

# Dairy Situation & Outlook 2000–2001

## *Southern Dairy Conference*



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Mark Stephenson

*Cornell Program on Dairy Markets & Policy*



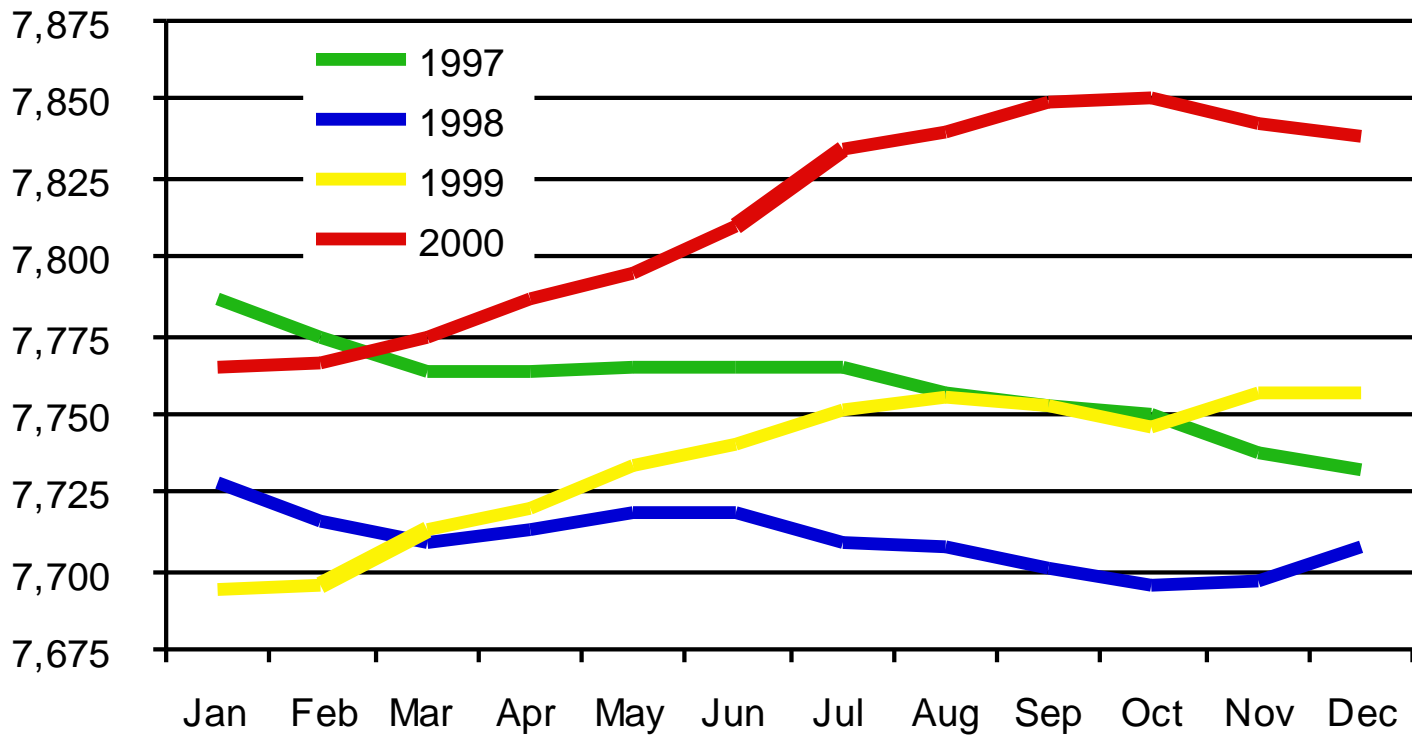
# Outline

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- Milk & Dairy Product Supply
- Demand for Dairy Products
- Outlook for Milk Supply & Prices
- Policy

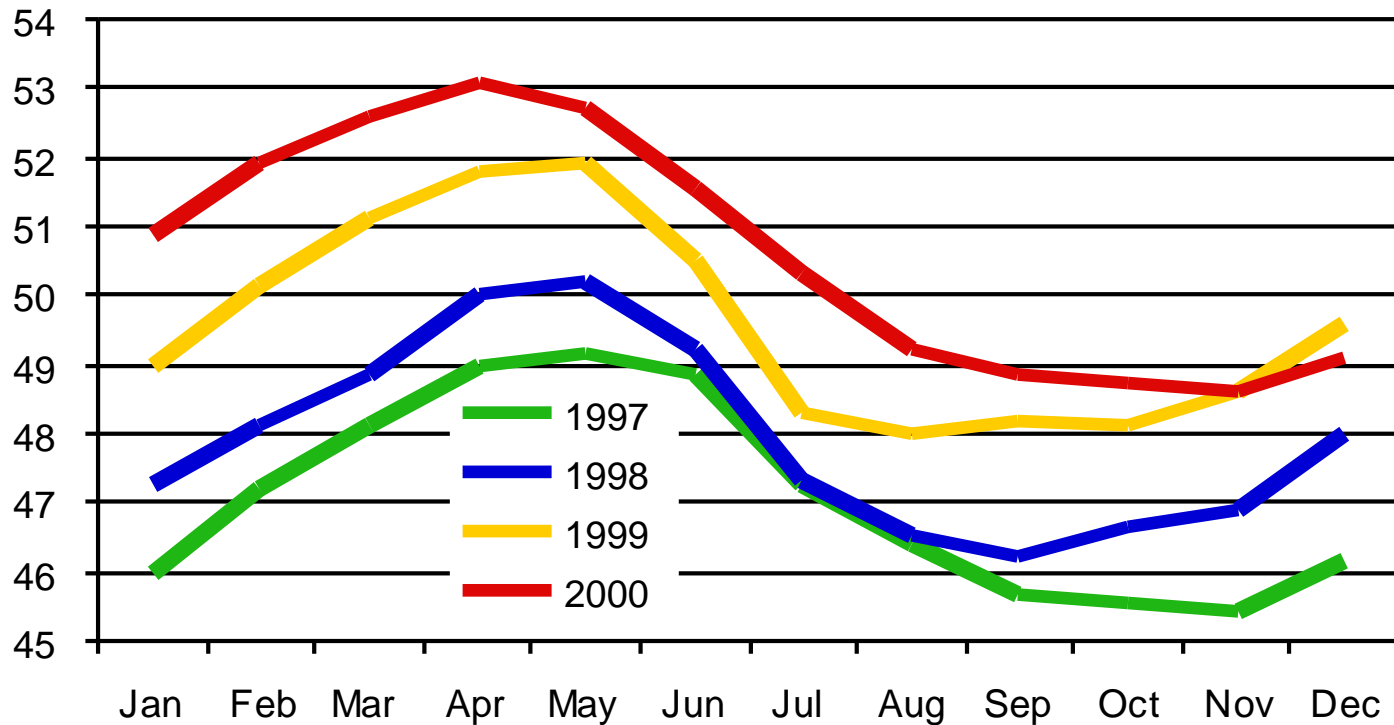
# Milk Cows

20-State Number of Cows  
(in thousands)



