



FAPRI 2005 U.S. Baseline Briefing Book

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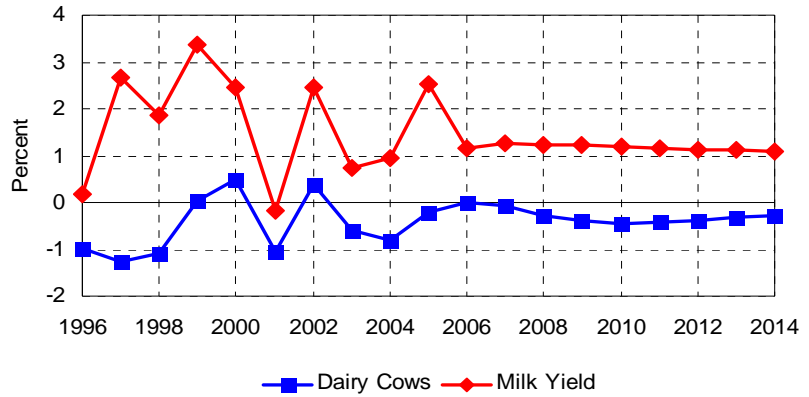
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U.S. Dairy

Change in Milk Yields and Dairy Cows

- Milk yields are expected to grow by more than 2 percent in 2005 as Posilac restrictions are reduced and feed costs move lower.

- The dairy cow herd is expected to decline over the baseline at a slower rate than experienced historically as the growth in milk yields slows.



Change in Milk Production

- Milk production growth has been virtually non-existent for the past two years, with production growing only 420 million pounds.

- Milk production is expected to increase by nearly 4 billion pounds in 2005.

- A milk production growth rate near 1 percent is expected for the remainder of the baseline, roughly offsetting population growth.

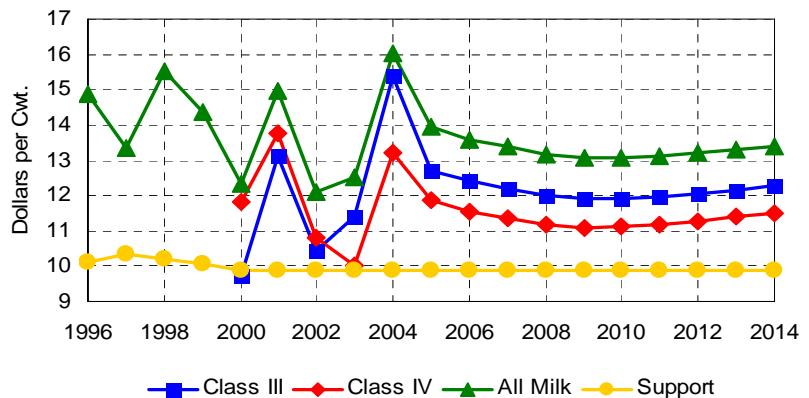


Milk Prices

- Milk prices are expected to moderate from the historical highs experienced in 2004.

- Current projections suggest milk prices will be lower in 2005, but still well above the record lows seen in 2002 and 2003.

- Volatility in milk prices will remain in the coming years as dairy markets remain some of the most inelastic markets in agriculture.



U.S. Dairy Sector

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S. Milk Supply											
Dairy Cows (Thou. Head)	9,009	8,991	8,991	8,985	8,961	8,926	8,885	8,848	8,814	8,785	8,762
Milk Yield (Lbs.)	18,923	19,400	19,626	19,873	20,115	20,359	20,602	20,840	21,076	21,310	21,540
Milk Production (Bil. Lbs.)	170.5	174.4	176.5	178.6	180.2	181.7	183.1	184.4	185.8	187.2	188.7
Min. FMMO Class Prices											
	(Dollars per Cwt.)										
Class I Mover	14.98	12.72	12.41	12.21	12.02	11.93	11.93	11.98	12.07	12.16	12.27
Class II	13.86	12.53	12.20	12.03	11.84	11.76	11.78	11.85	11.94	12.04	12.14
Class III	15.39	12.72	12.41	12.21	12.02	11.93	11.93	11.98	12.07	12.16	12.27
Class IV	13.20	11.87	11.54	11.37	11.17	11.10	11.12	11.18	11.28	11.38	11.48
All Milk Price	16.04	13.93	13.60	13.39	13.18	13.09	13.08	13.13	13.20	13.29	13.39
MILC Payment	0.12	0.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wholesale Prices											
	(Dollars per Pound)										
Butter, CME	1.82	1.51	1.45	1.41	1.36	1.35	1.35	1.37	1.39	1.38	1.40
Cheese, Am., 40#, CME	1.65	1.42	1.39	1.37	1.35	1.35	1.35	1.35	1.36	1.37	1.38
Nonfat Dry Milk, AA	0.86	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.85	0.85
Evaporated	1.42	1.39	1.38	1.38	1.38	1.38	1.39	1.40	1.41	1.43	1.44
Dairy Product Production											
	(Million Pounds)										
American Cheese	3,752	3,782	3,847	3,901	3,960	4,016	4,070	4,125	4,181	4,233	4,294
Other Cheese	5,096	5,323	5,452	5,571	5,694	5,814	5,929	6,044	6,160	6,272	6,390
Butter	1,229	1,319	1,341	1,376	1,386	1,391	1,392	1,392	1,393	1,399	1,401
Nonfat Dry Milk	1,437	1,534	1,565	1,618	1,628	1,622	1,609	1,591	1,576	1,578	1,567

