



Feed and Milk Production and Prices:  
What My Crystal Ball Says!

Normand St-Pierre  
Professor, Dairy Extension Specialist, The Ohio State University




### The "new" U.S. Dairy Industry

- ▶ From domestic to World markets
- ▶ Increased concentration of domestic supply
- ▶ Lactocephaly (i.e., brain fixation on Class I)
- ▶ Making the wrong products
- ▶ World transportation vs. domestic transportation

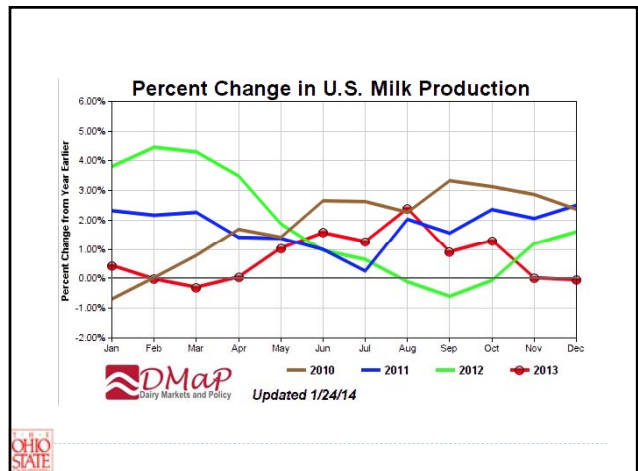
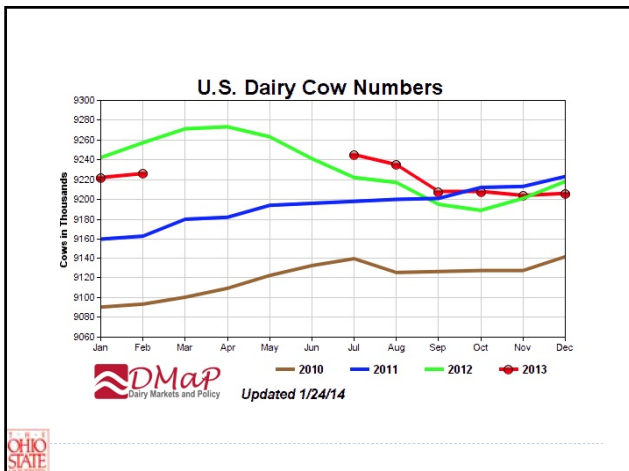
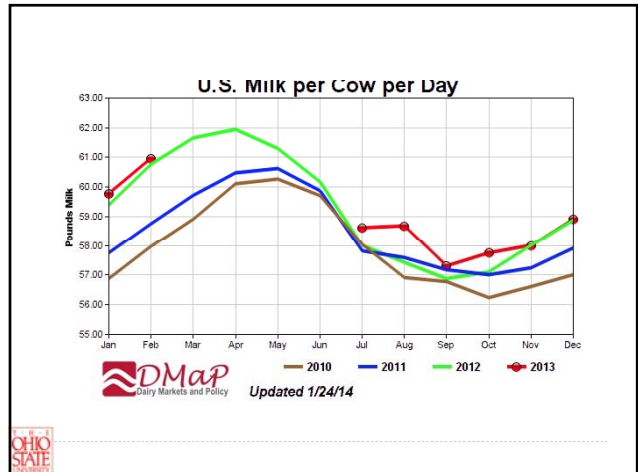
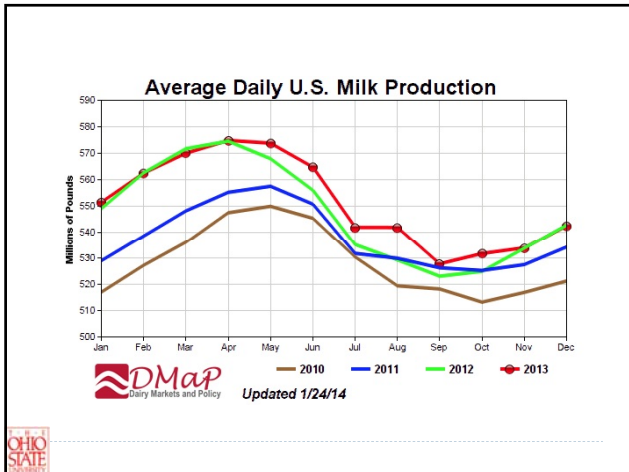


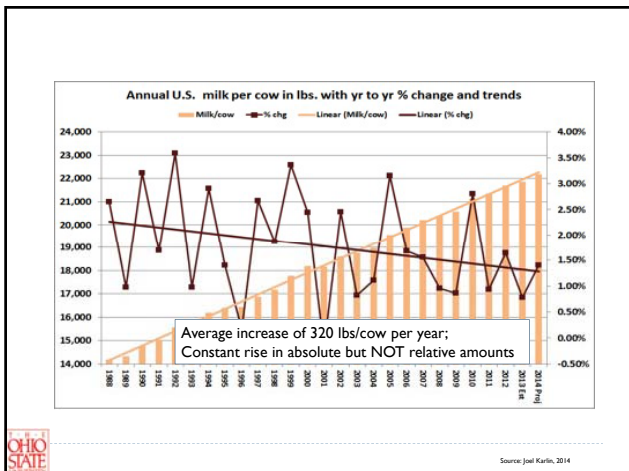
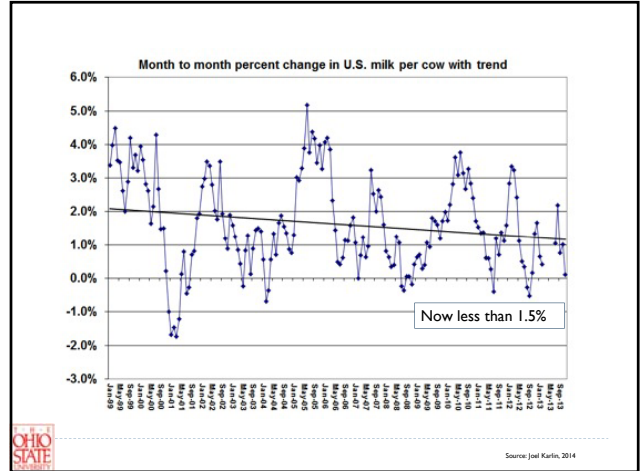
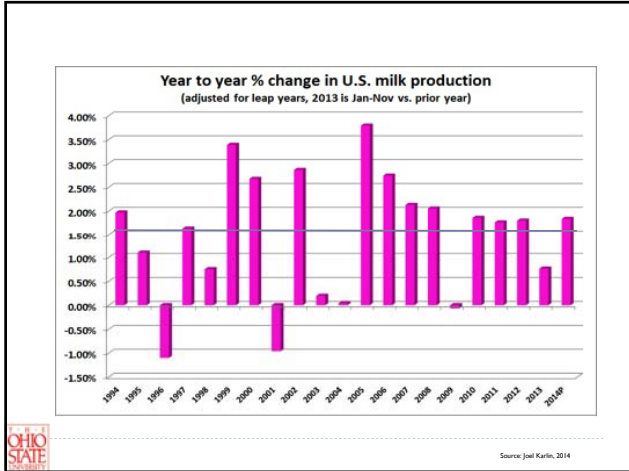
Where have we been?  
Where are we going?