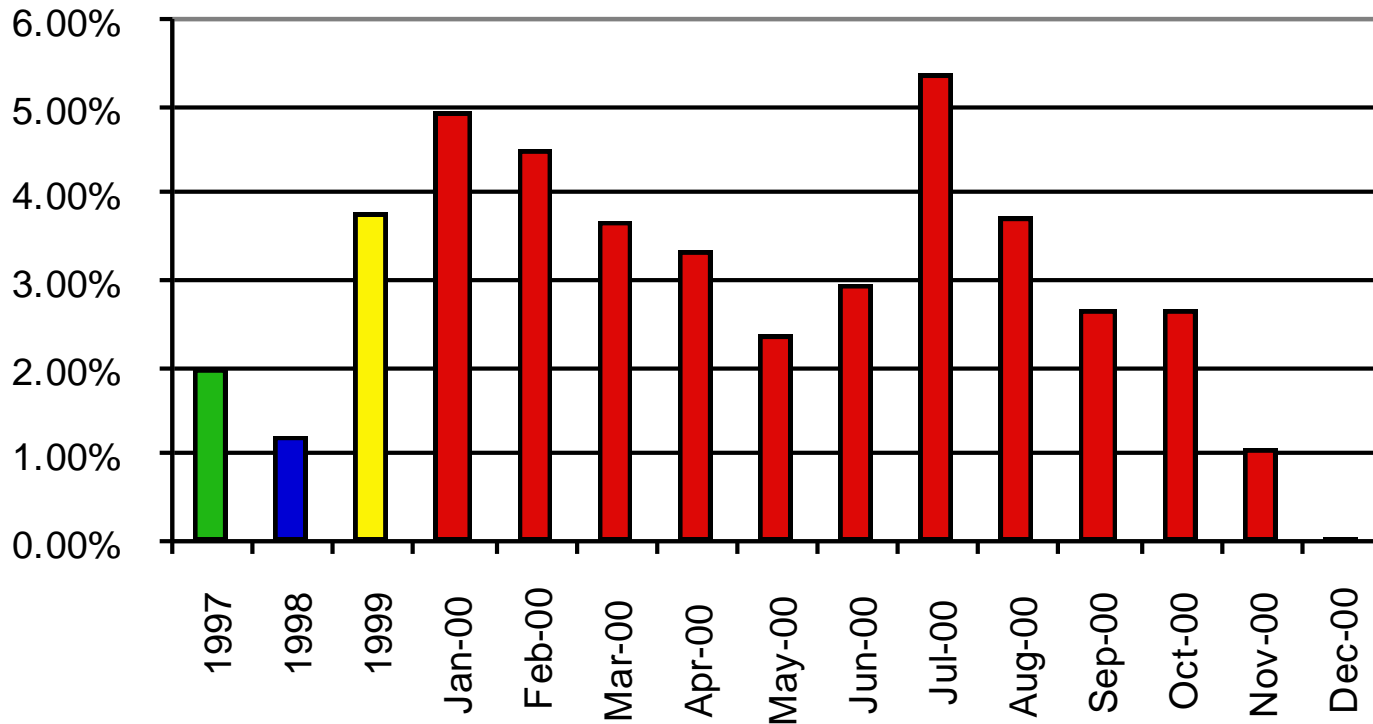
# Milk per Cow

20-State Milk per Cow  
(pounds per cow per day)



# Milk Production

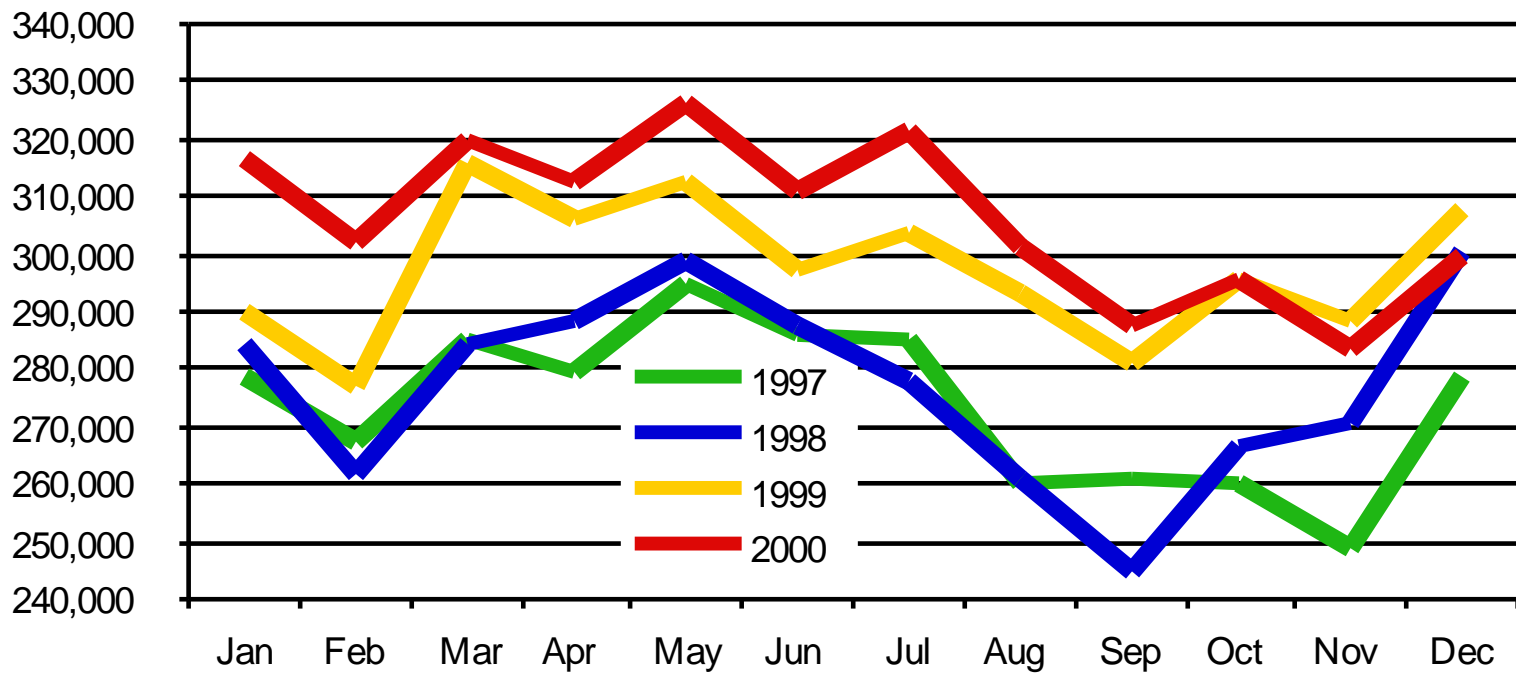
Percent Change in Daily Milk Production  
From Year Earlier Levels



