b>2008</b>   | 189.7        | 18.32           | 17.44            |
| <b>2009 I</b> | 47.5         | 11.90           | 10.18            |
| <b>II</b>     | 48.9         | 12.00-12.50     | 11.00-11.50      |
| <b>III</b>    | 47.0         | 13.80-14.50     | 12.80-13.50      |
| <b>IV</b>     | 46.0         | 15.00-15.75     | 14.00-14.75      |



# Summary

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- Huge Financial Losses in Production Sector
  - How fast do we cull cows to reduce production?
- Like Everything Else, The Key is Economic Recovery
  - World demand
  - Boost exports
  - Consumers spending money