U.S. Milk Supply



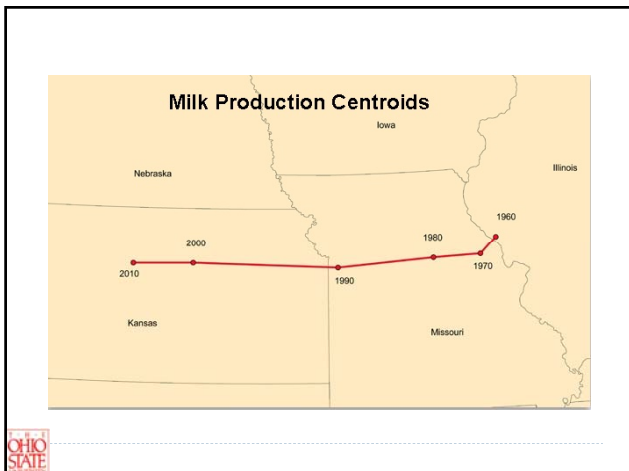
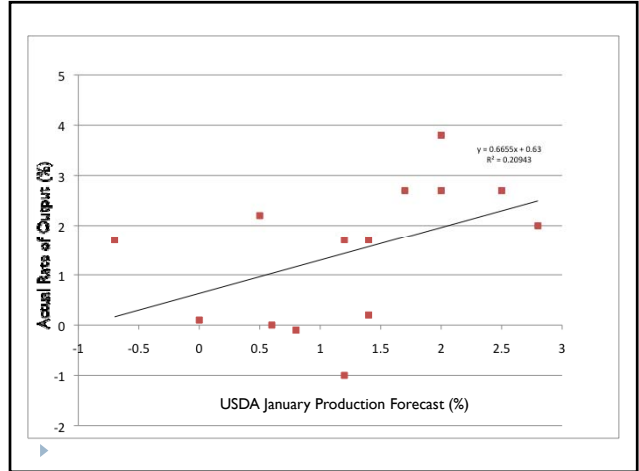
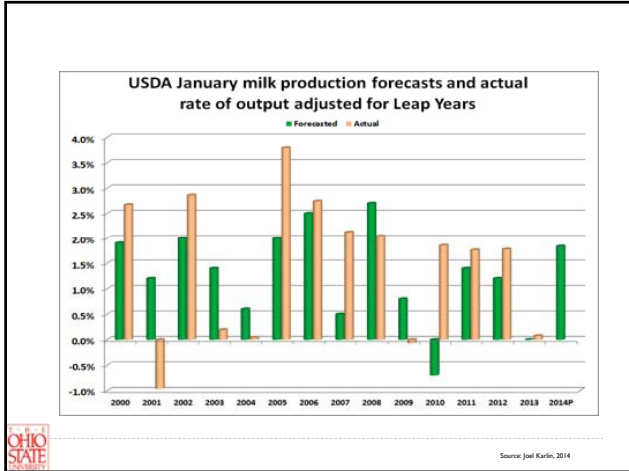


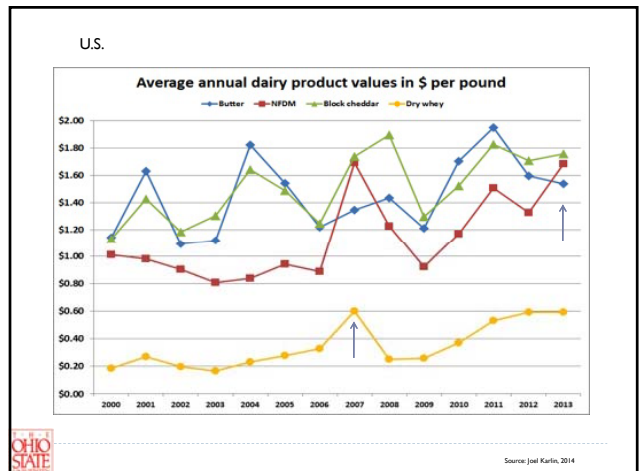
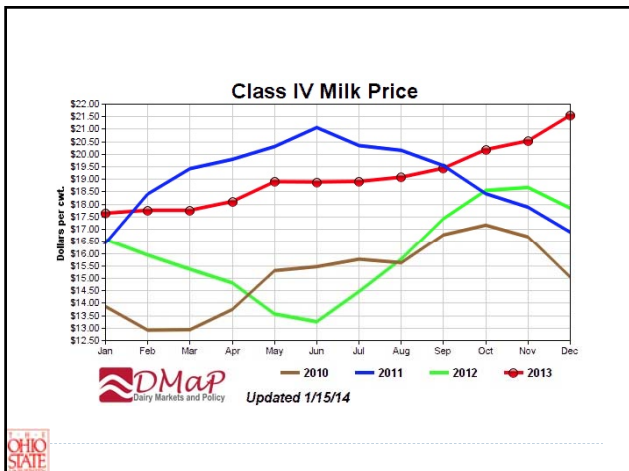
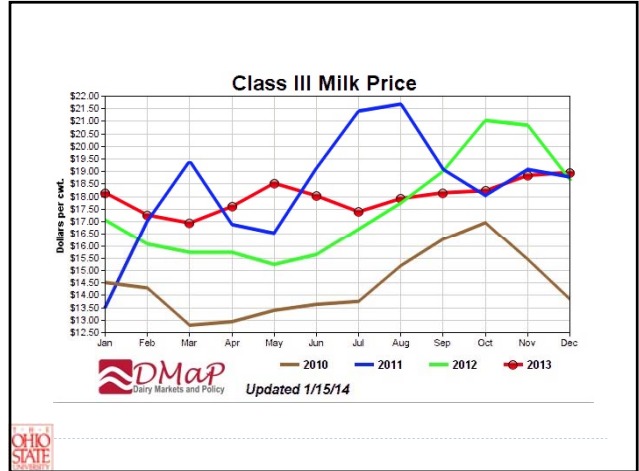
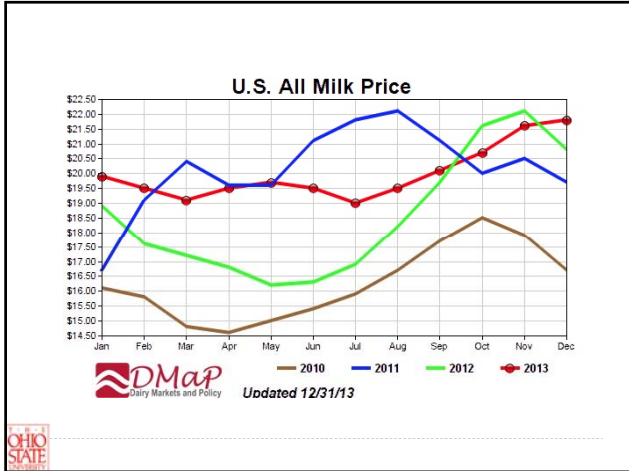


Thus...

