U.S. Milk Yields

U.S. Milk Production

2008 189.5 billion pounds
U.S. Milk Production

Cheese Prices
Milk Income Loss Contract (MILC) Program

- October 2008 through August 2012
  - 45% of the price difference
  - 2.985 million pound cap
- January 2008 through August 2012
  - Dairy feed ration cost adjustment $7.35
  - Calculate the trigger price as 45% of the percentage dairy feed ration exceeds $7.35
- Revert to pre-2008 farm bill levels after August 2012
  - 34% of the price difference
  - 2.4 million pound cap
  - Dairy feed ration cost adjustment increases to $9.50

MILC Trigger Calculation

![Graph showing MILC Trigger Calculation](image)
My Forecast

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk Cows (thou. head)</td>
<td>9,153</td>
<td>9,265</td>
<td>9,216</td>
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<tr>
<td>Milk Production (bill. pounds)</td>
<td>185.6</td>
<td>189.5</td>
<td>190.8</td>
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<tr>
<td>All Milk Price (dollars per cwt.)</td>
<td>19.13</td>
<td>19.00</td>
<td>18.65</td>
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<tr>
<td>Class III Price (dollars per cwt.)</td>
<td>18.04</td>
<td>18.20</td>
<td>17.35</td>
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<tr>
<td>Class IV Price (dollars per cwt.)</td>
<td>18.36</td>
<td>16.10</td>
<td>16.60</td>
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</tbody>
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Summary

- International demand remains one of the key pieces in the outlook for dairy and milk prices
  - Difficult to find current information
  - Stronger global demand
  - Weaker dollar
- Increases in feed costs appear to be poised to slow the growth in milk production
  - Changes in crop production could change this slowdown
  - Dairy producer coping with added risk
- The industry continues to move away from only a domestic focus
- MILC payments could be made given the new feed cost adjuster
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