

The Milkweed

Dairy's best marketing info and insights



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Heat/Drought/Floods Devastate U.S. Milk Output

by Pete Hardin

Heat. Drought. Floods. The U.S. dairy industry is watching history tragically unfold.

Coast-to-coast, dramatic weather events are devastating the nation's farm milk production capacity now and for years to come.

Mother Nature is asserting her rightful position as the most powerful force in the nation's dairy industry. Weather damage to milk production, crops, dairy animals' health and farms' infrastructure is compounded by lowball milk prices. We may need to go back to the Great Depression, to find a time when farm milk prices fared so poorly versus production.

Amazingly, at press time (August 10), many of dairy's cash markets and "futures" are showing little or no increases. Some markets recently declined! Little upswing in dairy commodity prices has many observers puzzled about the integrity of cash-market pricing at the Chicago Mercantile Exchange.

CA milk drops 25-30%, 20,000 of dairy cows die

In California, a record heat wave that persisted just short of two weeks killed perhaps 20,000 dairy cows and knocked down the state's daily milk output by about 25-30%, (comparing the last few days of July to the beginning of the month). Temperatures in California's dairy-intense Central Valley ranged frequently above 110 degrees during the heat wave that finally broke about Saturday, July 29.

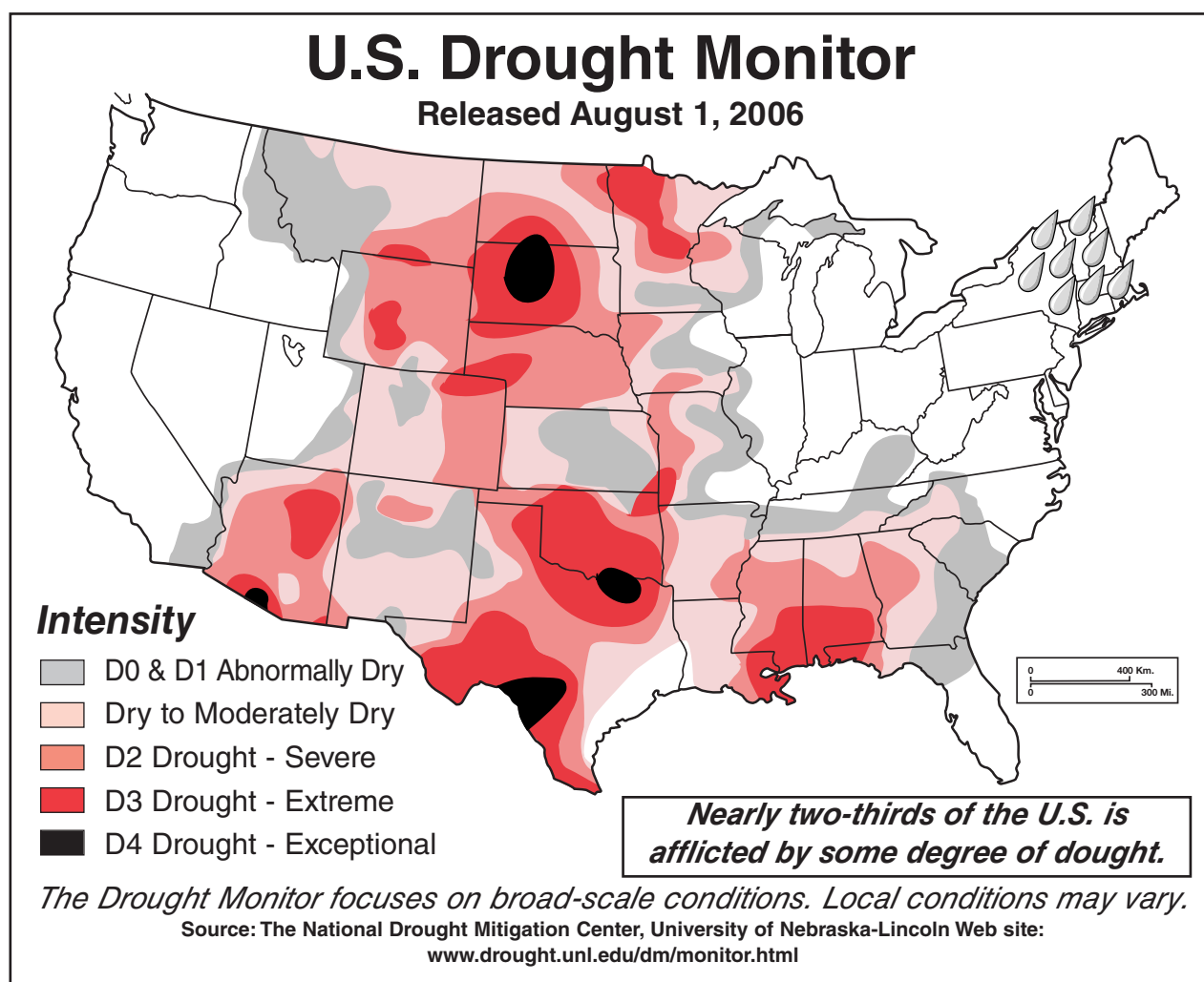
Perhaps half of that lost daily milk output was restored, once temperatures moderated.