- ▶ If the domestic demand keeps increasing at ~ 1.5%/year (average population increase without per capita consumption change),
- ▶ If the average cow productivity keeps increasing at an average of 320 lbs/cow per year (i.e., <1.5%/year),
- ▶ If the U.S. at least maintains its current export volume, and
- ▶ If the U.S. does not increase its volume of dairy imports
- ▶ THEN the number of dairy cows in the U.S. will have to be increasing in the next decade.

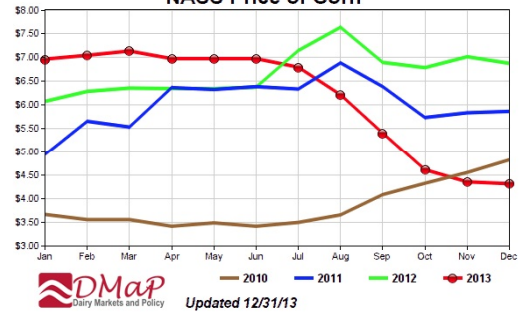
? Where will they go?



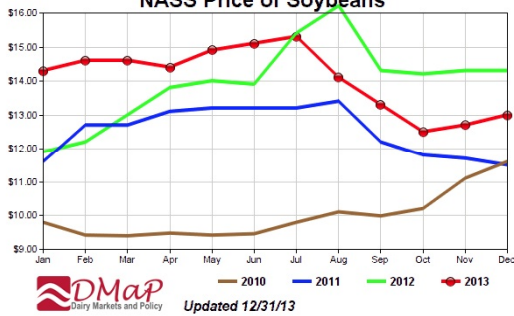


The Feed Side

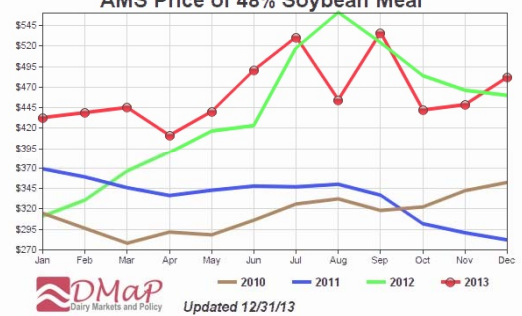
NASS Price of Corn

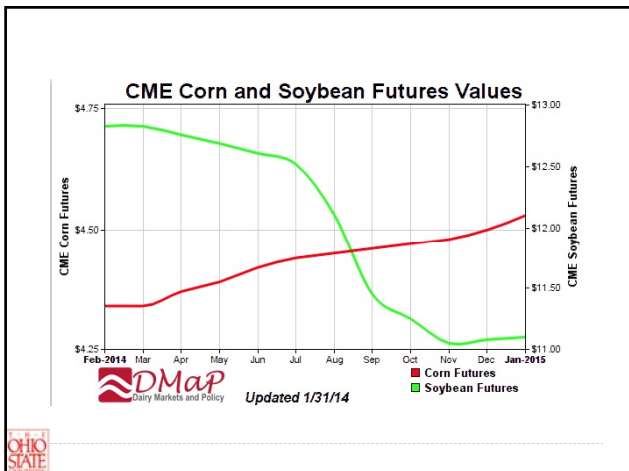
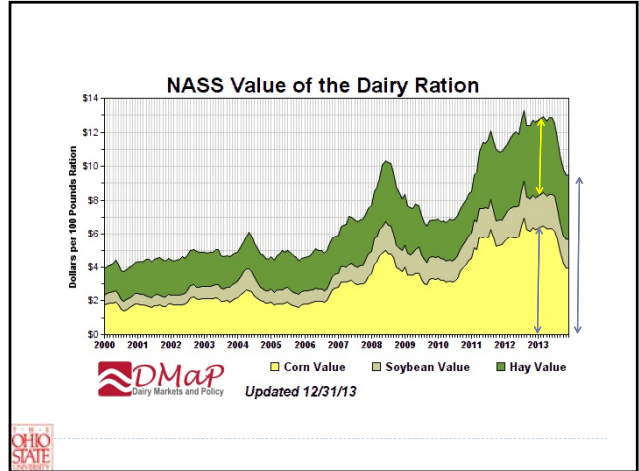
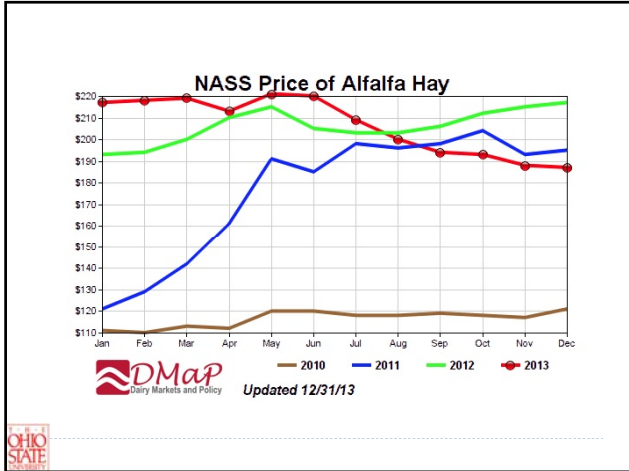


