

# Outlook for the U.S. Dairy Sector in 2008

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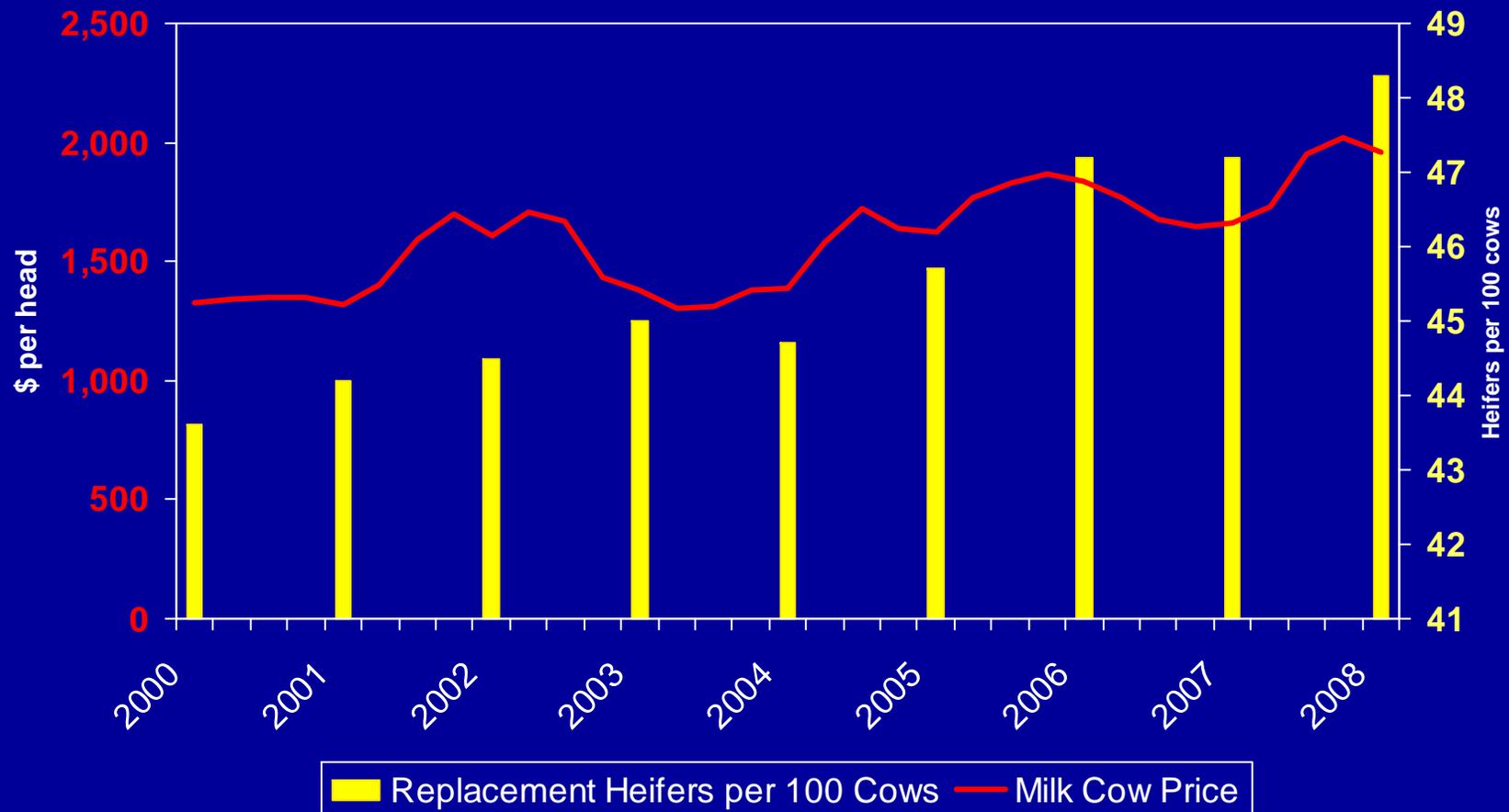
## 2007 Milk Production Higher...

- Returns have been favorable for sector to expand
  - Record milk prices
  - Greater availability of replacement heifers
- Production in 2007: 185.6 billion pounds
  - More cows
  - Slow gains in milk per cow

## ...But Pressure in 2008

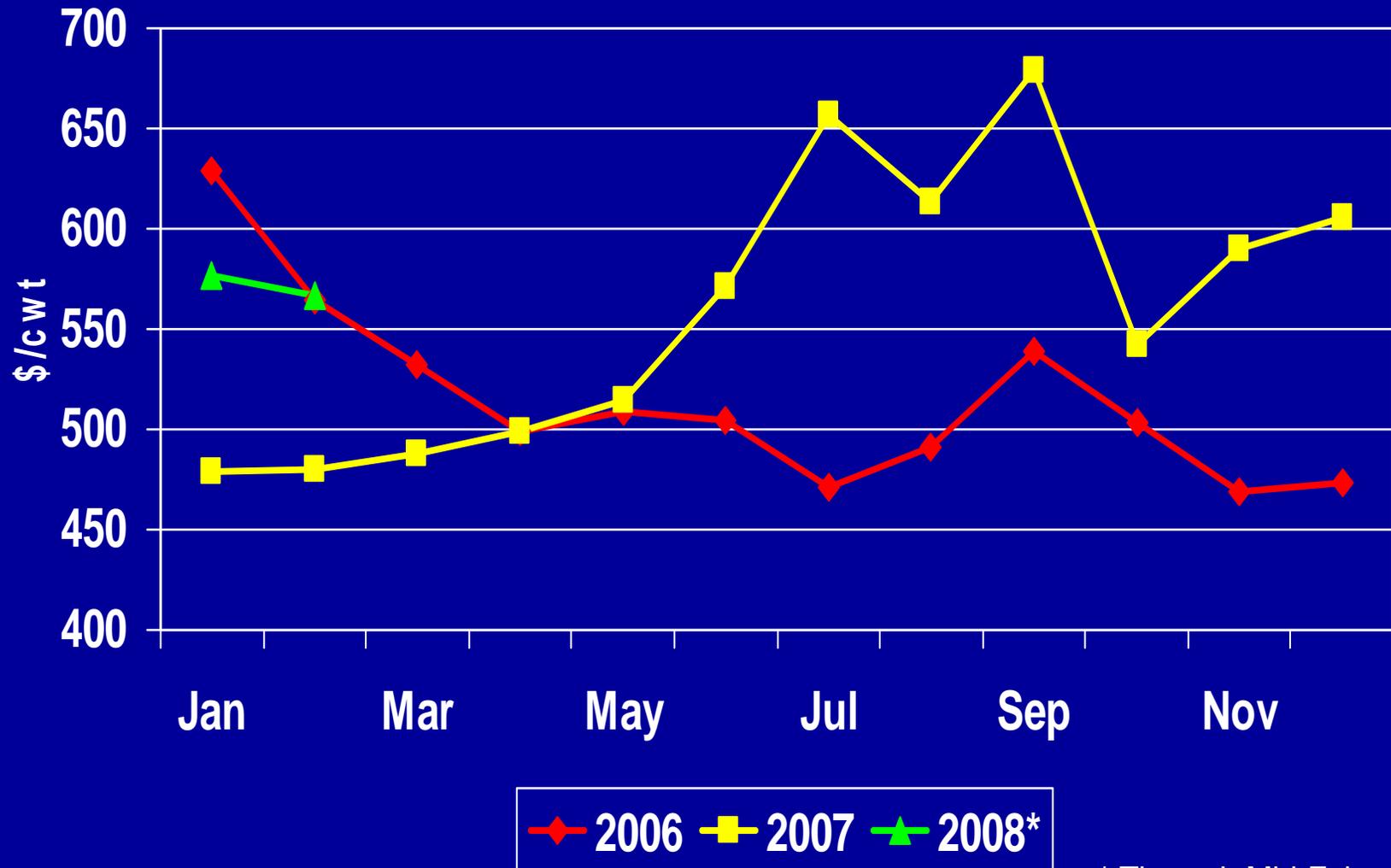
- 2008 returns will weaken
  - Milk prices lower
  - Feed prices higher but greater availability of hay with normal weather
- Production in 2008: 190.6 billion pounds
  - More cows
  - Slower growth in milk per cow