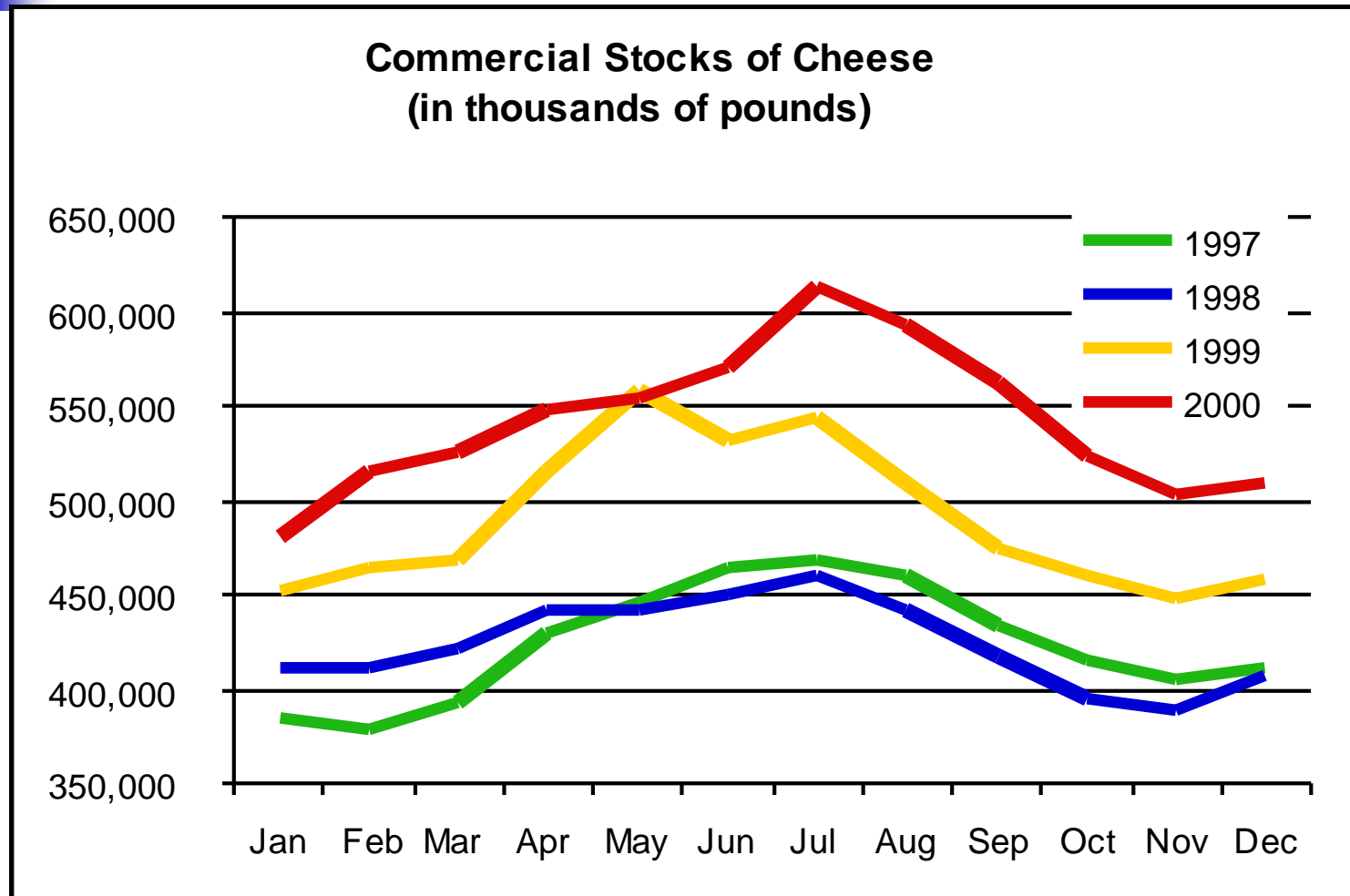


# Cheese Production

**U.S. Production of American Cheese  
(in thousands of pounds)**

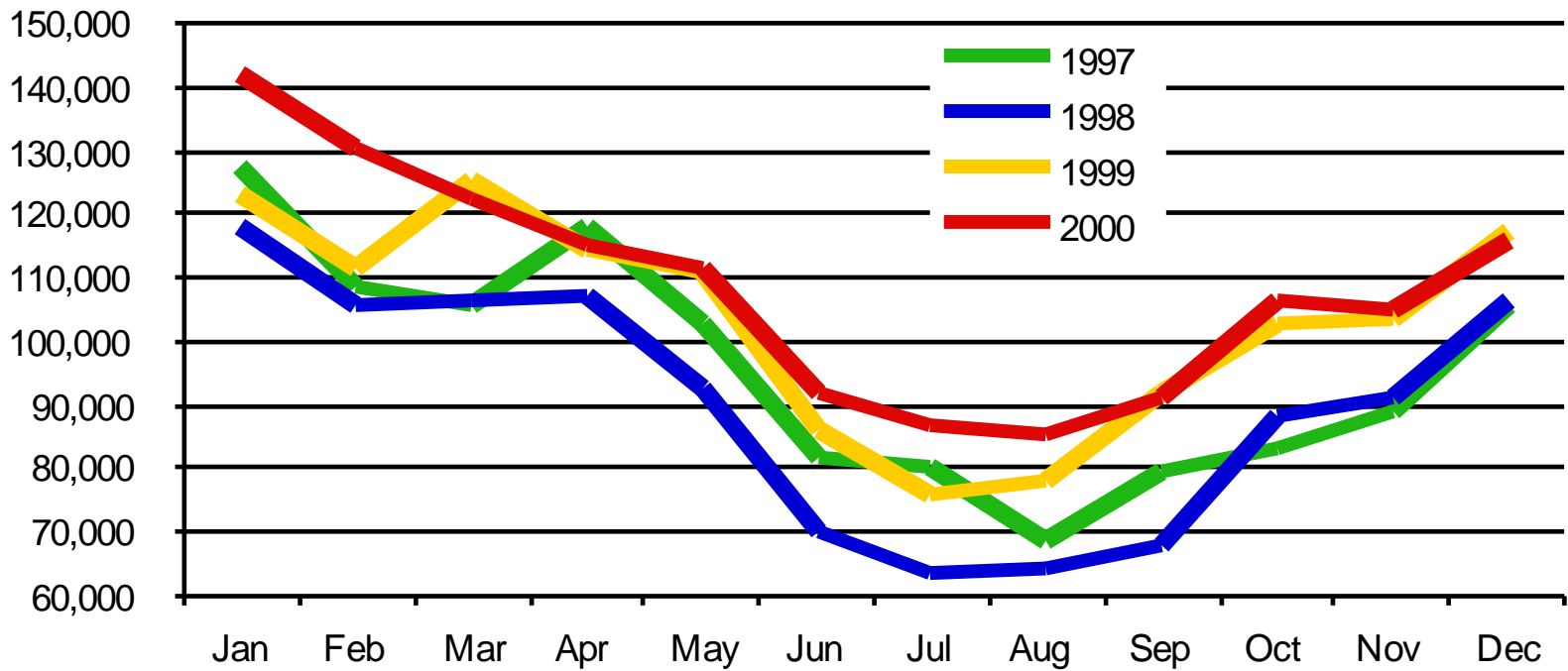


