

The Milkweed



Dairy's best information and insights

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Farm Milk Price Improvement *Finally* at Hand

by Pete Hardin

Is the “Milk Price Famine of 2009-2010” finally abating?

After 18 months of ruinous milk prices for dairy farmers, the U.S. dairy scene shows signs of improving commodity prices and farm milk prices. We are hopeful that what appears to be a start to improving dairy commodity prices is for REAL. BUT, in these uncertain times, ... there remain a few qualifiers about which to worry – primarily, the nation’s struggling economy and consumers’ income levels. Why the optimism, after a year and a half of ruinous farm milk prices?

* Weather and crop events for this spring and early summer are challenging dairy farmers’ short- and medium-term ability to adequately sustain their animals’ normal nutrition. Wet weather has impaired quality forage production in California, Idaho, many portions of the Plains and Upper Midwest. That same wet weather has created a lot of uncertainty regarding the 2010 corn and soybean crops. We don’t underestimate the ability of modern grain fields to bounce back. But the pounding from rain that major portions of the corn and soybean belt have taken has created some serious crop stress.

East Coast dairy producers, ranging from roughly the Florida/Georgia border up towards the Pennsylvania/New York border, are coping with both serious drought conditions and, in recent days, extreme heat.

* The 2010 corn crop is highly variable. In some areas (higher ground planted early), this year’s corn crop is spectacular. In other areas where plantings were delayed, germination and development are very uneven. Given widespread wet weather that’s plagued major portions of states from Nebraska to Ohio (and parts north), the 2010 U.S. corn crop is a tough call right now.

* Cream is very, very tight. (See related article, pages 6-7 this issue.) The milk fat content of U.S. milk in 2010 is down in all areas of the country. Demand for cream for cheese production, ice cream manufacture, and export are all stressing existing limited supplies of cream and butter. Given poor carryover crops from last year and this summer’s heat stress on dairy animals, don’t expect any quick “bounce-back” for U.S. farm milk’s butter fat content.

* Once schools open, keep an eye on cull cow prices for likely sharp upwards movement. American families are on a “hamburger diet,” due to financial concerns. The U.S. beef cattle herd has its lowest animal numbers since 1952. High end cull prices for fat dairy cows are ranging in the low to mid “60s” (cents per pound, live weight) currently. We expect significant increases in cull prices in coming months. Those increases will help “retire” an increasing number of milk cows from the nation’s dairy herd.

* Supplies of nonfat dry milk are also tight in the U.S., even though prices for that commodity are slipping in recent days. U.S. milk powder output for the year is below 2009 levels. Demand seems solid.

* Not everybody who is milking cows right now will survive. The accumulated financial and emotional stress from the “Milk Price Famine of 2009-2010” leaves a significant number of U.S. dairy farmers on the financial ropes. As dairies go out of business – voluntarily or otherwise – more dairy cows will move to slaughter. Further, as milk prices improve and some disgusted dairy farmers believe they can get a fair price for their dairy livestock, more dairy farm premises will vacate the milking animals.

Yes, at long last, it looks like farm milk prices will strengthen. But the dire legacy will leave bitterness in the memories of many U.S. dairy farm families for decades – both the survivors and those who have and will fall victim to this crooked, corrupt milk-pricing system. Ironically, when looking at prices consumers pay for their dairy products at supermarkets, the money has been in the market place all along. Problem is: that money, in a fair share, has not returned to the dairy producer.

The Milkweed cannot project how high future dairy commodity prices and farm milk prices will climb. We must filter challenges to coming months’ milk production with a sensitive measure of the pulse of the nation’s consumer economy – which is in serious trouble.

Grain & quality forage: costs rising

The grain trade sees a “weather market” shaping up in 2010, due to damage from the wet weather that’s slammed the corn/soybean belt. In early July, corn and soybean prices started building strength as traders see weather conditions not improving significantly.

To dairy producers – particularly those relying

on home-raised crops that have been harmed by weather events – it’s a tough calculation to shell out money for unanticipated grain and/or forage purchases when milk prices are so low.

Problem is: Wisconsin is poised to make a LOT more milk and as that milk goes into cheese production, it will hold down recovery of Class III (cheese) milk prices in USDA’s federal milk order program. In Wisconsin, about 85-90% of all milk is processed into cheese. So Wisconsin’s glut of milk could very likely stall bounce-back of Class III prices – hurting states like Wisconsin and Idaho.