# More Heifers Available but Replacement Prices High



# Light Heifer Calf Prices Falling

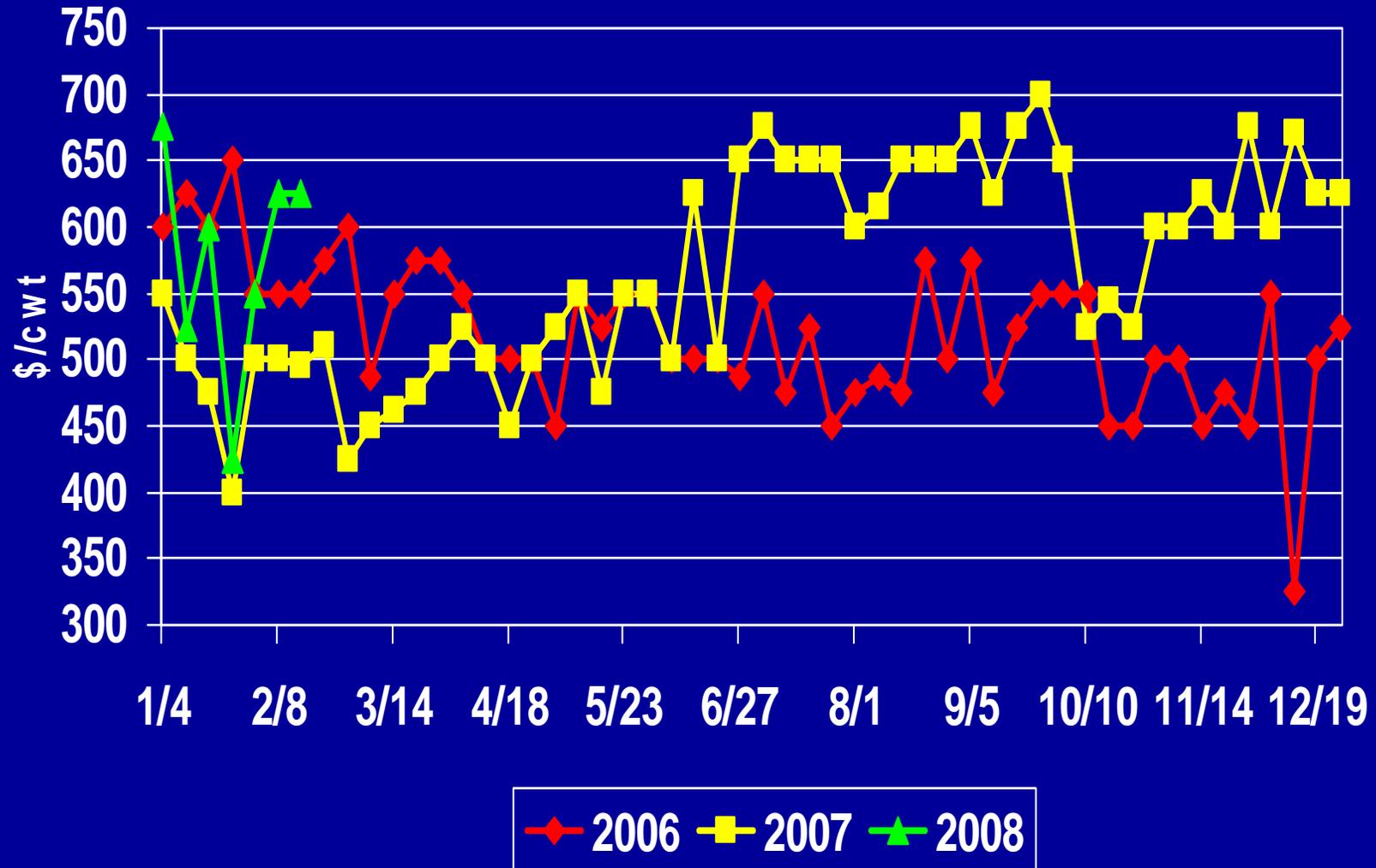
Holstein Heifer Calves 100-120 Lbs, Wisconsin