State-Level Dairy

- Dairy cows are projected to continue to increase in California over the baseline period. The rate of growth is slower than seen during the 1990s.

- State-level dairy cow inventories do not exhibit trends different than those experienced during the 1990s, which suggests current government dairy programs have not had a large effect on these underlying trends.

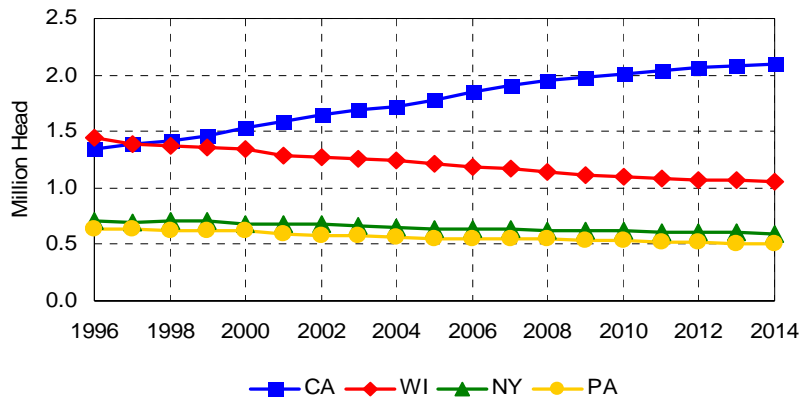
- A portion of the movement in dairy cows can be explained by varying milk yield levels found in different areas of the country.

- Continued growth in milk yields suggests that fewer dairy cows will be needed to meet demand for milk and milk products.

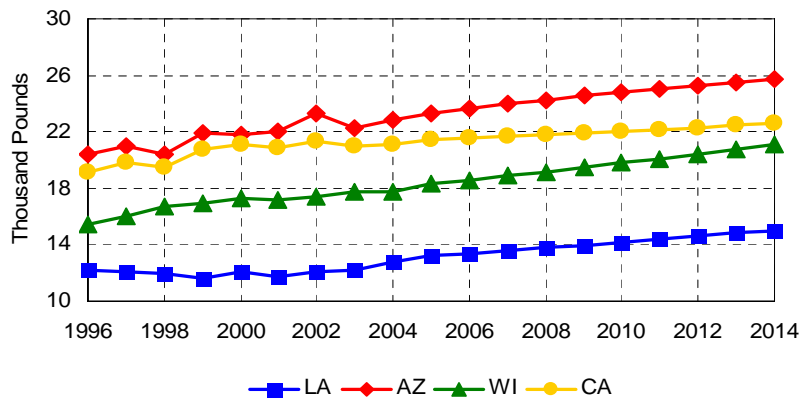
- State-level milk price comparisons show that milk is valued differently across the United States.

- If milk prices were to become more similar among states, there would be an incentive in some states to increase production, while other states would lose production as their market prices moved down.

