



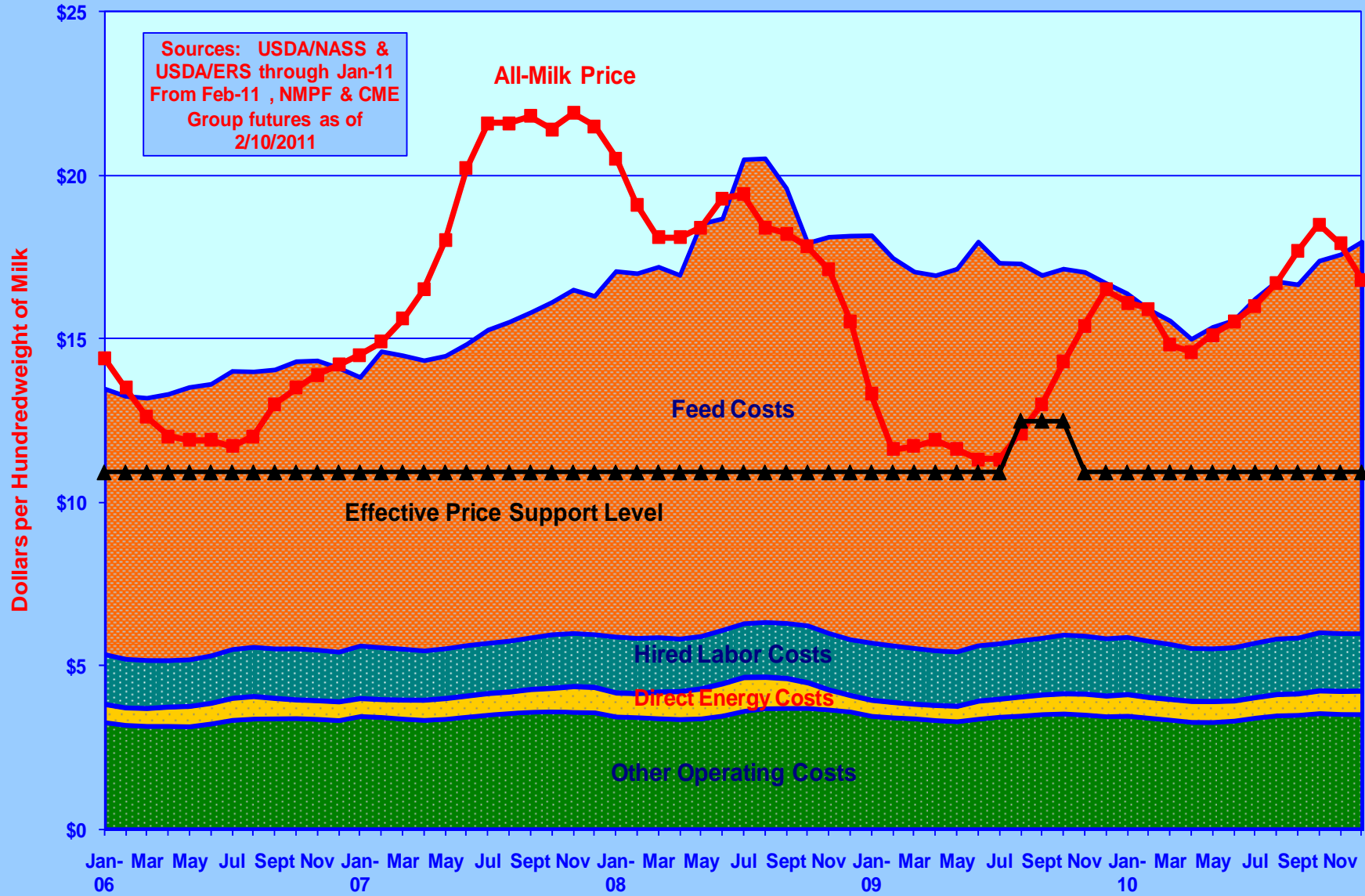
U.S. Dairy Policy: Major Overhaul Needed