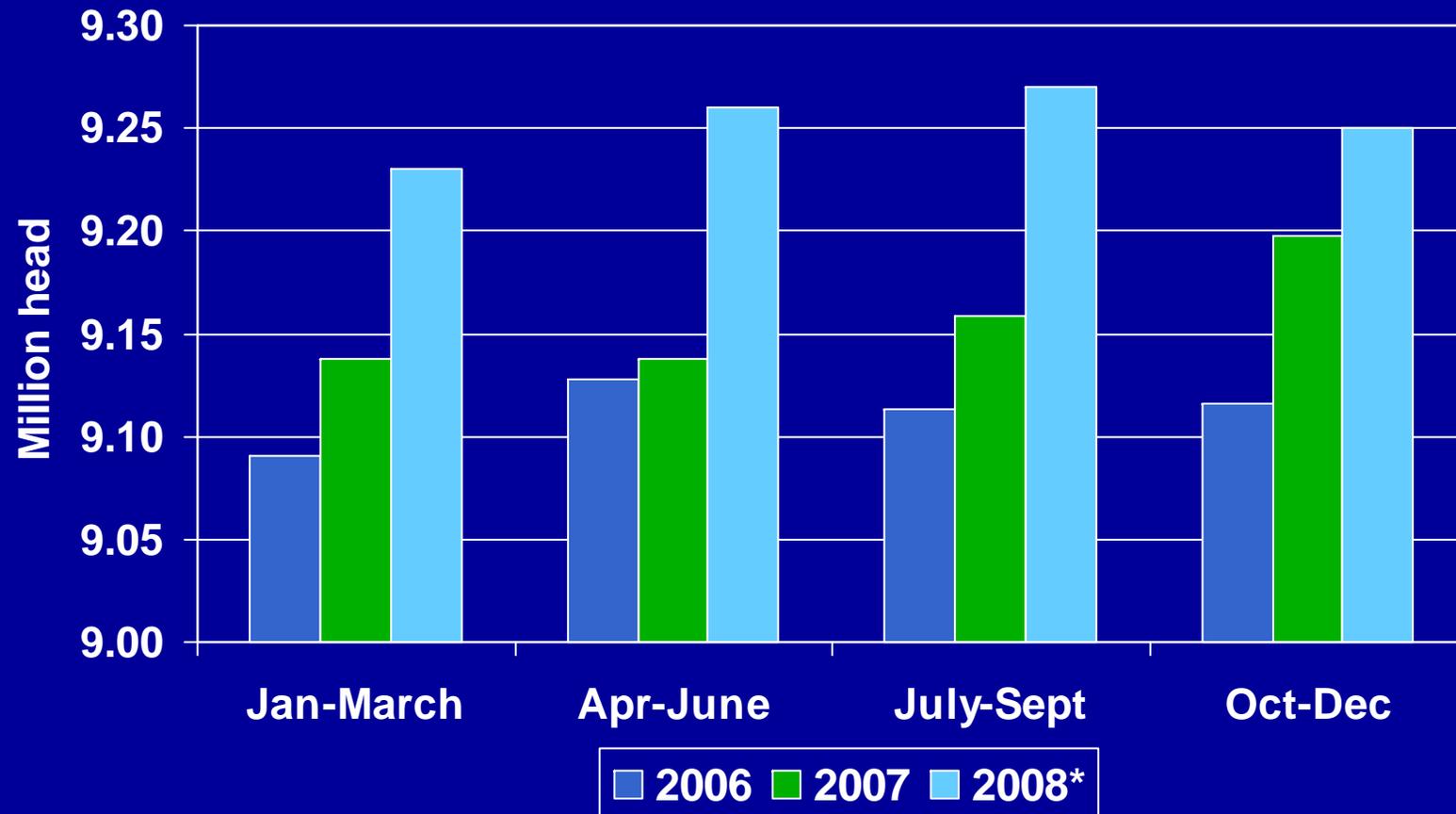
\* Through Mid-February

# Light Heifer Calf Prices Falling

Holstein Heifer Calves 90-120 Lbs, Wisconsin



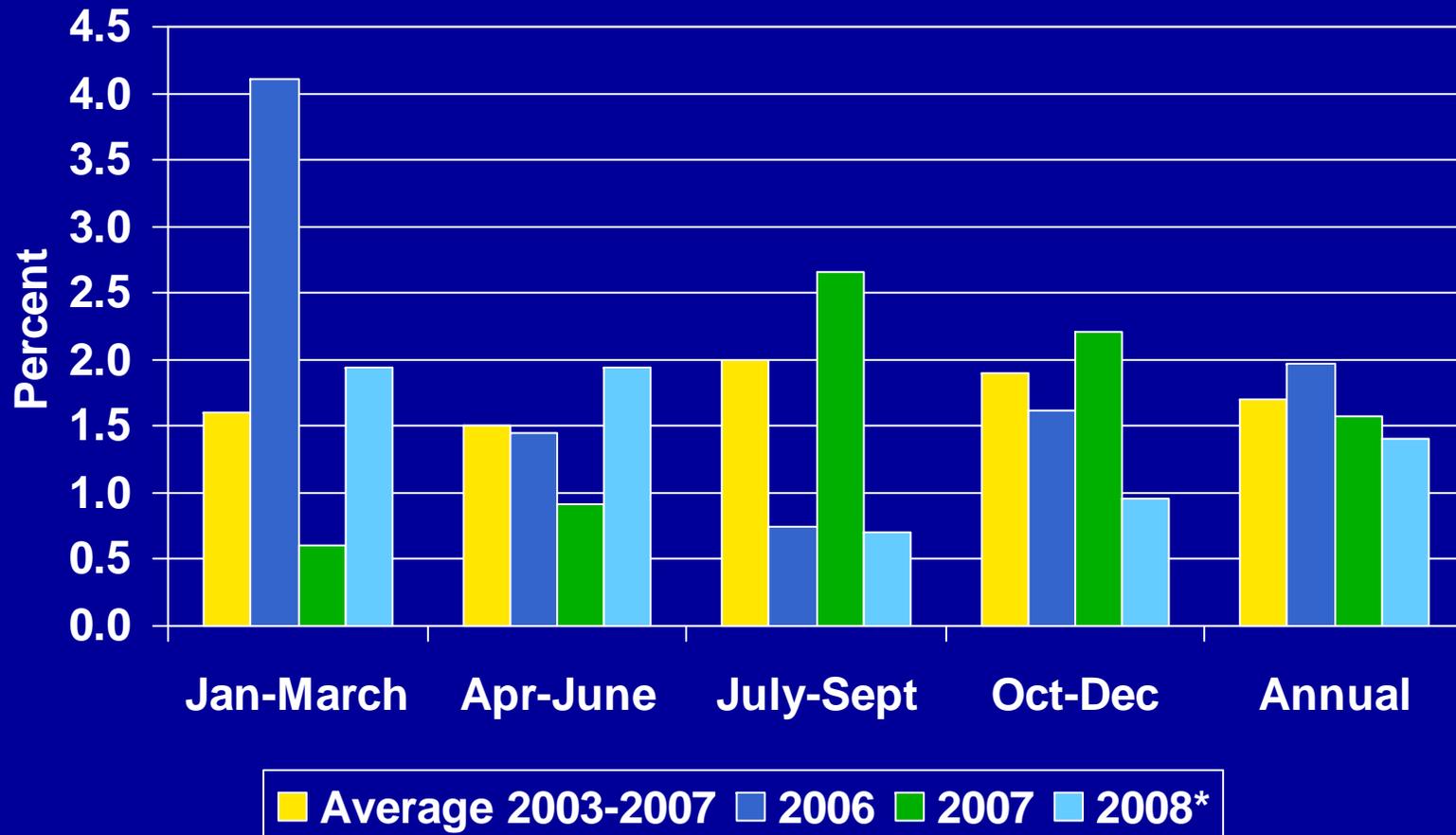
# Quarterly Average U.S. Cow Herd



\*Forecast