# Cheese Inventory

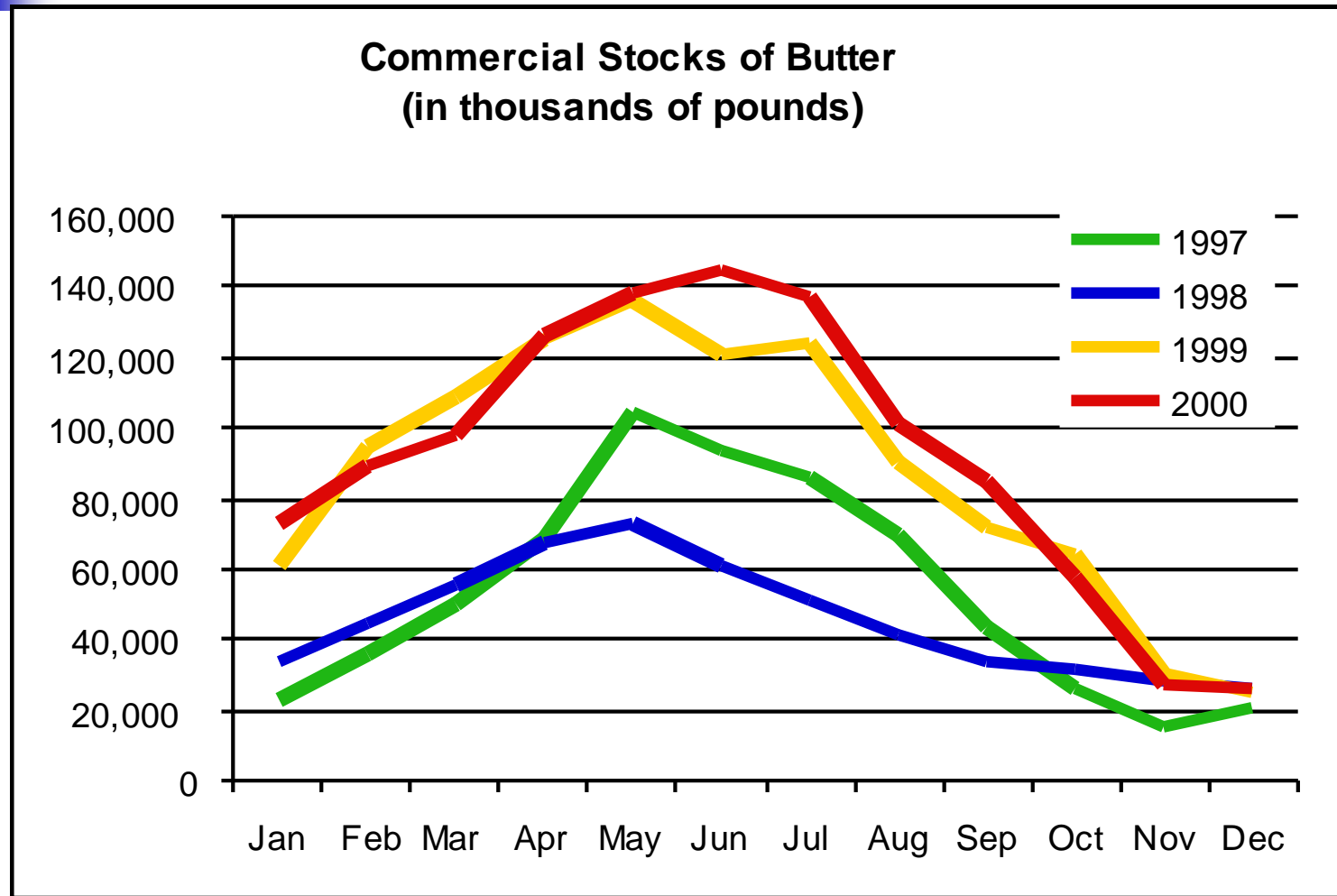


# Butter Production

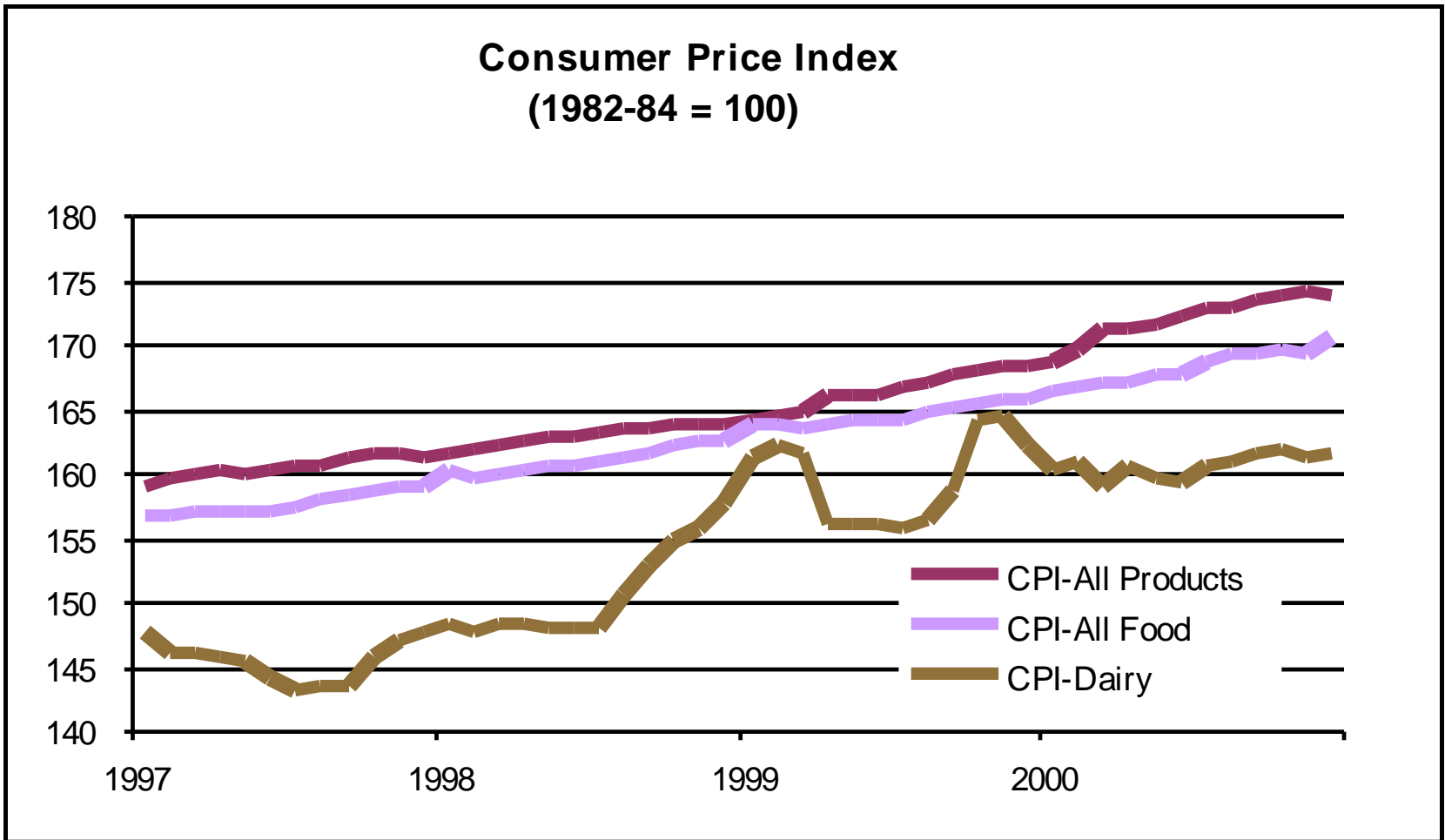
**U.S. Production of Butter  
(in thousands of pounds)**



