

Dairy Farmers Face Cost-Price Squeeze, Says MU FAPRI

COLUMBIA, MO.

Dairy producers face a cost-price squeeze for the first half of 2011, University of Missouri dairy economists report.

Milk prices are expected to average only \$15.75 per hundredweight, down from \$18 in the last quarter of 2010. That decline hits at a time of rising feed costs.

"The combination of low-price milk and high-cost feed makes for break-even margins at best," said Scott Brown of the MU Food and Agricultural Policy Research Institute (FAPRI). "This hurts chances for producers to rebuild equity lost from mid-2008 through 2009."

"What producers can anticipate is volatility," Brown said. "From record highs to record lows, the industry faces rapid changes."

Producers saw strong recovery in milk prices in 2010, with September prices bringing \$4.70 per hundredweight more than year-earlier prices. In response to higher prices, they boosted production. "Continued growth will be limited as producers deal with higher feed costs," Brown said.

Growth in milk supply is projected at 1.3 percent. "Even that modest growth will keep the fi-

nanial pressure on," Brown said.

A big wild card is consumer demand. "Demand hinges on a general economic recovery with continued growth in income in this country," he said.

Most important will be a drop in unemployment rates.

International demand can help the milk price outlook. "U.S. dairy exports increased dramatically in 2010 over 2009. Exports should remain strong into 2011."

However, supplies of dairy products from Oceania, including Australia and New Zealand, will affect the global demand for U.S. products.

"The Missouri dairy industry can expect to see further drops in dairy cow numbers in 2011," Brown said. In August, Missouri dairy inventory fell below 100,000 head. The state could lose another 3,000 cows in 2011.

Historically, milk per cow continues to go up as cow numbers drop.

The current economic outlook for 2011 suggests higher milk prices, Brown said. However, any slowdown in U.S. recovery could make a tough year for dairy producers. Δ



Link Directly To: **AMERICOT**



Link Directly To: **PIONEER**