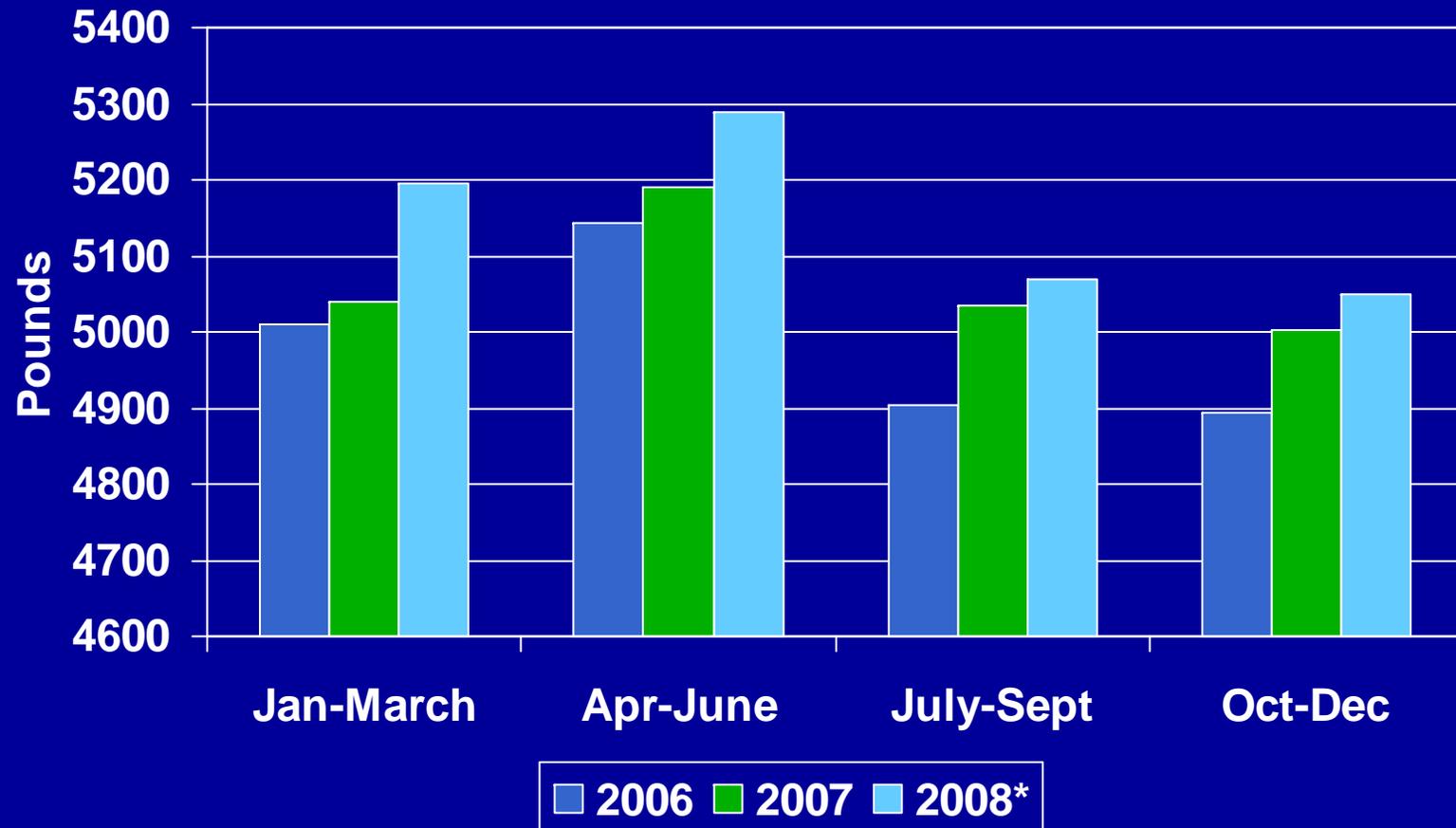
# Milk per Cow Growth

## Adjusted for Leap Year



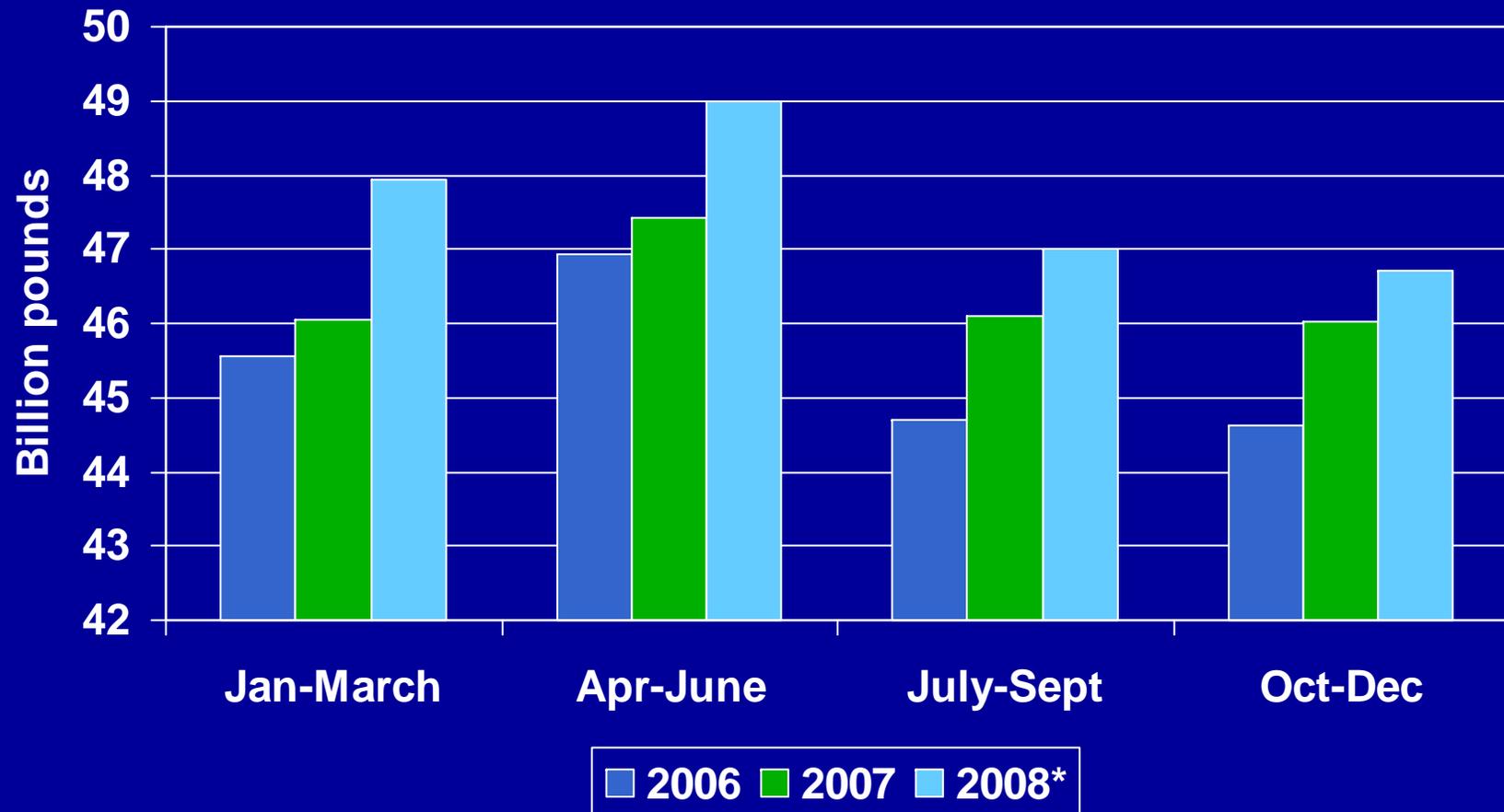
\*Forecast

# Quarterly Average Milk per Cow



\*Forecast

# Quarterly U.S. Milk Production



\*Forecast

# Growth in Demand Helped Move Dairy Products

- Demand was firm in 2007
  - Fat basis use just over 2 percent higher in 2007
  - Skim solids basis use just under 2 percent higher
  - Support from commercial exports
  - CCC stocks dissipated

