Trends in Today’s Dairy Industry

Joe Horner, Dairy Economist
University of Missouri
Commercial Agriculture Program
The entrepreneur always searches for change, responds to it, and exploits it as an opportunity.

Peter F. Drucker
25 Year Trend in Base Milk Prices

[Graph showing the trend of base milk prices from 1980 to 2005.]
Milk Cows vs. Per-Cow Production
Total U.S. (Based On 30-Day Months)

© 2003, University of Wisconsin (UW Dairy Market Website: www.aae.wisc.edu/future/)
Milk Production
Percent by Size of Operation

Source: USDA, NASS 2005
In Past 5 Years
709 Counties Increased Marketings

A significant volume of milk from selected areas is not included in this map data due to the termination of the Western Order No. 135.

Compiled By:
Market Administrator Office
Kansas City 913-495-9336
Based On Data Provided By All Milk Market Administrator Offices

Increases In CA + FO Milk Marketings
December: 2005 vs 2000

- Increases Less Than 1 Million Lbs. (479)
- Increases 1 to 5 Million Lbs. (147)
- Increases 5 to 10 Million Lbs. (42)
- Increases 10 to 50 Million Lbs. (34)
- Increases Greater Than 50 Million Lbs. (7)
Percentage Change in Per Capita Milk Production 2004 vs 1999
2005 Per Capita Milk Production

States < 200 lbs/capita production are milk deficit for fluid needs
Cost of Producing 100 pounds of Milk

<table>
<thead>
<tr>
<th>State</th>
<th>Operating cost except labor</th>
<th>Hired labor</th>
<th>Opportunity cost of unpaid labor</th>
<th>Allocated Overhead</th>
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</thead>
<tbody>
<tr>
<td>Texas</td>
<td>$9.93</td>
<td>$1.03</td>
<td>$1.18</td>
<td>$1.21</td>
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<tr>
<td>California</td>
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<td>$0.98</td>
<td>$1.47</td>
<td>$2.05</td>
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<td>$0.69</td>
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</table>

Source: USDA, ERS Milk Cost of Production, May 2006
No institution can possibly survive if it needs geniuses or supermen to manage it.

It must be organized in such a way as to be able to get along under a leadership composed of average human beings.

**Peter F. Drucker**

Moral: Create Simple Systems
Every business faces the same challenge in creating a profitable enterprise, finding the appropriate mix of:

- Volume
- Margin
- Overhead
Dairy System Profitability Triangle

Volume: milk production per cow

Overhead: Investment per Cow

Gross Margin: $/Cow

- $400
- $500
- $600
- $700
- $800
- $900
- $1000
When you hear someone at this conference discussing their system, ask yourself:

- How would that effect our Overhead?
- How would that effect our Volume?
- How would that effect our Margin?