NASS Price of Soybeans

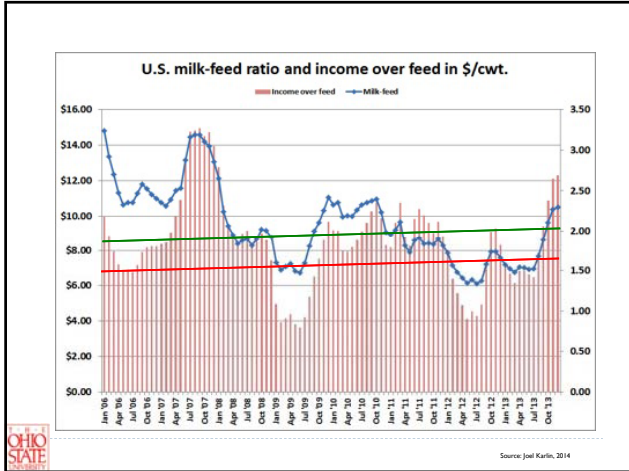


AMS Price of 48% Soybean Meal

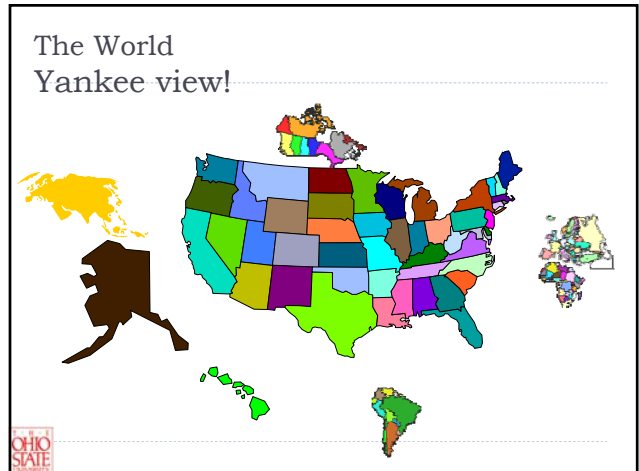
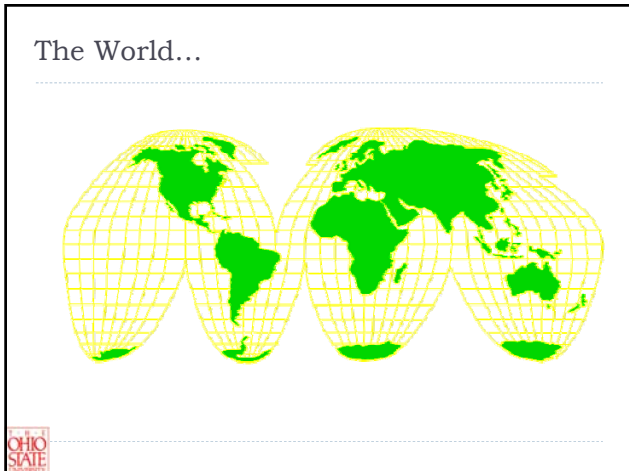




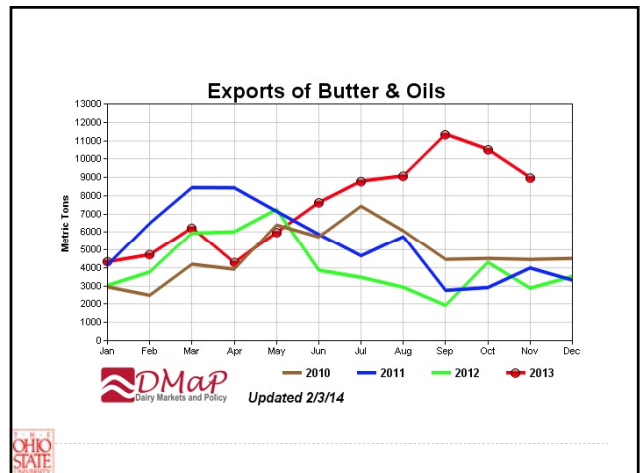
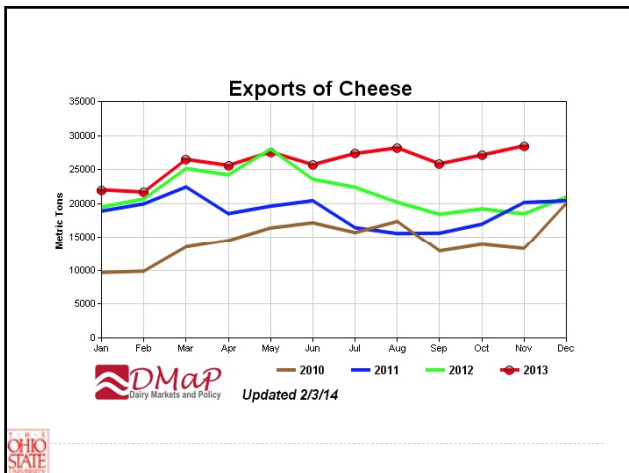
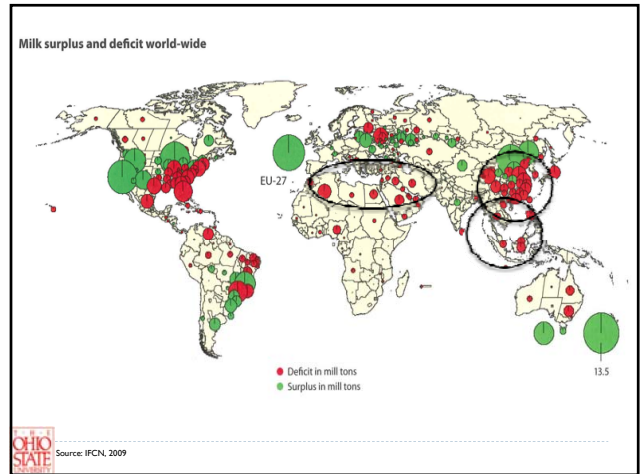
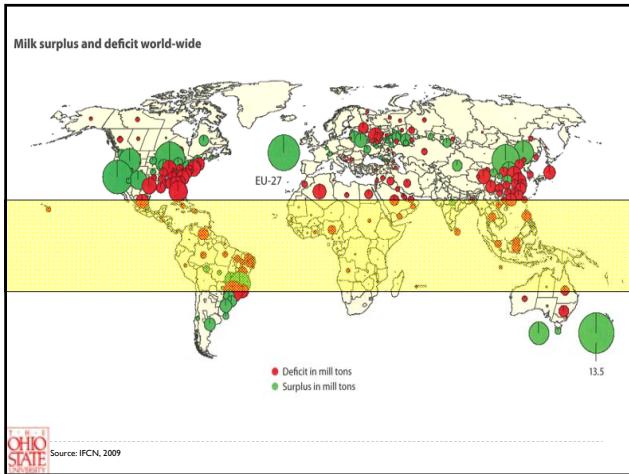
Profitability