# Skim Milk Prices

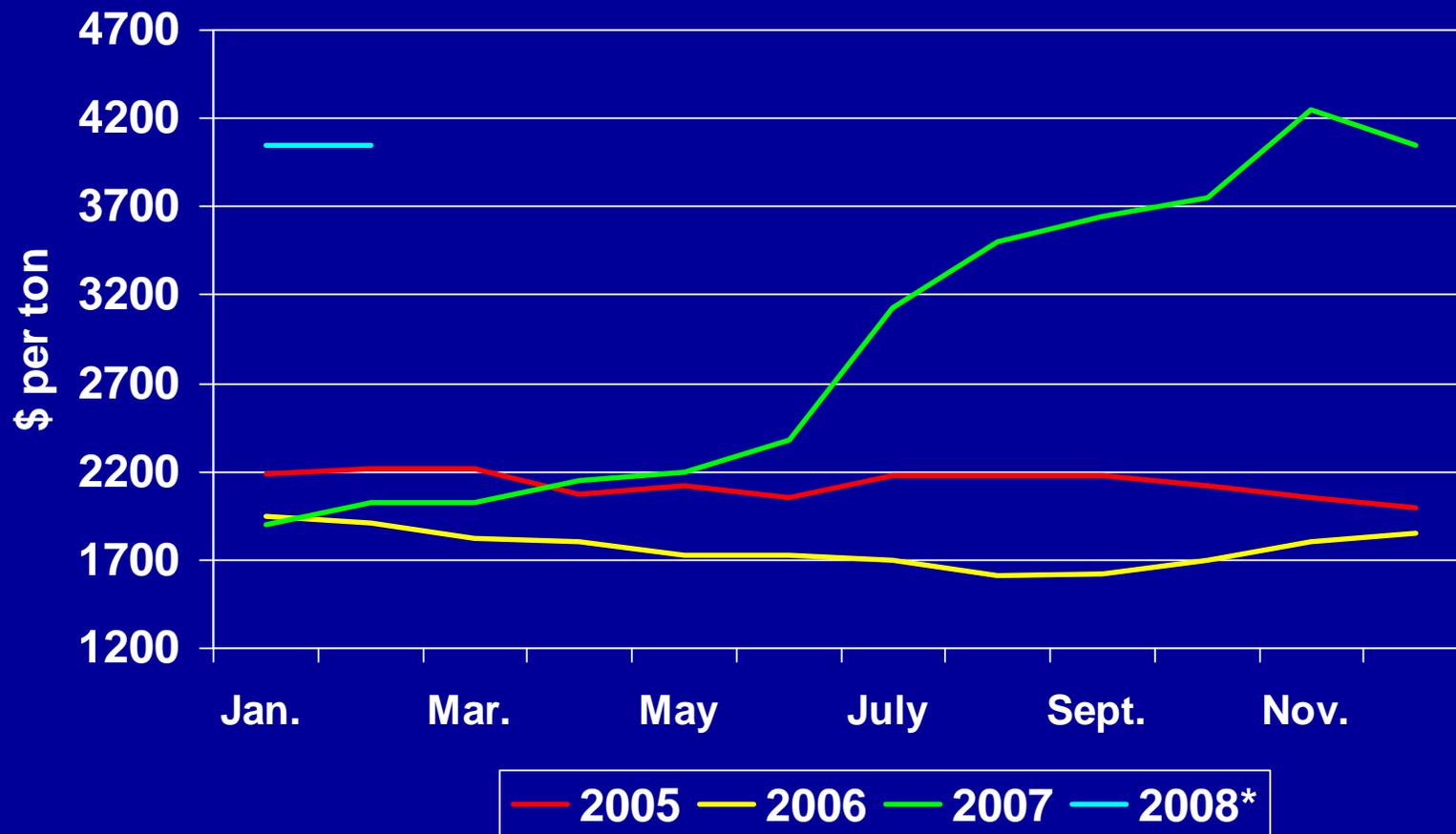
## Midpoint F.O.B. Oceania



\* Through Mid-February

# Butter Prices

## Midpoint F.O.B. Oceania



\* Through Mid-February

# Cheese Prices

## Midpoint F.O.B. Oceania



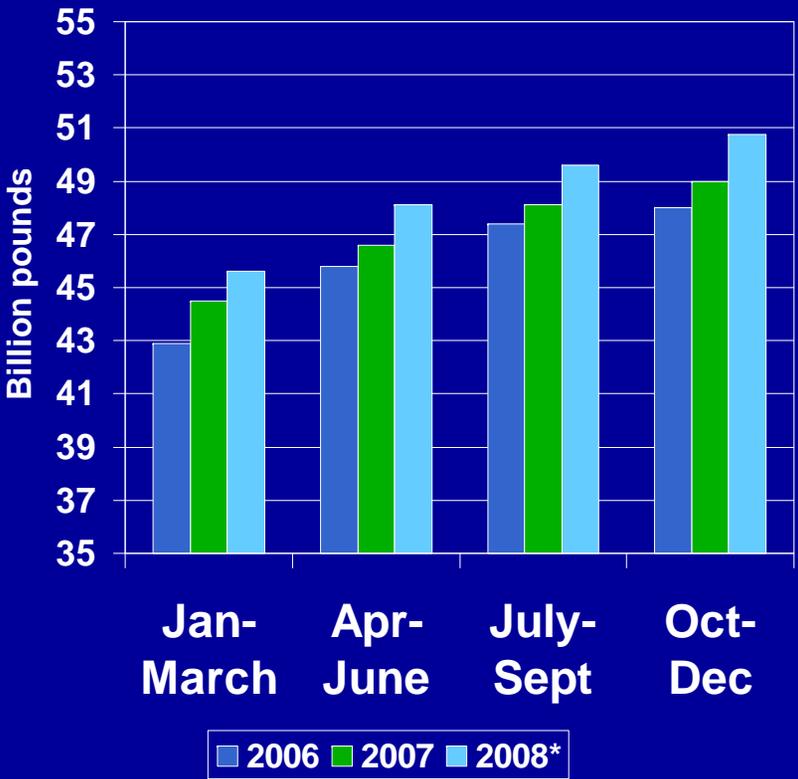
\* Through Mid-February

# Growth in Demand Helped Move Dairy Products

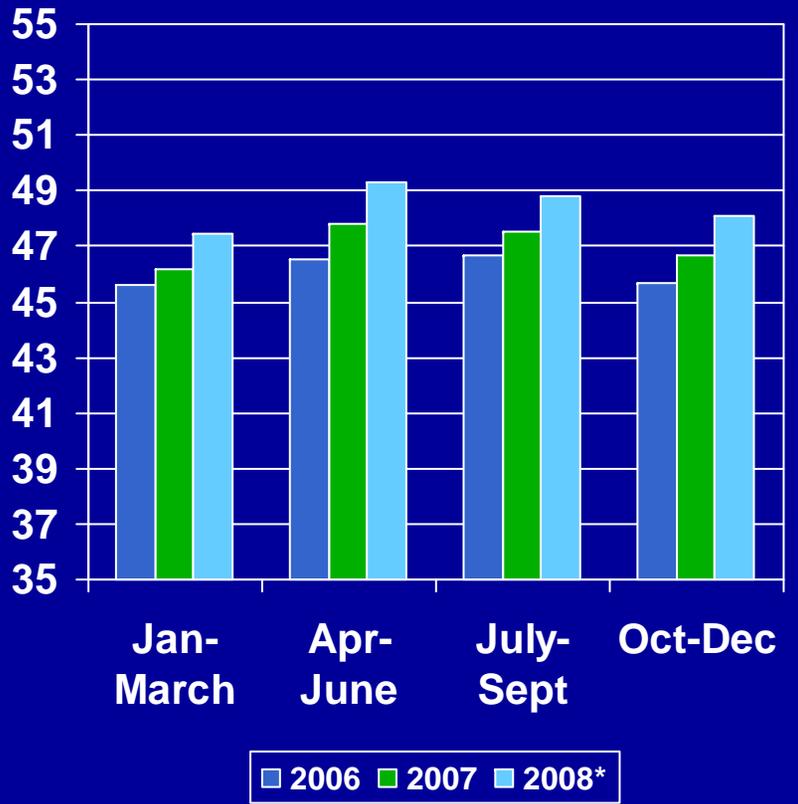
- Demand was firm in 2007
  - Fat basis use just over 2 percent higher in 2007
  - Skim solids basis use just under 2 percent higher
  - Support from commercial exports
  - CCC stocks dissipated
- Commercial use higher in 2008 but demand growth may lag production growth
  - Economic concerns
  - Increased export competition
  - Higher commercial stocks
  - No surplus removal