# Butter Inventory

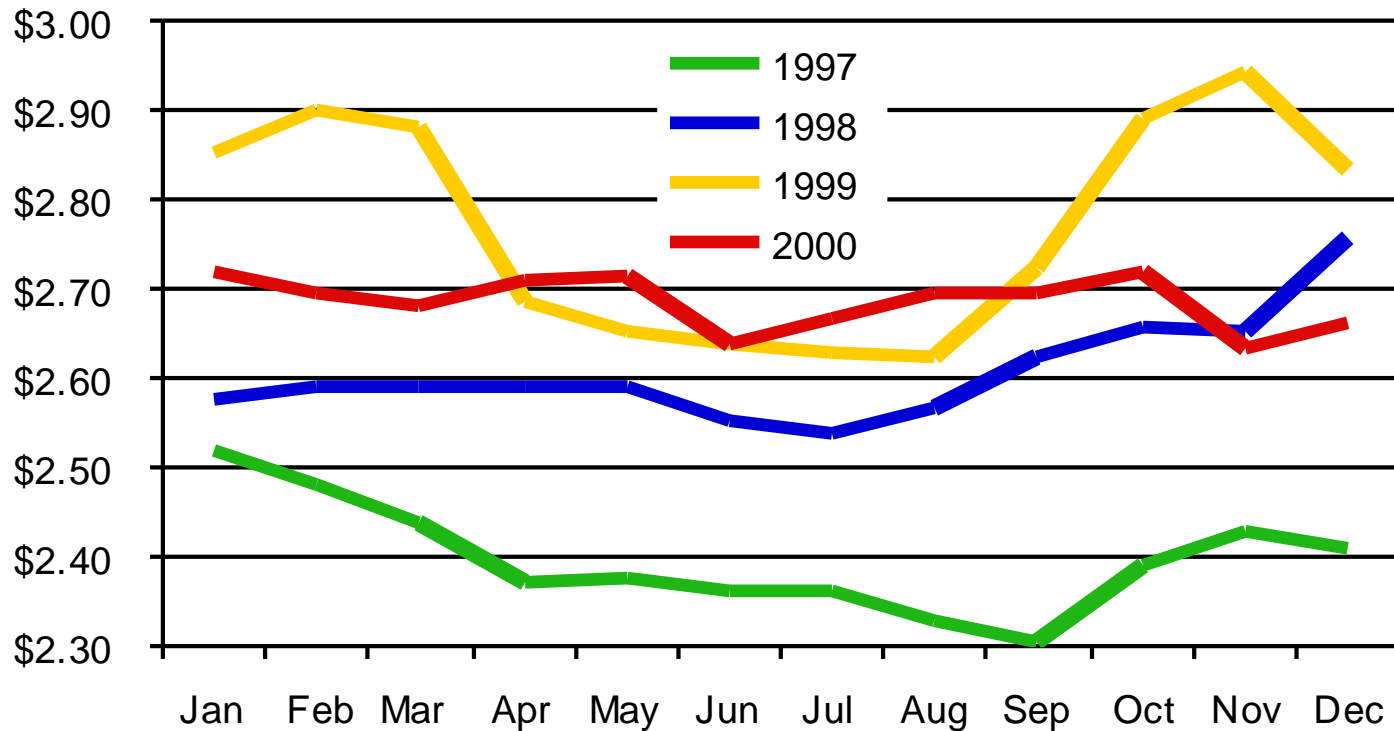


# Consumer Price Index

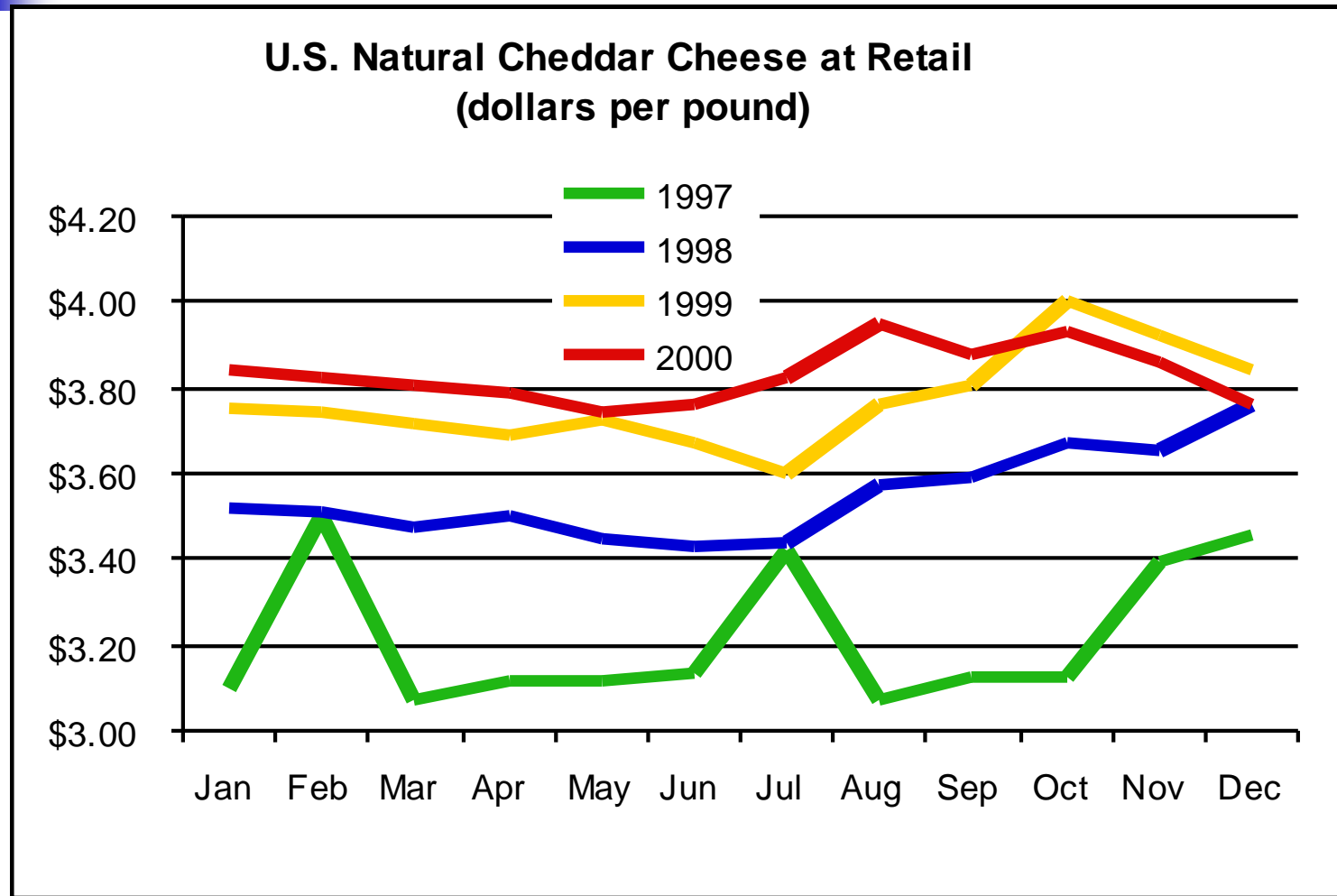


# Retail Milk Prices

**U.S. Lowfat Milk at Retail  
(dollars per gallon)**