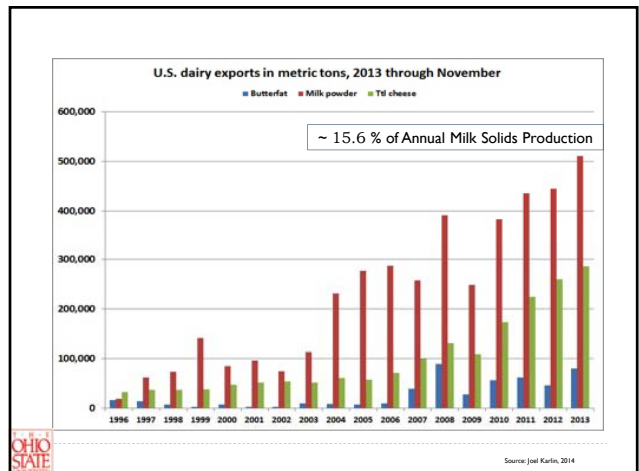
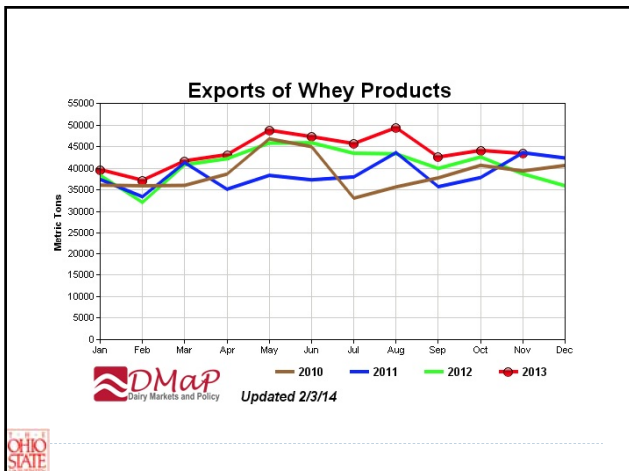
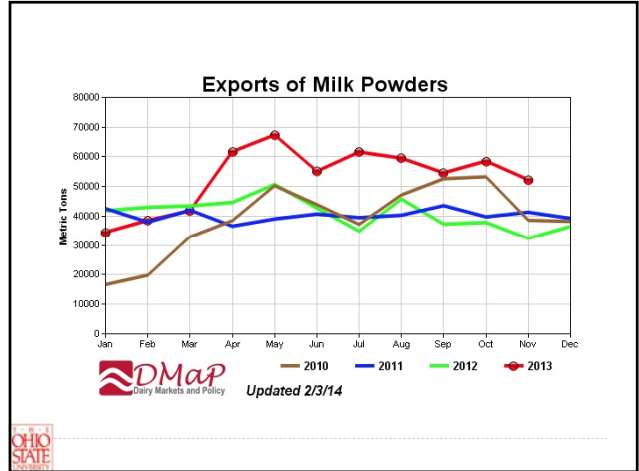
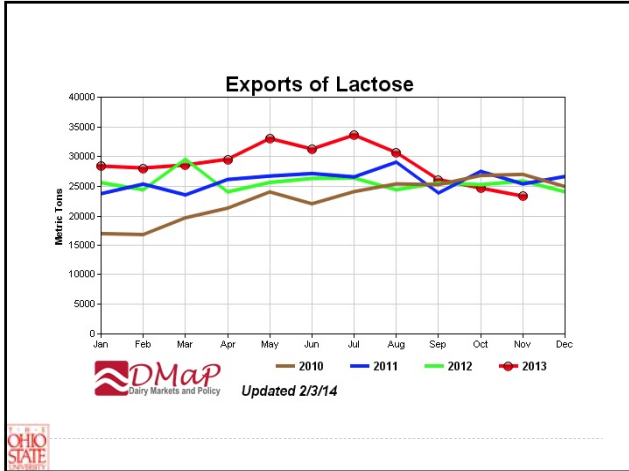


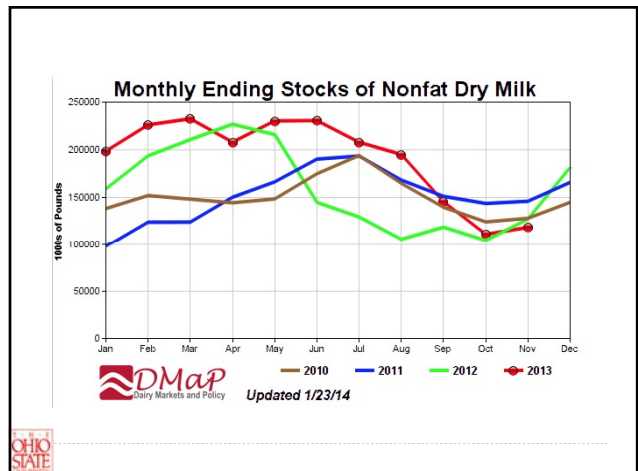
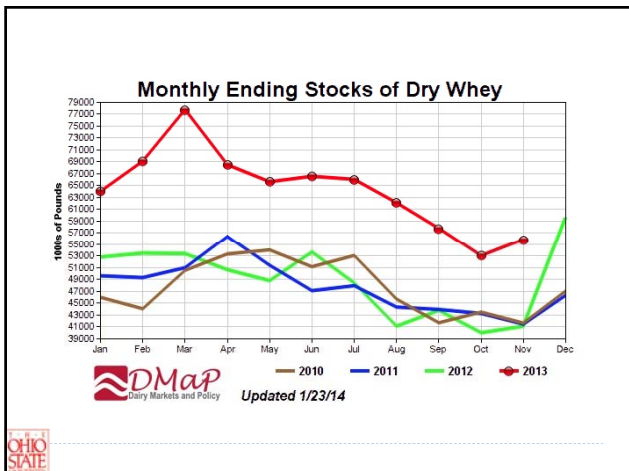
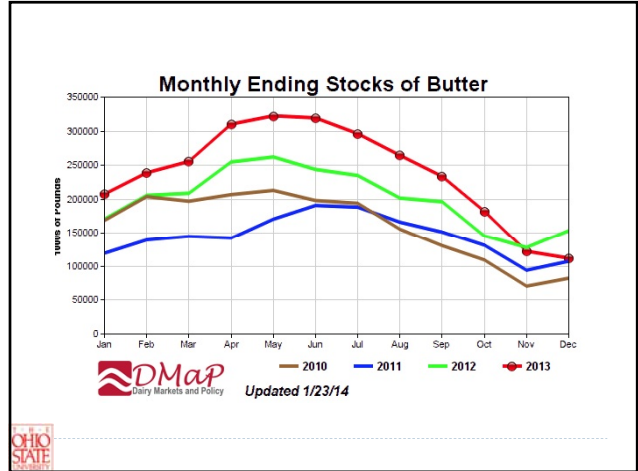
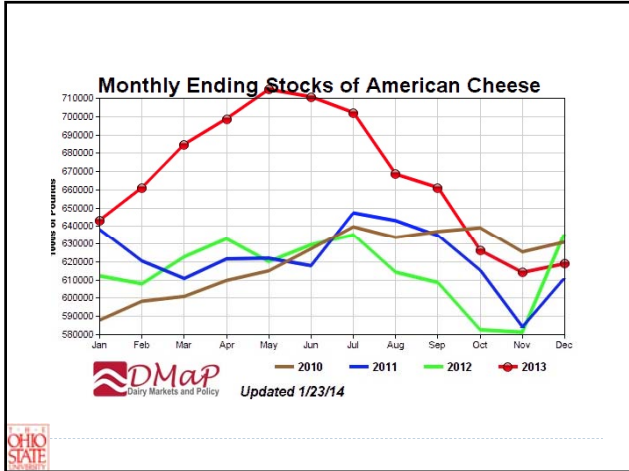
The future...