# Quarterly Commercial Use

Fat Basis

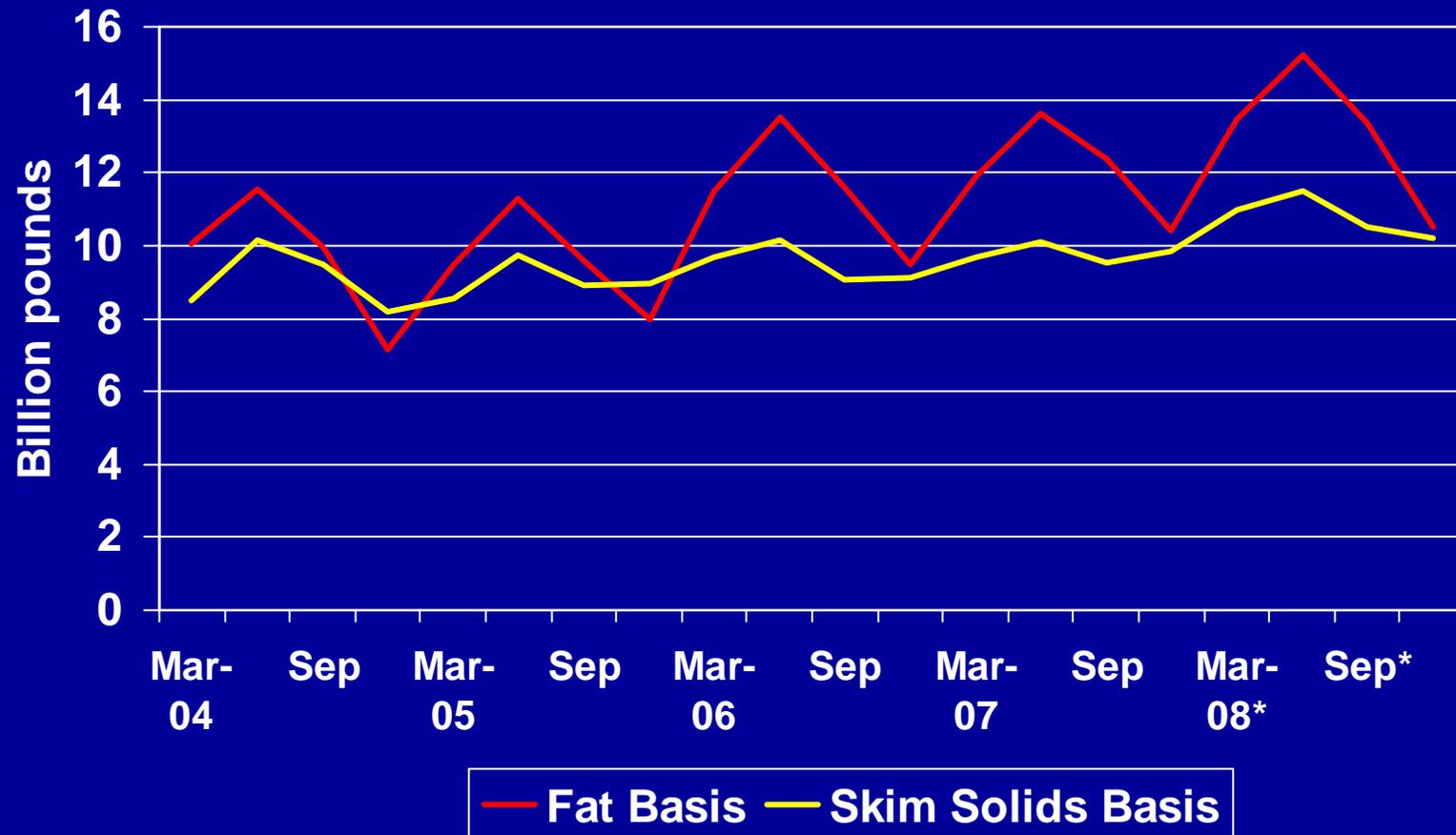


Skim Solids



\*Forecast

# Commercial Ending Stocks Milk Equivalent



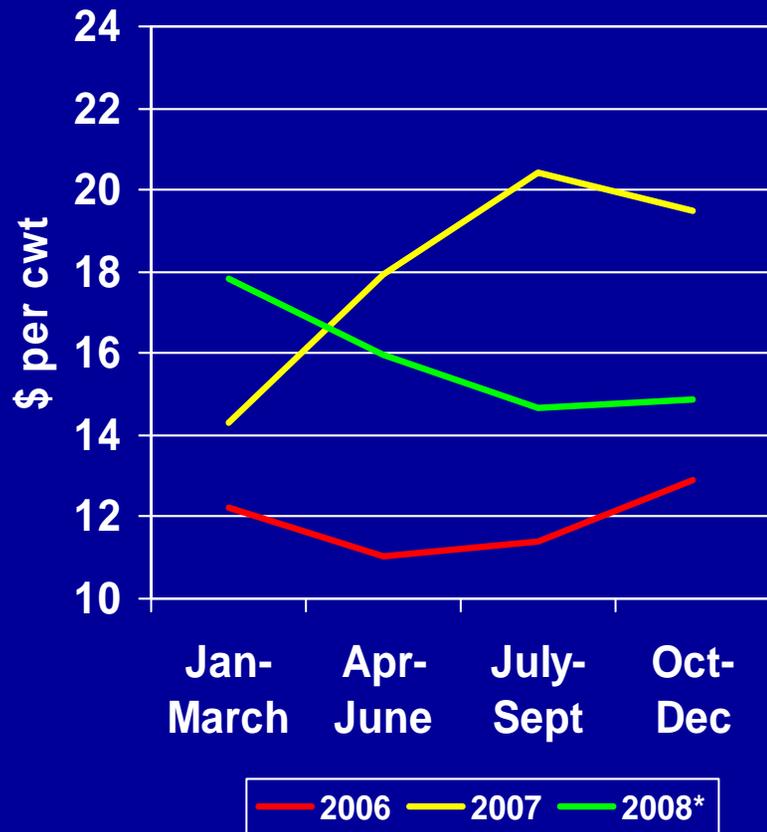
\*Forecast

## 2008 Dairy Prices Lower to Balance Increased Production

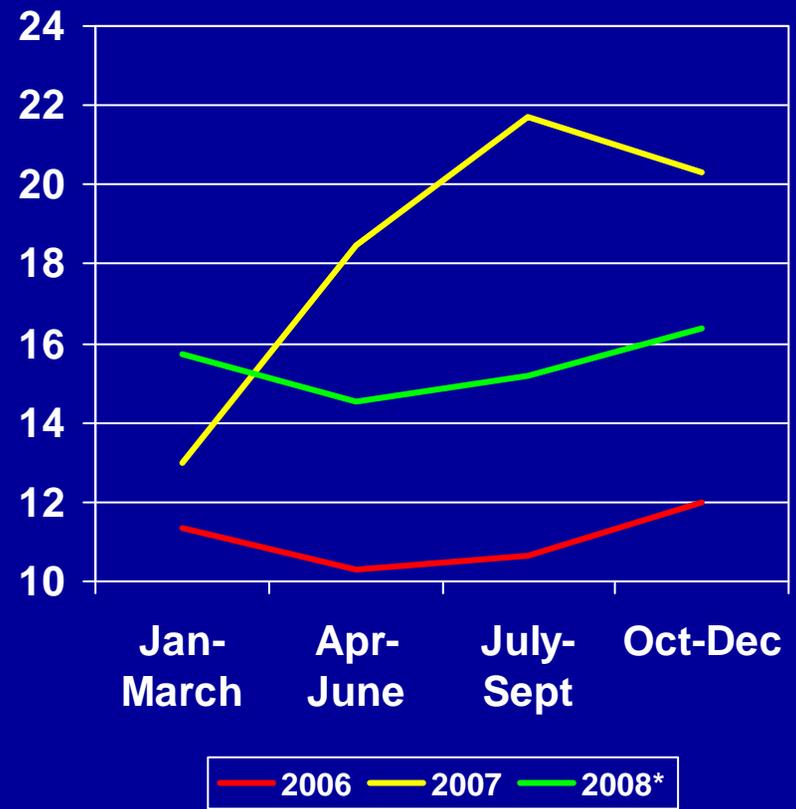
- Class III price to average \$15.45-16.15 per cwt
  - Cheese price weaker: \$1.635-\$1.705 per pound
  - Whey price lower: \$0.335-\$0.365 per pound
- Class IV price to average \$15.05-\$15.85 per cwt
  - Butter price lower: \$1.185-\$1.285 per pound
  - Nonfat dry milk price down: \$1.38-\$1.44 per pound
- All milk price to average \$16.85-\$17.55 per cwt