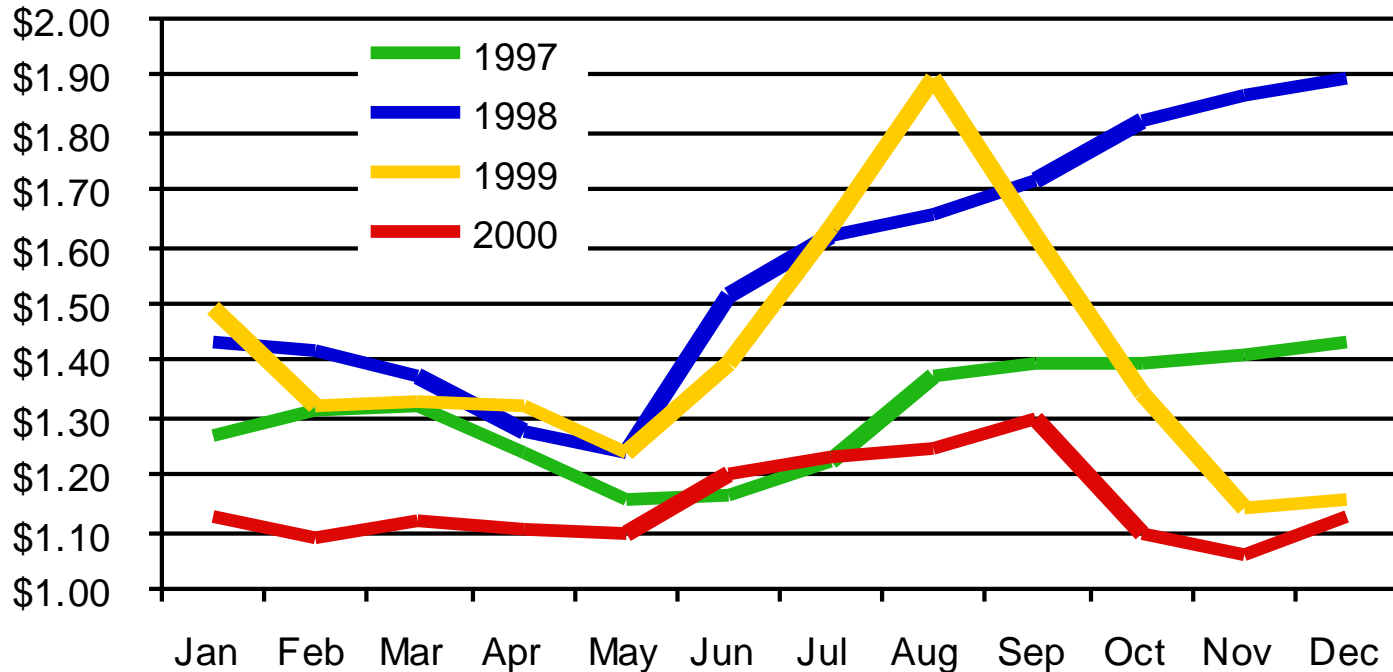


# Retail Cheese Prices

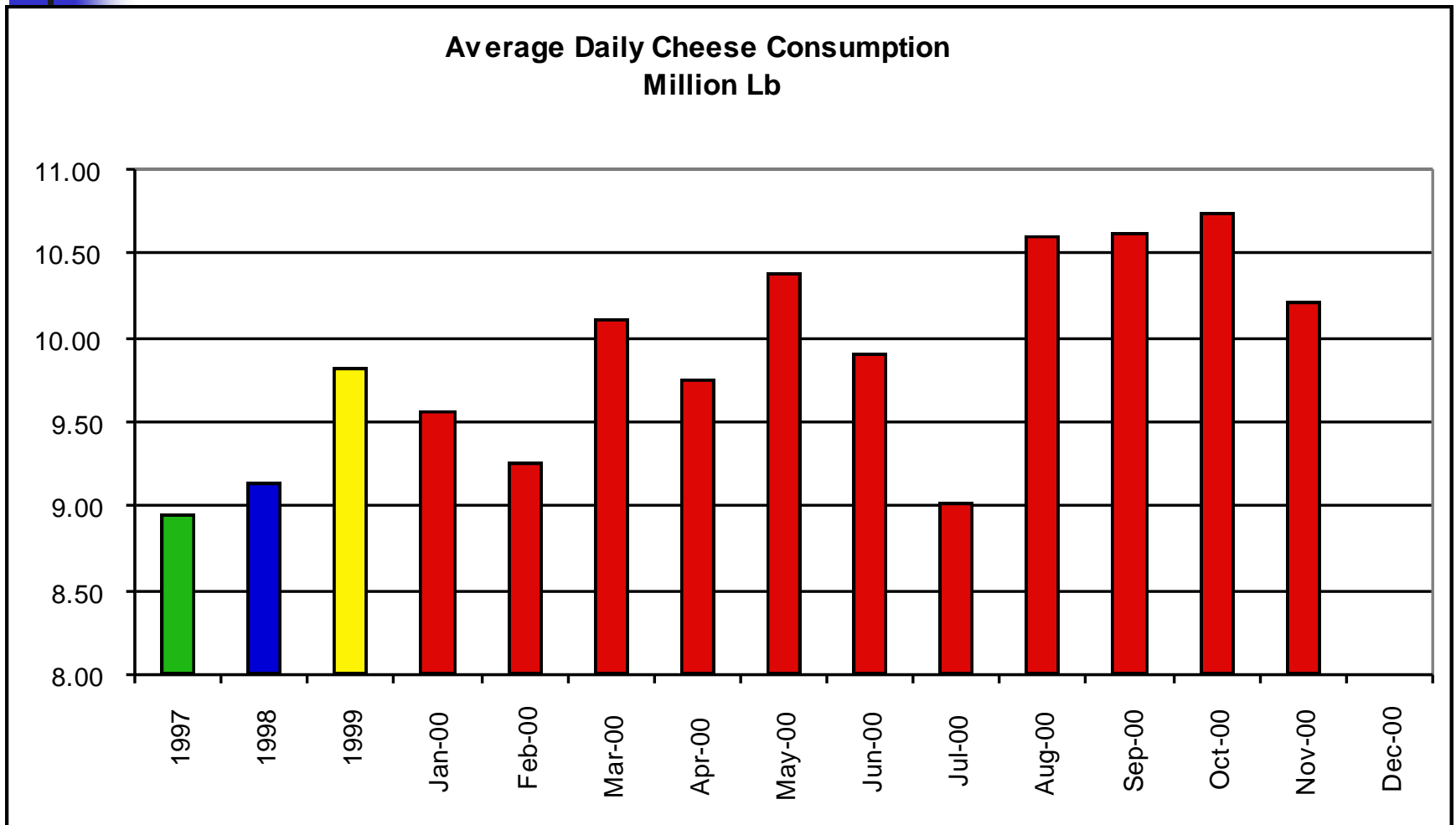


# Wholesale Cheese Prices

**40 lb Block Cheddar  
Chicago Mercantile Exchange  
(dollars per pound)**