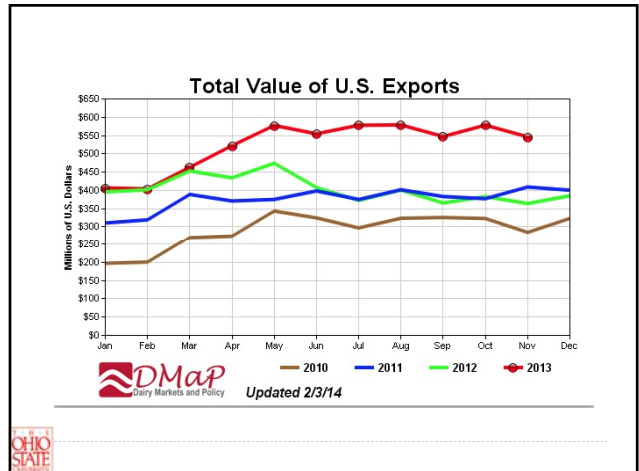
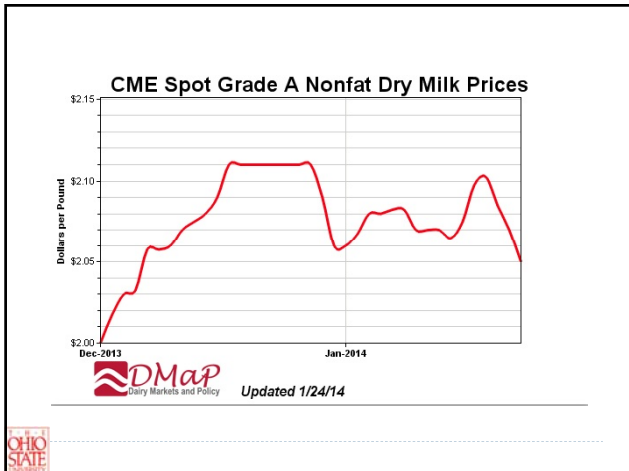
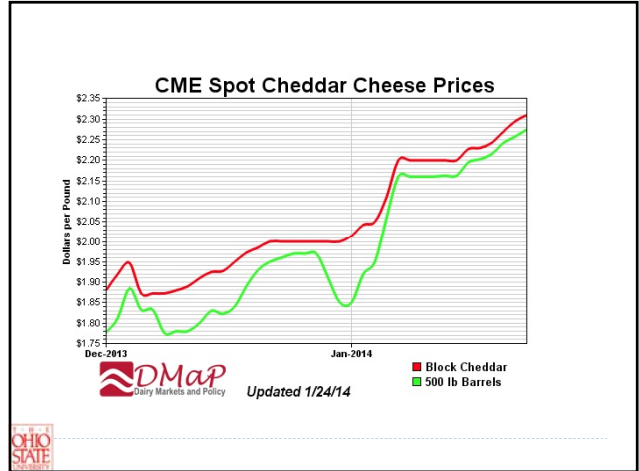
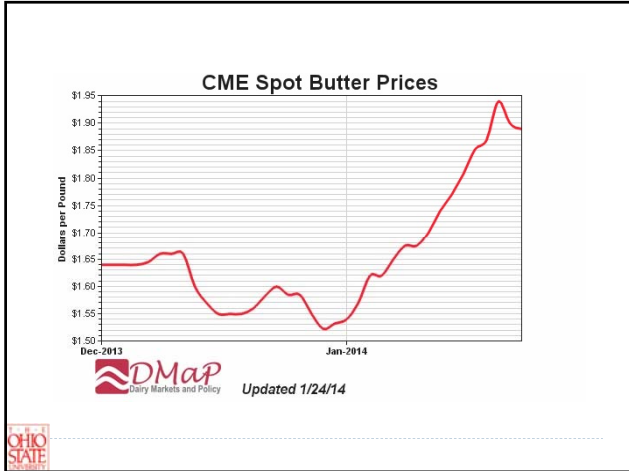




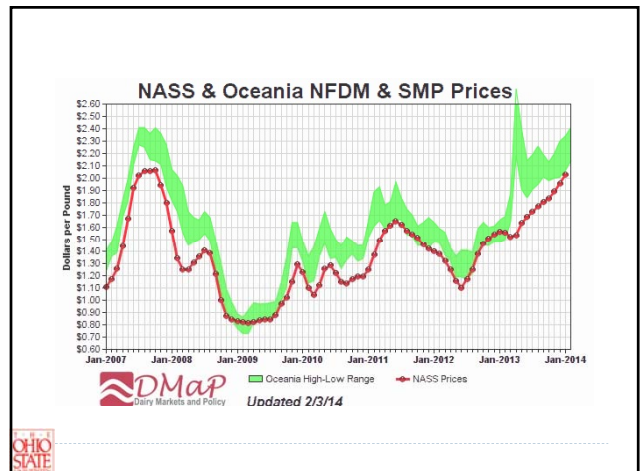
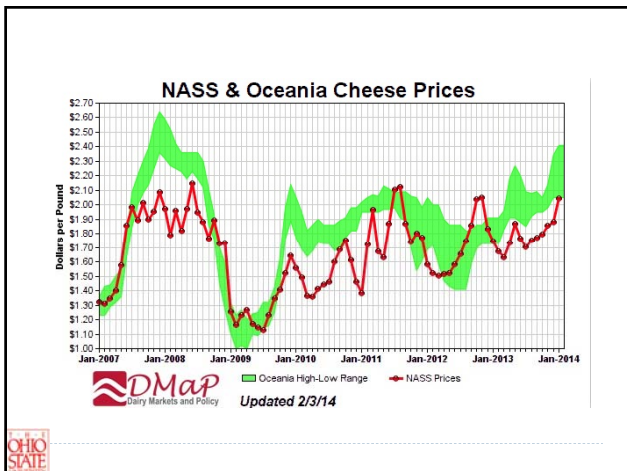
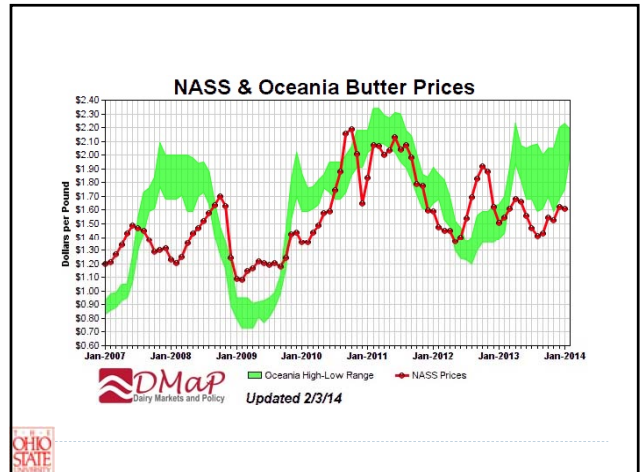




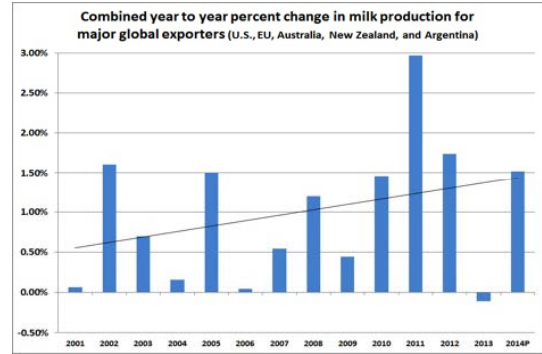




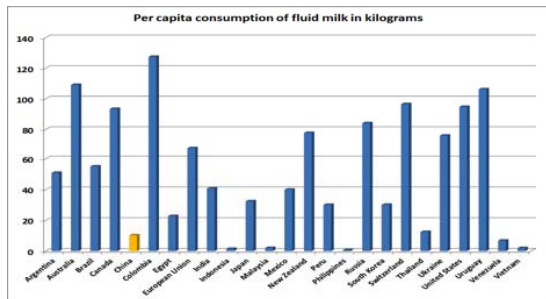
The U.S. is now exporting a greater proportion of its milk production (15.6%) than of its corn production (11%)!