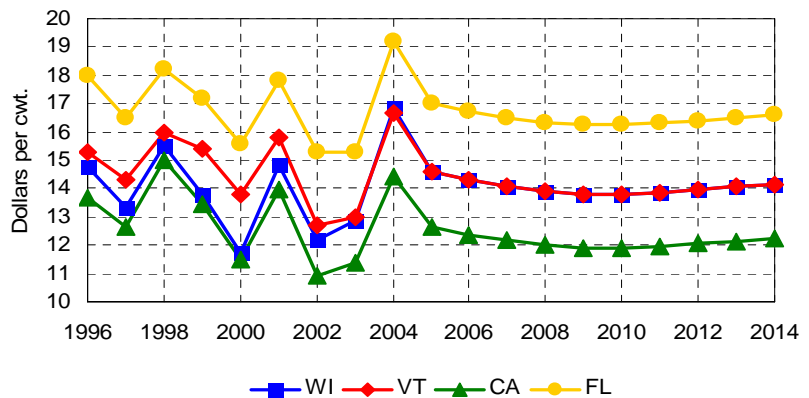
Milk Cows



Milk Yields



Milk Prices



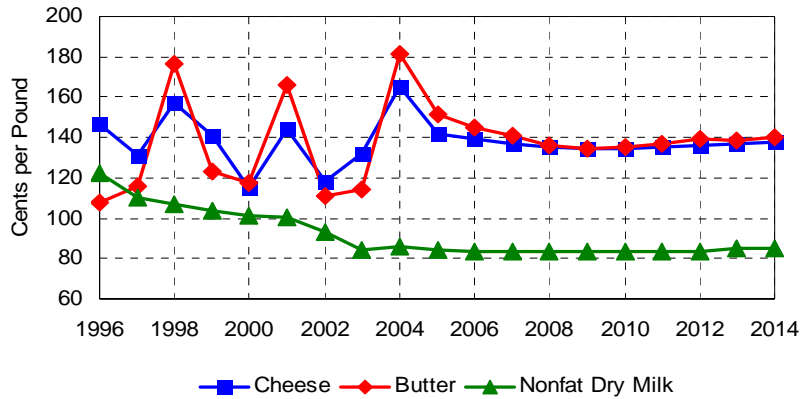
State Level Dairy Cows

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	(Thousand Head)										
Alabama	17	16	15	14	13	12	12	11	11	10	10
Alaska	1	1	1	1	1	1	1	1	1	1	1
Arizona	160	169	178	185	193	199	206	211	217	222	227
Arkansas	27	24	22	21	20	19	18	17	17	17	16
California	1,725	1,776	1,843	1,902	1,948	1,985	2,015	2,040	2,060	2,077	2,091
Colorado	102	103	104	105	105	105	105	105	105	105	105
Connecticut	21	19	18	17	16	15	14	14	13	13	12
Delaware	7	7	7	6	6	6	5	5	5	5	5
Florida	138	138	137	136	134	133	131	129	128	126	125
Georgia	84	83	83	83	82	82	81	80	80	79	79
Hawaii	6	6	5	5	5	4	4	4	4	3	3
Idaho	424	446	469	488	506	522	536	549	562	575	588
Illinois	107	105	102	100	97	95	93	91	90	89	88
Indiana	149	150	151	152	153	153	153	153	153	154	154
Iowa	192	188	183	179	175	171	168	165	163	162	160
Kansas	113	114	115	115	115	115	115	115	115	115	115
Kentucky	110	106	103	101	98	96	93	91	88	86	84
Louisiana	38	35	33	31	29	27	25	24	23	22	21
Maine	34	33	32	32	31	30	29	28	28	27	27
Maryland	74	72	70	68	66	64	62	61	60	58	57
Massachusetts	17	16	16	15	15	15	14	14	14	14	14
Michigan	302	303	303	303	303	302	301	300	299	298	298
Minnesota	463	452	442	431	420	409	398	388	379	370	362
Mississippi	27	26	25	24	23	22	21	20	20	19	19
Missouri	122	116	111	106	101	96	91	87	83	79	75
Montana	18	18	18	17	17	17	17	16	16	16	16
Nebraska	61	59	56	54	52	49	47	46	44	42	41
Nevada	25	25	25	24	24	24	24	24	24	23	23
New Hampshire	16	16	15	14	14	13	13	12	12	12	11
New Jersey	12	11	11	10	10	9	9	8	8	8	8
New Mexico	326	338	347	354	360	364	368	371	374	376	378
New York	654	643	635	632	627	622	617	611	606	602	598
North Carolina	57	54	52	51	49	47	45	43	42	40	39
North Dakota	34	31	29	26	24	22	20	19	18	17	16
Ohio	264	264	263	262	260	259	257	255	254	252	251
Oklahoma	78	74	72	70	69	67	66	64	63	62	60
Oregon	120	120	120	120	120	119	119	118	118	117	117
Pennsylvania	562	555	552	548	543	538	531	525	518	512	506
Rhode Island	1	1	1	1	1	1	1	1	1	1	1
South Carolina	17	16	15	14	13	12	12	11	10	10	9
South Dakota	80	77	74	72	69	66	64	62	60	58	56
Tennessee	75	71	67	63	59	56	53	51	49	47	46
Texas	319	318	317	315	312	309	306	303	299	295	291
Utah	88	86	84	82	80	79	77	76	74	73	72
Vermont	145	140	137	134	132	130	128	126	124	122	121
Virginia	103	101	100	99	98	97	95	94	93	92	91
Washington	238	234	229	225	220	216	213	210	207	205	204
West Virginia	13	13	12	11	11	10	9	9	8	8	7
Wisconsin	1,241	1,217	1,189	1,164	1,140	1,118	1,099	1,084	1,073	1,065	1,062
Wyoming	4	4	4	4	4	4	4	3	3	3	3
United States	9,009	8,991	8,991	8,985	8,961	8,926	8,885	8,848	8,814	8,785	8,762