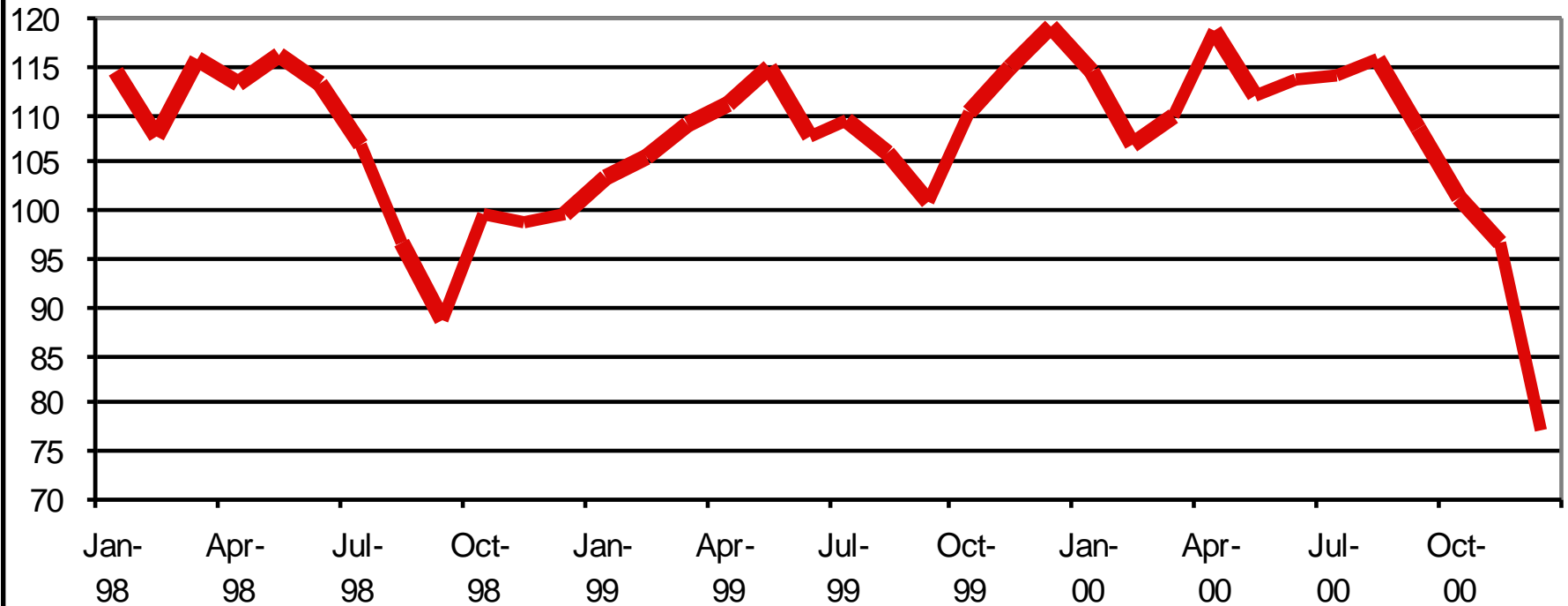
# Commercial Disappearance





# Consumer Confidence

**Consumer Confidence Board—  
Index of Expectations about Future**





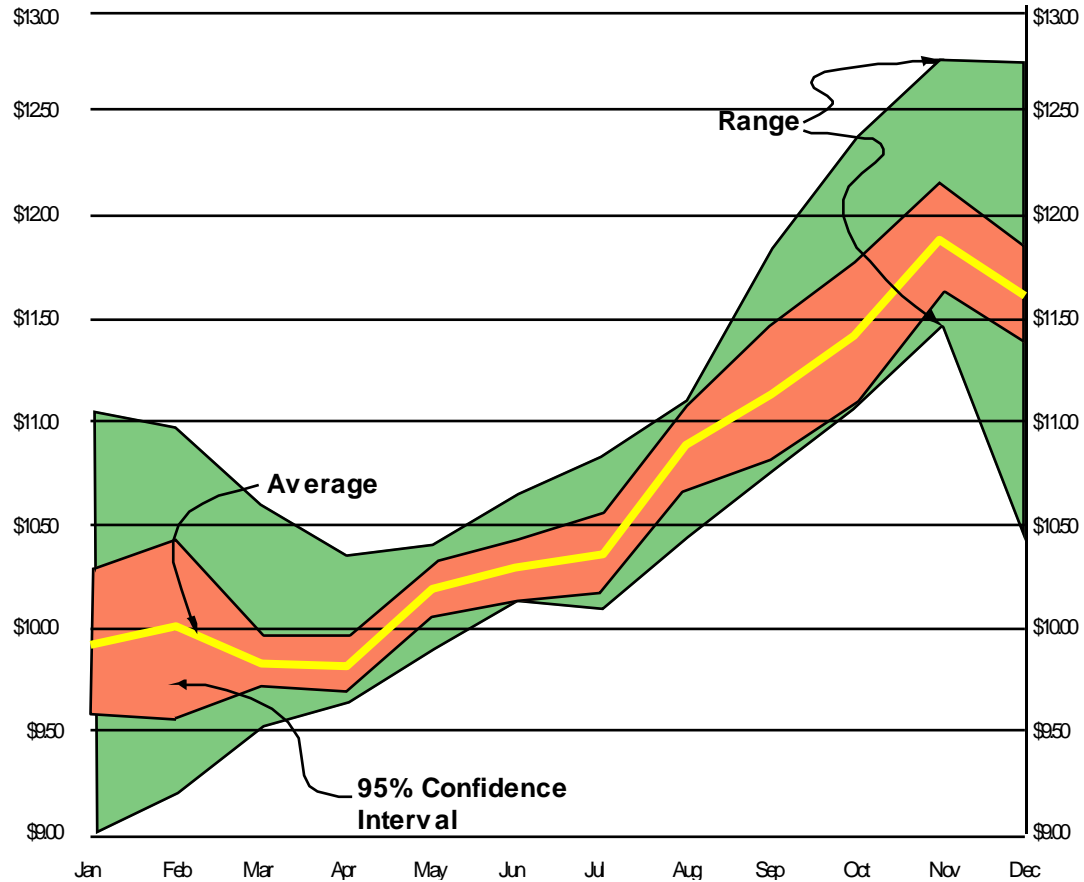
# Demand is Strong, but...