So many thousands of dairy cows died that emergency permits were issued to bury dead cows in landfills or in trenches on farms to get rid of the carcasses. Figures are as yet inexact. Nearly two percent of California's milking herd was killed by the heat and related stresses, despite "24/7" efforts by their owners and employees trying to cool the animals.

Surviving milk cows' production dropped like a rock. Numerous estimates were that dairy animals' daily milk output dropped 1.5 to 2 gallons per day during to the heat wave. Given the length of the intense heat, many heat-stressed animals won't fully recover milk output for the remainder of their current lactations.

California's day-after-day-after-day intense heat wave in the second half of July will have a long tail. Sources say that the state had an unusually large number of mid-summer calvings, due to prior years' weather events that had shifted normal breeding schedules. Normally, "Golden State" dairy producers prefer not to calve animals in mid-summer, due to heat stress both on fresh cows as well as their offspring.

Besides stress and deaths for newborn calves, the extreme California heat wave will likely mess up dairy animal reproduction. Pregnant dairy animals simply cannot sustain their fetus when heat raises body temperatures unduly high. Further, even open (unbred) animals' reproductive capability suffers when they are subjected to such intense heat.



Northeast could lose 20% of milk east of I-81

On the other side of the nation, the Northeast dairy industry has taken a tremendous hit from a very wet spring, followed by the intense rainstorms that hit in late June. More recently, intense heat/humidity have hit the Northeast, with temperatures that crossed the 100-degree barrier in many parts of the humid region.

Short-term, Northeast farm milk output has dramatically slowed. Processors are scrambling for milk in an impossibly-short market. "There's not enough milk now. I don't know what they're going to do, once schools open," related Robert Morris, who markets milk for LANCO and Pennland, two independent cooperatives with members in Pennsylvania and Maryland.

But for those who know the Northeast dairy industry, the medium- and long-term pictures are truly unsettling. A terrible shortage of quality hay exists in the Northeast. Good farmers in the region are still struggling to harvest first cuttings of hay. Constant rain and flooding have also hammered cornfields. Addison County, Vermont—home of many large dairies in western Vermont, alongside Lake Champlain—will see almost no mature corn (for silage). For many Northeast dairy farmers, corn silage is a key dairy cow ration input. Failure of corn to mature—along with bad-quality hay—will spell big problems for Northeast dairy farmers' survival in the coming year.

The crop situation is so bad in key parts of the Northeast, that The Milkweed projects the region will see milk supplies decline by about 20% for the first quarter of 2007 in the area east of Interstate 81, compared to January-March 2006 milk output in that part of the region.

Weariness and despair are heard in the voices of many Northeast dairy producers.

Elsewhere: drought ... heat ... humidity

Drought conditions plague about 60% of the nation, particularly a swath that reaches along the U.S.-Mexico border from Arizona across to Louisiana and Mississippi up to the Canadian border, where that same drought extends from Montana across the Dakotas and Minnesota into northwestern Wisconsin.

The wheat crops in Kansas and Oklahoma are devastated.

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Kansas' first cutting alfalfa yield was roughly one-third of normal. Any hay harvested in Kansas and Oklahoma is going directly in front of hungry dairy cows. Virtually no alfalfa is being inventoried for winter feeding needs.

Many big dairies in eastern Wisconsin, which normally buy top-quality alfalfa from Kansas, Nebraska and South Dakota, have been unable to contract hay from those traditional suppliers in 2006.

Wisconsin's governor has designated about a dozen and a half counties in northwest and west/central Wisconsin as drought emergencies. Hay is scarce, corn crops have mostly failed. This area includes some big dairy counties.

Florida's milk output is below year-ago levels. For the last week of July, Florida imported about 175 loads of supplemental milk per week, according to

USDA's *Dairy Market News*. That total is about five times greater than Florida's supplemental raw milk needs for the corresponding week one year ago. For July, officials at Florida's dairy co-op—Southeast Milk, Inc., told *The Milkweed* that their co-op's Florida milk volume was below July 2005's figure. SMI reports Class I sales are strong.

No extra milk ... anywhere!

In early August 2006, the U.S. dairy industry faces the specter of schools reopening in just a few weeks ... and the likelihood that in several regions of the country, inadequate milk supplies will be

available to meet dairy processors' needs.

West Coast ... Upper Midwest ... Southwest ... Southeast ... Northeast. All these regions are tight on milk now, and face serious shortages of milk. Milk supplies this fall and winter will be tight.

Milk powder is being "rationed" by DairyAmerica (the milk powder "marketing agency") to buyers.

And the &^\$#@* cash dairy commodity markets at the CME aren't moving up much yet.