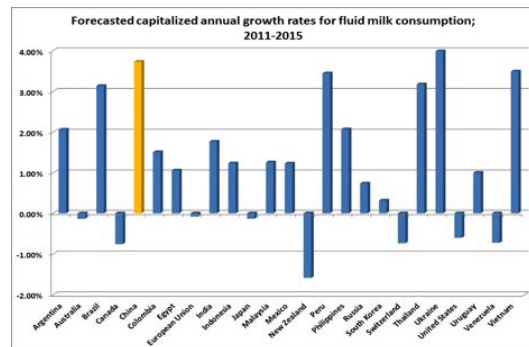
Making the right product!



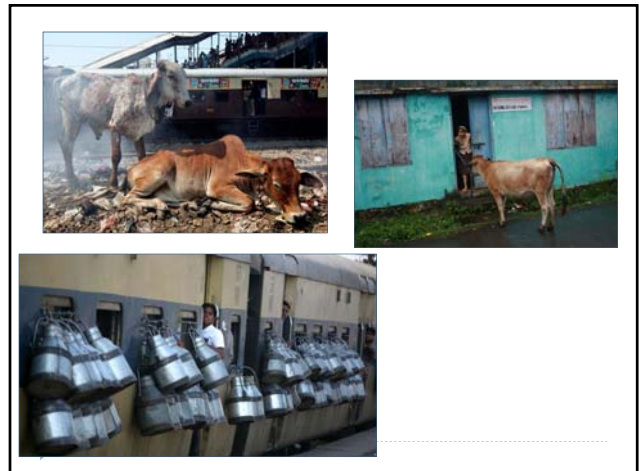
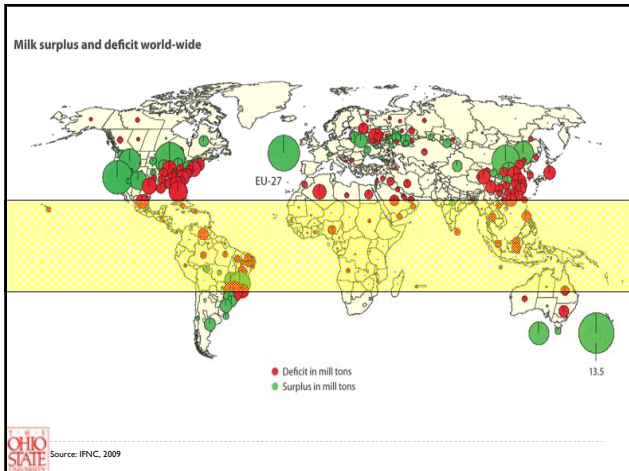
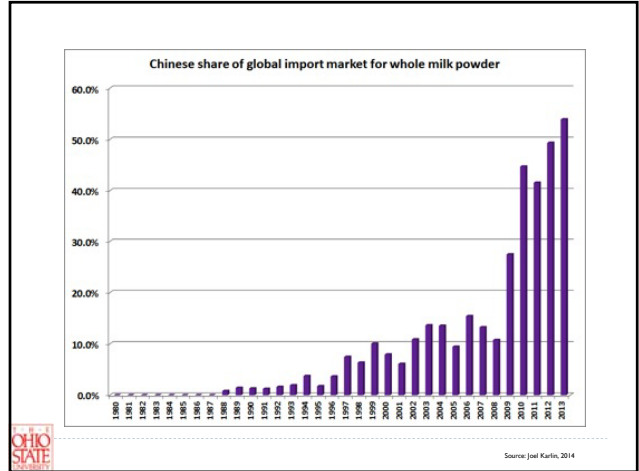
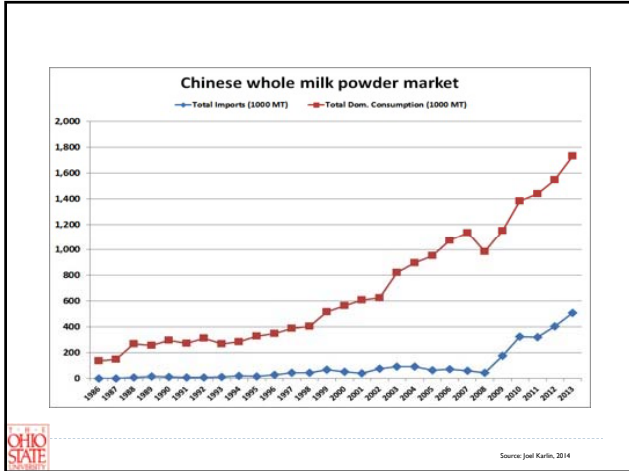
Source: Joel Karlin, 2014



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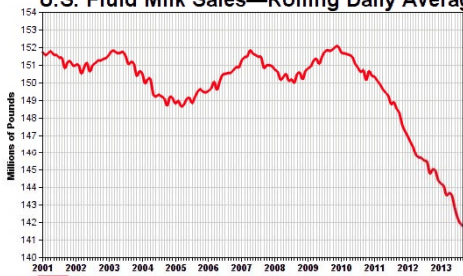
Source: Joel Karlin, 2014



What would happen if we were making the right products!

Domestic Fluid Milk ???