U.S. Dairy Products

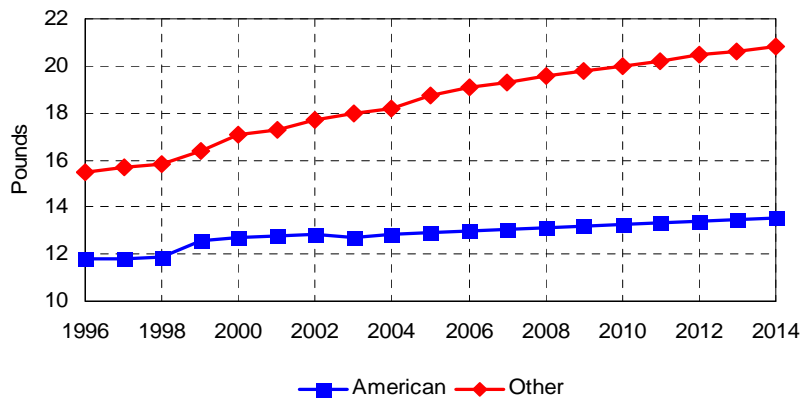
Wholesale Dairy Product Prices

- Dairy product prices will remain volatile as dairy markets remain extremely inelastic and the level of government support is low.
- Nonfat dry milk prices are projected to remain near government support, despite the fact that government nonfat dry milk stocks have been curbed dramatically over the past year.
- Butter and cheese prices fall in 2005 from the record levels experienced in 2004.



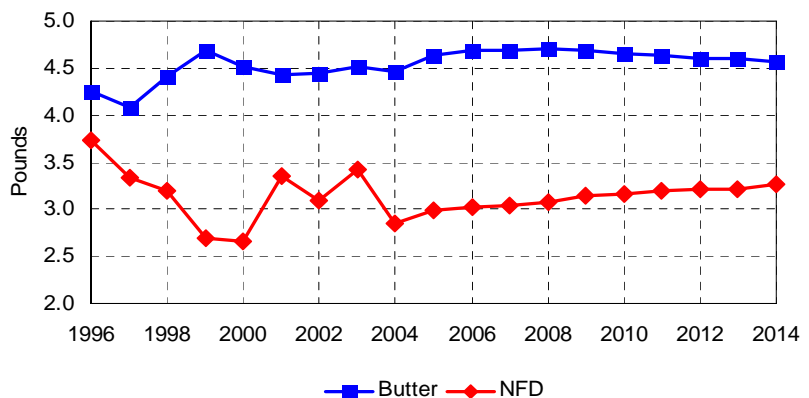
Cheese Consumption per Person

- Per capita cheese consumption grows by 2.4 pounds over the baseline.
- American cheese per capita consumption grows by only 0.5 pounds over the baseline, while all other cheeses grow by nearly 2 pounds.
- Cheese demand remains critical to the longer term outlook for the dairy industry.



Consumption per Person

- Butter consumption remains flat over the baseline at about 4.5 pounds.
- Nonfat dry milk consumption grows by about 0.4 pounds over the baseline but does not recover from the decline seen in 2004.
- Commercial exports of nonfat dry milk are expected to grow as world demand remains strong.