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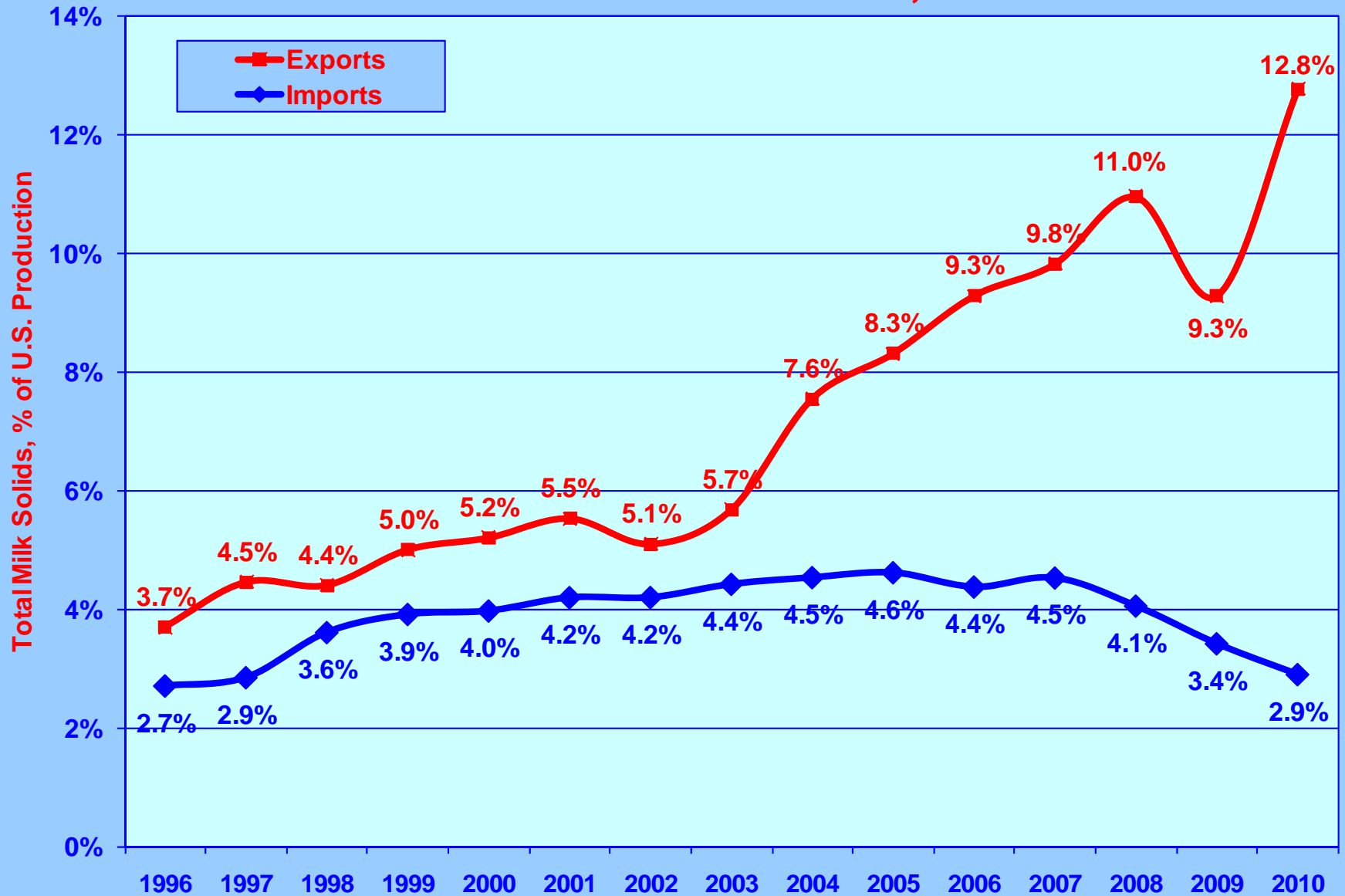


U.S. Milk Prices and Costs of Production, 2006-2010

Sources: USDA/NASS & USDA/ERS through Jan-11
 From Feb-11, NMPF & CME
 Group futures as of 2/10/2011



U.S. DAIRY TRADE BALANCE, 1996-2010





	<u>World Market Export Shares</u>			<u>Change: 2009/2008</u>	
	2007	2008	2009	(%)	(tms)
New Zealand	23.1%	20.6%	26.8%	6.3%	38%
European Union	25.4%	25.6%	25.9%	0.3%	7%
United States	15.1%	17.2%	13.7%	-3.4%	-15%
Australia	7.7%	7.6%	8.0%	0.5%	12%
Argentina	2.8%	3.0%	3.5%	0.5%	22%
All Other	25.8%	26.1%	22.1%	-4.1%	-11%
Total	100.0%	100.0%	100.0%		



Foundation for the Future

- **Replace price support and MILC programs**
- **Implement two new programs triggered based on price- cost margins:**
 - **Dairy Producer Margin Protection Program**
 - **Dairy Market Stabilization Program**
- **Reform Federal Milk Marketing Order pricing**



DAIRY ENTERPRISE FEED COSTS

Category	# Head	DM CONSUMED (lb./day)	Shell Corn Soybean Alfalfa Corn Silage Meal Hay				DM CONSUMED (\$/bu) (\$/ton) (\$/ton) (\$/ton) Cost/lb DM consumed	Total Feed cost (\$/day)	Total milk marketed, milking @ 68.85 lb./day
			----- (percent of total dry matter) -----						
			Moisture :	14%	65%	12%	15%		
			Prices:	\$5.92	\$59.8	\$352	\$121	(Dec, 2010)	Shrink = 10%
Milk Cows:									
Milking Cows	819	47.1	32.7%	34.0%	12.1%	21.2%	\$0.109	\$4,604	56,388
Hospital Cows	17	40.0	32.7%	34.0%	12.1%	21.2%	\$0.109	\$81	0
Dry Cows	164	24.0	5.0%	50.0%	15.0%	30.0%	\$0.100	\$434	0
Total Milk Cows	1,000								
Replacements:									
Heifers expected to calve within 1 year	394	23.0	5.0%	50.0%	15.0%	30.0%	\$0.100	\$999	0
Other heifers 500 Pounds and Over	203	15.0	10.0%	50.0%	15.0%	25.0%	\$0.103	\$344	0
Heifer calves under 500 Pounds	203	7.0	25.0%	45.0%	15.0%	15.0%	\$0.110	\$172	0
Total Replacement Heifers	800								
Total Herd	1,800						\$11.76 per cwt.	\$6,634	56,388