# Class Prices

## Class III Price



## Class IV Price



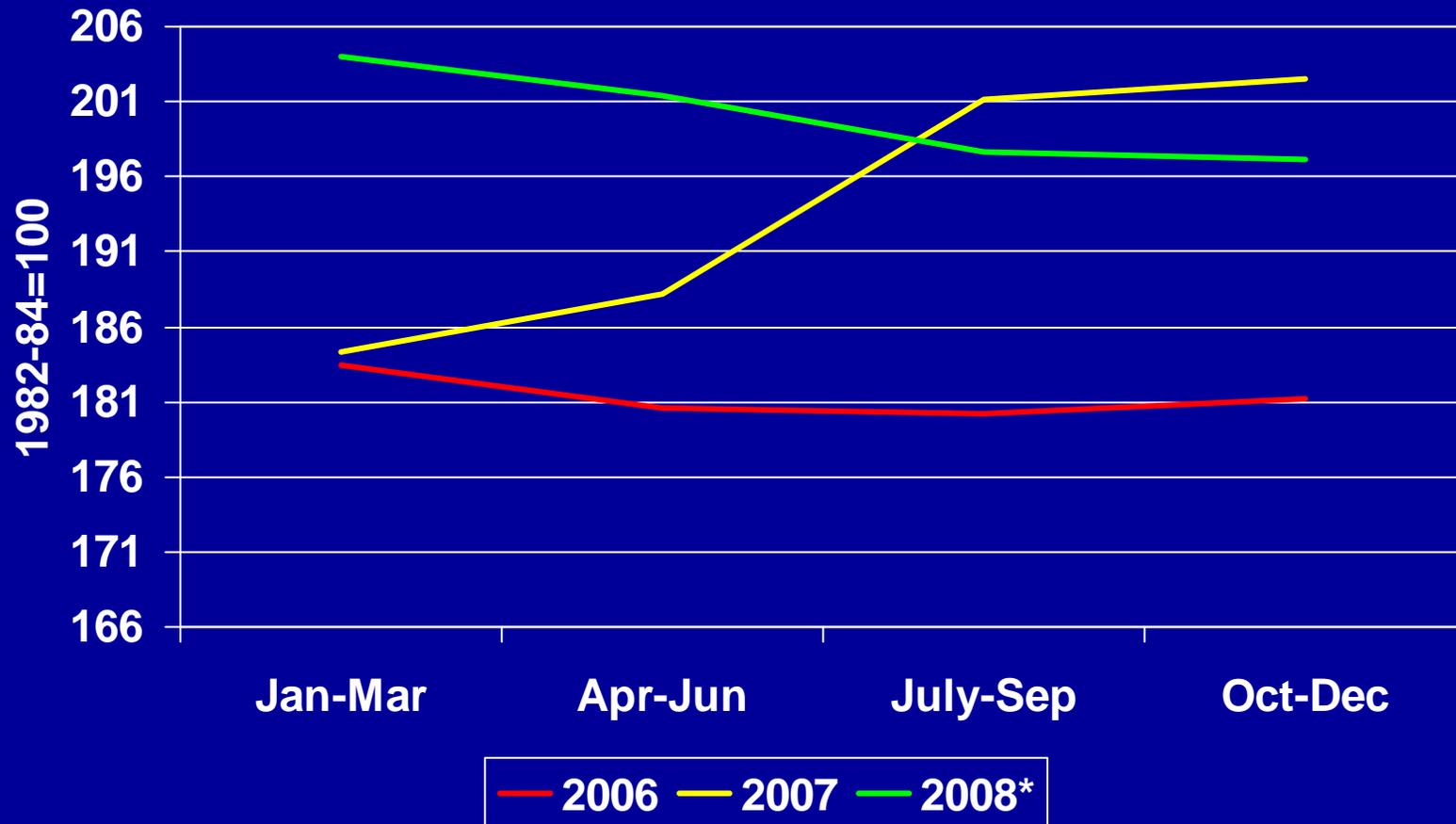
\*Forecast

# Quarterly Average All Milk Prices



\*Forecast

# Retail Dairy Price Index



\*Forecast

## **Additional Information on the Outlook for 2008 is Available on the Following Websites:**

- World Agricultural Supply and Demand Estimates
  - <http://www.usda.gov/oce/commodity/wasde/index.htm>
- Livestock, Dairy, and Poultry Situation and Outlook
  - [www.ers.usda.gov/publications/ldp/](http://www.ers.usda.gov/publications/ldp/)
- Dairy: World Markets and Trade
  - <http://www.fas.usda.gov/dlp/dairy/dairy.asp>