

Meeting Milk Price Challenges

URBANA, ILL.

Milk producers are facing significant economic challenges this year, said a University of Illinois Extension dairy specialist.

"Milk prices at the farm gate will decline over 30 percent or \$5 to \$6 per 100 pounds," said Mike Hutjens. "In November of last year, the price per hundredweight was \$19. By the end of this month, it may drop to \$13.

"The reasons for this decline include the recession in both the U.S. and world dairy economies, a stronger U.S. dollar, a decline in eating out, and less export of dairy products."

Hutjens recommended five strategies for dairy managers to consider.

"By lowering feed costs, producers may be able to replace \$1.50 per hundredweight of the price drop," he said. "Explore the use of by-product feeds to reduce feed costs with the target 9 cents per pound."

Maintaining milk yield and milk components is also important.

"Strive to increase quality premiums to increase returns," he said. "Finally, sign up for the Milk Income Loss Contract (MILC). It can provide \$1.20 to \$1.50 per hundredweight. For smaller herds with less than 120 cows, up to 2.9 million pounds of milk qualifies for the program support."

At the dairy case, consumers may see a price drop of 50 cents per gallon as dairy farmers receive 5 to 6 cents less per pound of milk – there are 8.6 pounds of milk in a gallon of milk.

"Cheese prices could also drop 50 cents a pound, and butter could decline \$1 per pound," he said.

But, as he noted earlier, difficult times lie ahead for dairy managers.

"With today's current milk prices and input costs, Illinois dairy managers could lose \$100 a month per cow," Hutjens said. "The average Illinois herd size is 102 cows representing over \$10,000 loss per month.

"It may be this summer before milk prices increase and return to breakeven prices." Δ



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