Reduced Form:

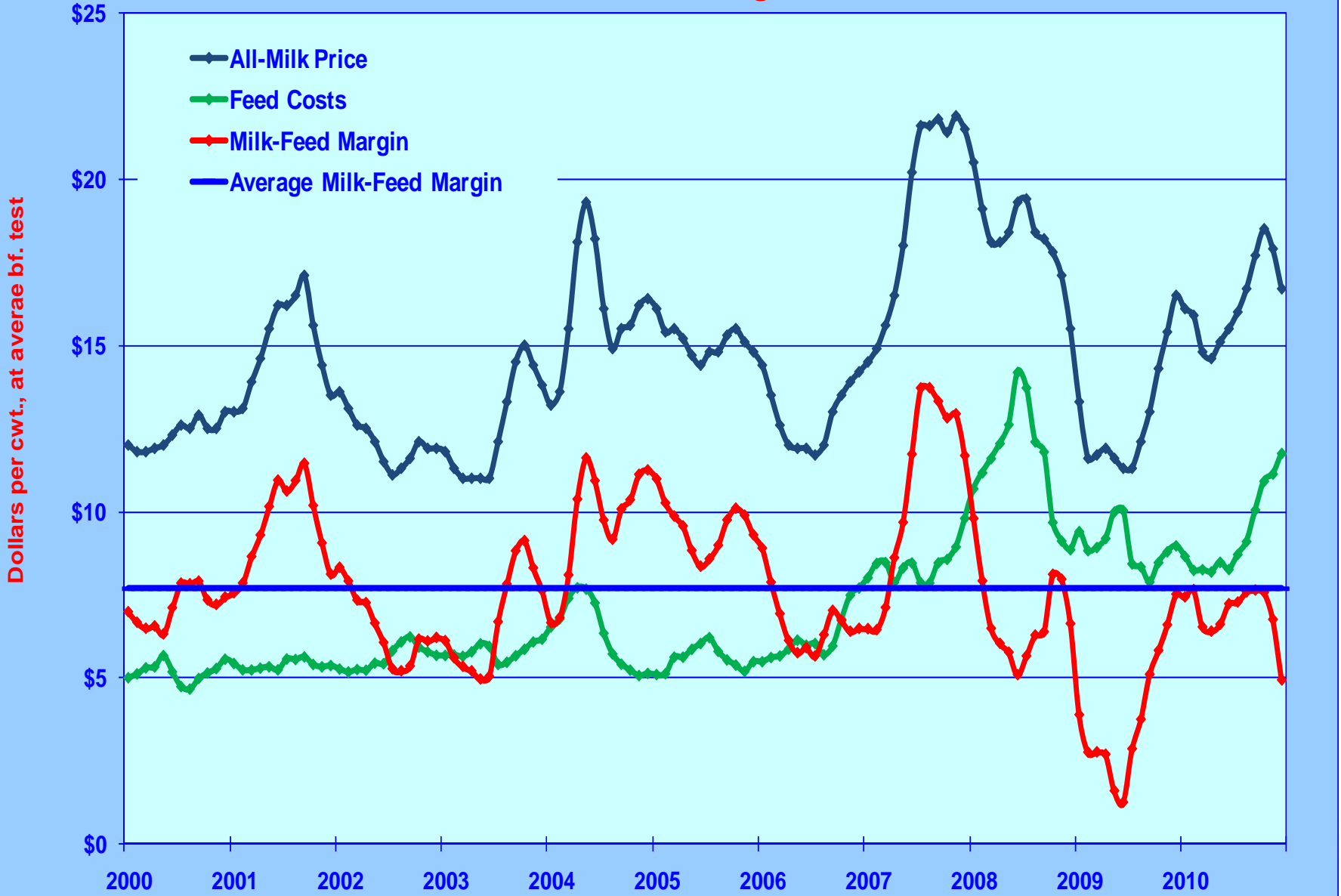
Feed cost per cwt. of milk = 1.192 X Price of corn per bu. + 0.00817 X Price of soybean meal per ton + 0.0152 X Price of alfalfa hay per ton

(Uses following formula to estimate price of corn silage:

Price of corn silage per ton = 10.1 X Price of corn per bushel)



Milk Price, Feed Costs, and Margins, 2000-2010





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