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- Commercial Disappearance has been increasing at between 2.5-3.5%
- Milk Production has been increasing between 3.5-4.1%
- We really need to slow the growth in output just a bit.

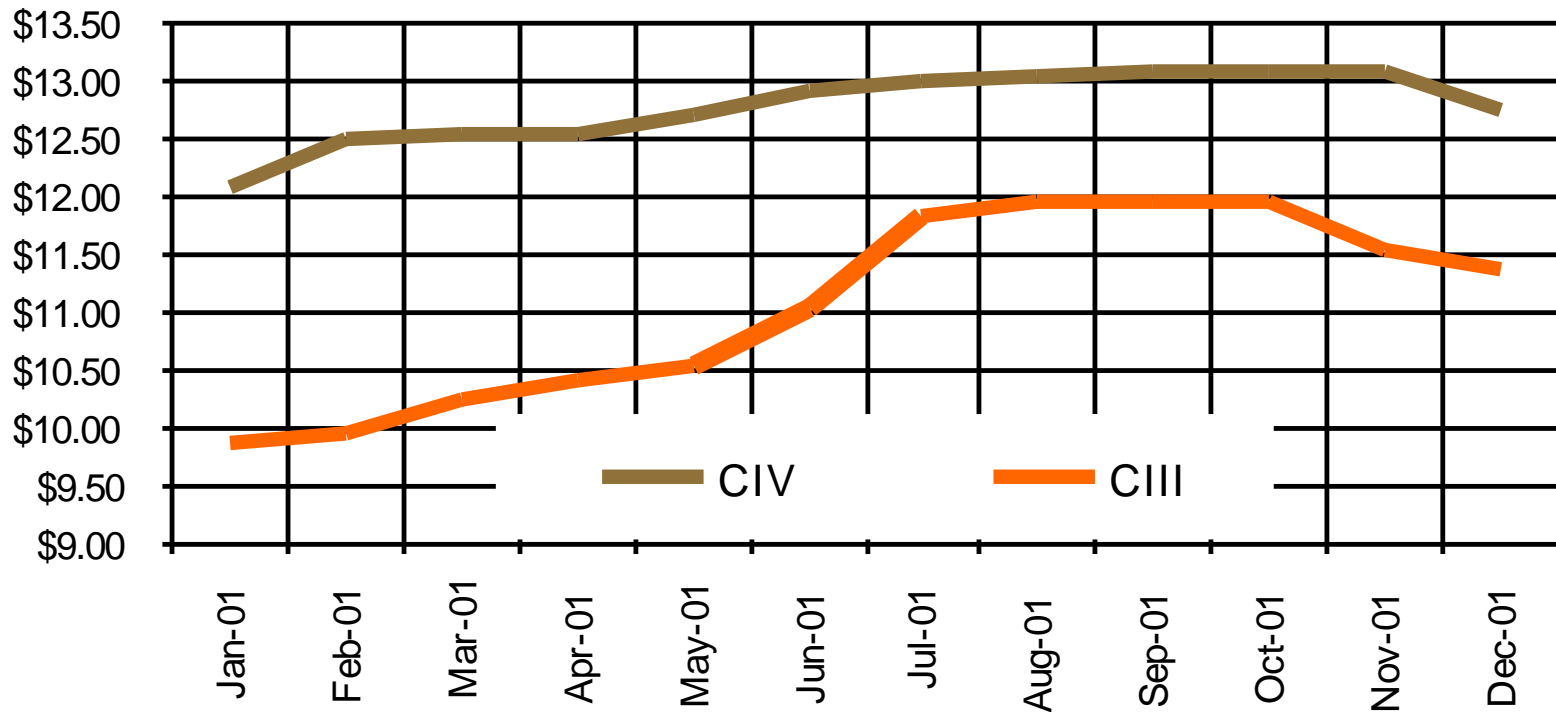
# Group Forecasts for 2001

## Class III Price Forecasts for 2001



# Futures Markets for 2001

CME Futures Market Prices





# My Price Projections

Date	Class III	Class IV	Southeast Order Blend	Florida Order Blend
Jan-01	\$9.99	\$12.13	\$13.94	\$15.52
Feb-01	\$10.00	\$12.50	\$14.21	\$15.78
Mar-01	\$10.25	\$12.50	\$14.38	\$15.91
Apr-01	\$10.25	\$12.75	\$14.55	\$16.09
May -01	\$10.35	\$12.80	\$14.66	\$16.17
Jun-01	\$10.50	\$12.90	\$14.83	\$16.32
Jul-01	\$10.50	\$13.00	\$14.90	\$16.39
Aug-01	\$11.00	\$13.00	\$15.23	\$16.65
Sep-01	\$11.50	\$12.80	\$15.43	\$16.77
Oct-01	\$12.00	\$12.75	\$15.73	\$16.99
Nov -01	\$12.75	\$12.50	\$16.05	\$17.21
Dec-01	\$12.75	\$12.30	\$15.91	\$17.07
Average	\$10.99	\$12.66	\$14.99	\$16.41



# Class III Is Not a Benchmark

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- The “higher of” has made quite a difference!
- Will have returned an additional \$0.50
- Milk is moving everywhere.
- Northeast premiums have been large.
- It’s not as bad as many people have indicated.
- There are regional differences.



# Policy

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- Direct payments to producers
  - 13¢ earlier last year
  - 65¢ Just before the New Year
- WTO has begun
- Farm Bill discussion has begun
- Agriculture is heavily supported
- “Tentative decision” for FMMOs



## In Summary...

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- Milk production has begun to slow from its torrid pace of 2000
- Demand is strong but I'm concerned about consumer's confidence
- We don't really need to have production declines to see price recovery
- Look for real price improvement in the latter half of 2001