U.S. Fluid Milk Sales—Rolling Daily Average



**DMaP**  
Daily Markets and Policy

Updated 9/1/13

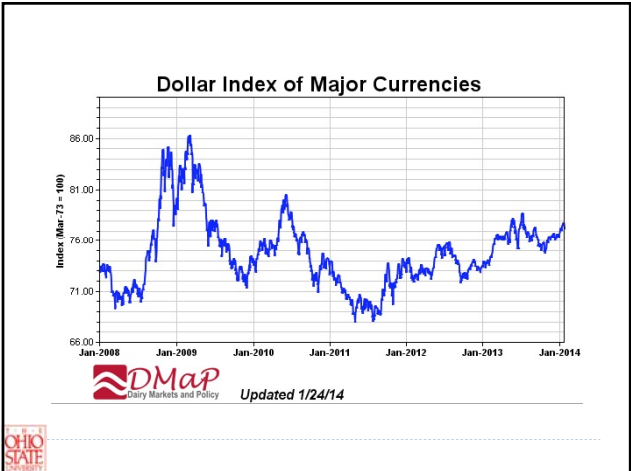
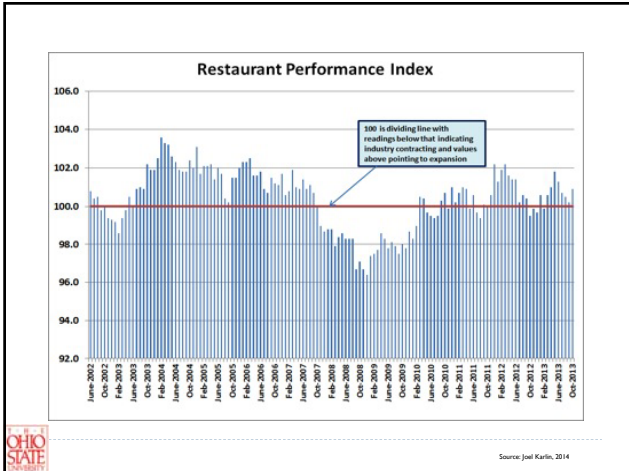
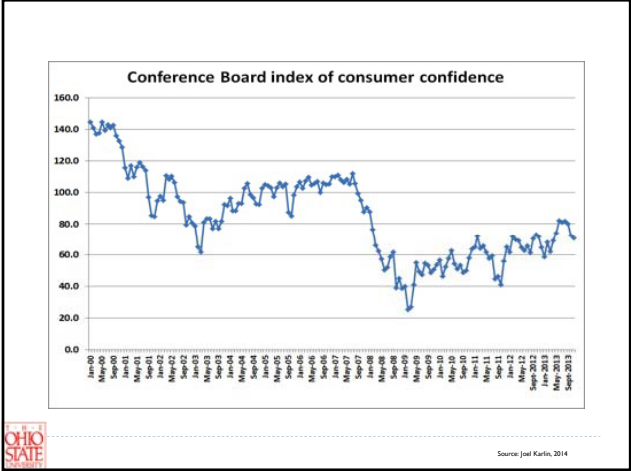


Class I (fluid milk)... a losing proposition...

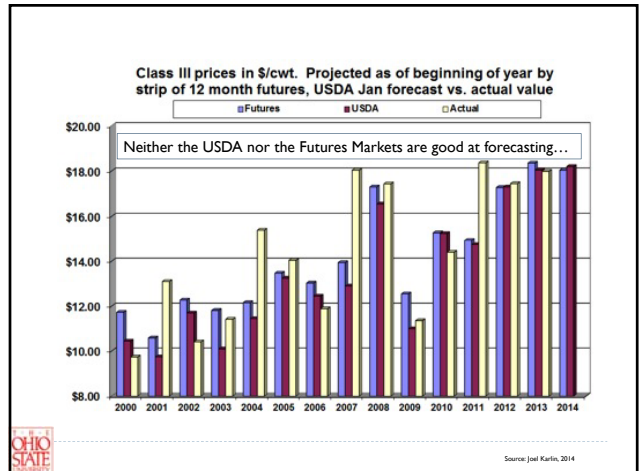
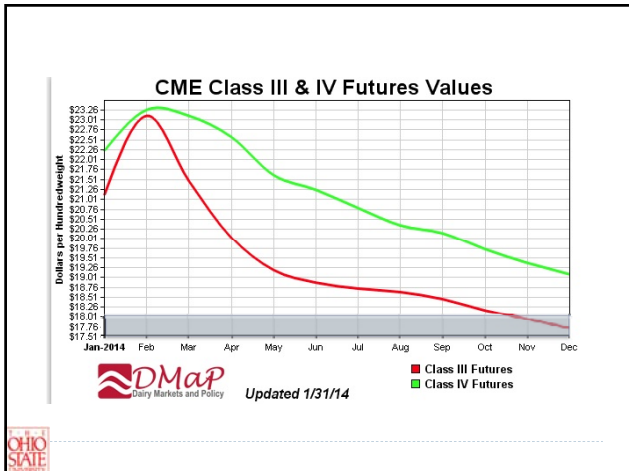
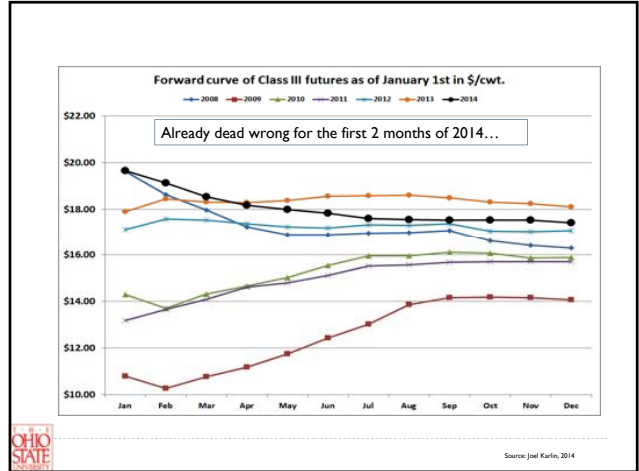
Like selling desktop PCs...

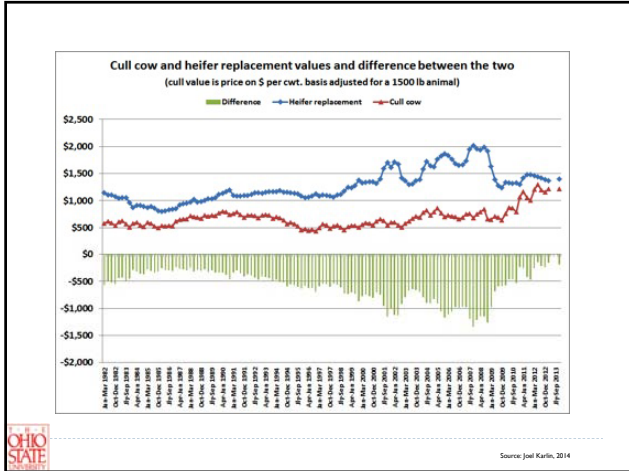


Externalities



Dangerous Forecasts...





Where?



- Location Factors**
- ▶ Five factors consistently determined **most** important
    - ▶ Availability of adequate fresh water supplies
    - ▶ Availability of land on which to incorporate animal waste
    - ▶ Average mailbox price of milk
    - ▶ Quality of fresh water supply
    - ▶ Complexity of state and local laws governing waste handling and odor management.
- OHIO STATE

### Location Factors

- ▶ Five factors consistently determined **least** important
  - ▶ Number of hoof trimmers in the local area
  - ▶ Presence of established niche markets in the local area
  - ▶ Proximity of an airport with commercial, scheduled service
  - ▶ Proximity to cultural centers
  - ▶ Proximity to recreational areas



### Future of Dairying

1. Increased dependency on exports
2. Increased need for just-in-time production
3. Sufficient production density in a given geography to achieve transportation and processing efficiency



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1. Increased dependency on exports
2. Increased need for just-in-time production
3. Sufficient production density in a given geography to achieve transportation and processing efficiency
4. Declining importance of Class I market
5. Economies of scale at farm level are (mostly) gone; the next 'savings' will be through integration
6. Heat stress will progressively put pressure towards moving production in the northern, cooler states



Thank You!