U.S. Dairy Product Supply and Use

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Butter											
	(Million Pounds)										
Production	1,229	1,319	1,341	1,376	1,386	1,391	1,392	1,392	1,393	1,399	1,401
Imports	48	48	48	48	51	54	57	60	63	66	69
Domestic Use	1,307	1,372	1,399	1,413	1,427	1,435	1,440	1,443	1,447	1,456	1,461
Total Foreign Use	9	9	9	9	9	9	9	9	9	9	9
Ending Stocks	60	46	28	29	30	31	31	31	31	31	31
CCC Net Rem. inc DEIP	-7	0	0	0	0	0	0	0	0	0	0
American Cheese											
Production	3,752	3,782	3,847	3,901	3,960	4,016	4,070	4,125	4,181	4,233	4,294
Imports	65	65	65	65	65	65	65	65	65	65	65
Domestic Use	3,769	3,824	3,873	3,929	3,986	4,043	4,098	4,153	4,208	4,262	4,321
Total Foreign Use	35	35	35	35	35	35	35	35	35	35	35
Ending Stocks	522	510	515	517	521	523	526	528	530	532	535
CCC Net Rem. inc DEIP	6	6	6	6	6	6	6	6	6	6	6
Other Cheese											
Production	5,096	5,323	5,452	5,571	5,694	5,814	5,929	6,044	6,160	6,272	6,390
Imports	375	379	383	386	390	394	398	402	406	410	414
Domestic Use	5,331	5,548	5,691	5,815	5,942	6,066	6,185	6,305	6,424	6,541	6,662
Total Foreign Use	143	143	143	143	143	143	143	143	143	143	143
Ending Stocks	230	240	240	239	239	238	236	235	233	232	230
Nonfat Dry Milk											
Production	1,437	1,534	1,565	1,618	1,628	1,622	1,609	1,591	1,576	1,578	1,567
Imports	1	1	1	1	1	1	1	1	1	1	1
Domestic Use	836	885	902	917	932	962	976	994	1,012	1,021	1,042
Total Foreign Use	446	355	380	455	480	505	530	555	555	580	605
Ending Stocks	775	870	1,005	1,153	1,270	1,326	1,329	1,273	1,208	1,136	1,008
Government	426	514	646	790	906	962	966	910	846	774	646
Commercial	349	356	359	362	363	363	363	362	362	362	362
CCC Net Rem. inc DEIP	140	317	361	373	345	296	239	174	161	148	87
Evap. and Condensed Milk											
Production	693	687	677	668	659	651	643	636	629	621	615
Imports	12	12	12	12	12	12	12	12	12	12	12
Domestic Use	603	599	590	581	572	564	556	549	542	534	528
Total Foreign Use	99	99	99	99	99	99	99	99	99	99	99
Ending Stocks	40	41	40	40	40	40	40	40	40	40	40
Per Capita Cons.											
	(Pounds)										
Butter	4.5	4.6	4.7	4.7	4.7	4.7	4.7	4.6	4.6	4.6	4.6
Nonfat Dry Milk	2.9	3.0	3.0	3.0	3.1	3.1	3.2	3.2	3.2	3.2	3.3
Total Cheese	31.1	31.7	32.1	32.4	32.7	33.0	33.3	33.6	33.8	34.1	34.4
American	12.9	12.9	13.0	13.0	13.1	13.2	13.3	13.3	13.4	13.4	13.5
Other	18.2	18.8	19.1	19.3	19.6	19.8	20.0	20.2	20.4	20.6	20.8
Total Fluid Milk	202.2	198.6	196.9	195.2	193.7	192.3	190.8	189.5	188.3	187.0	186.1
Ice Cream	27.4	27.6	27.6	27.6	27.6	27.5	27.5	27.4	27.4	27.4	27.4
Retail Prices											
	(Dollars per Pound)										
Butter, salted, AA, stick	3.51	3.13	3.02	3.00	2.97	2.98	3.02	3.09	3.16	3.19	3.27
Cheese, Natural Cheddar	4.27	4.13	4.10	4.09	4.08	4.11	4.15	4.21	4.28	4.36	4.44
Milk, Frsh, Whole Fortified	3.16	2.88	2.87	2.87	2.87	2.89	2.92	2.96	3.00	3.04	3.09
Milk, Frsh, Lowfat Fortified	2.93	2.67	2.66	2.66	2.67	2.68	2.71	2.74	2.78	2.82	2.86