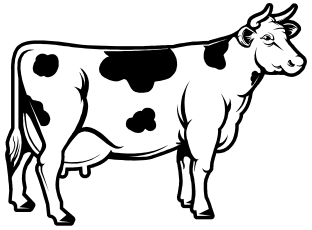

Regional Competitiveness: A Southeast Perspective

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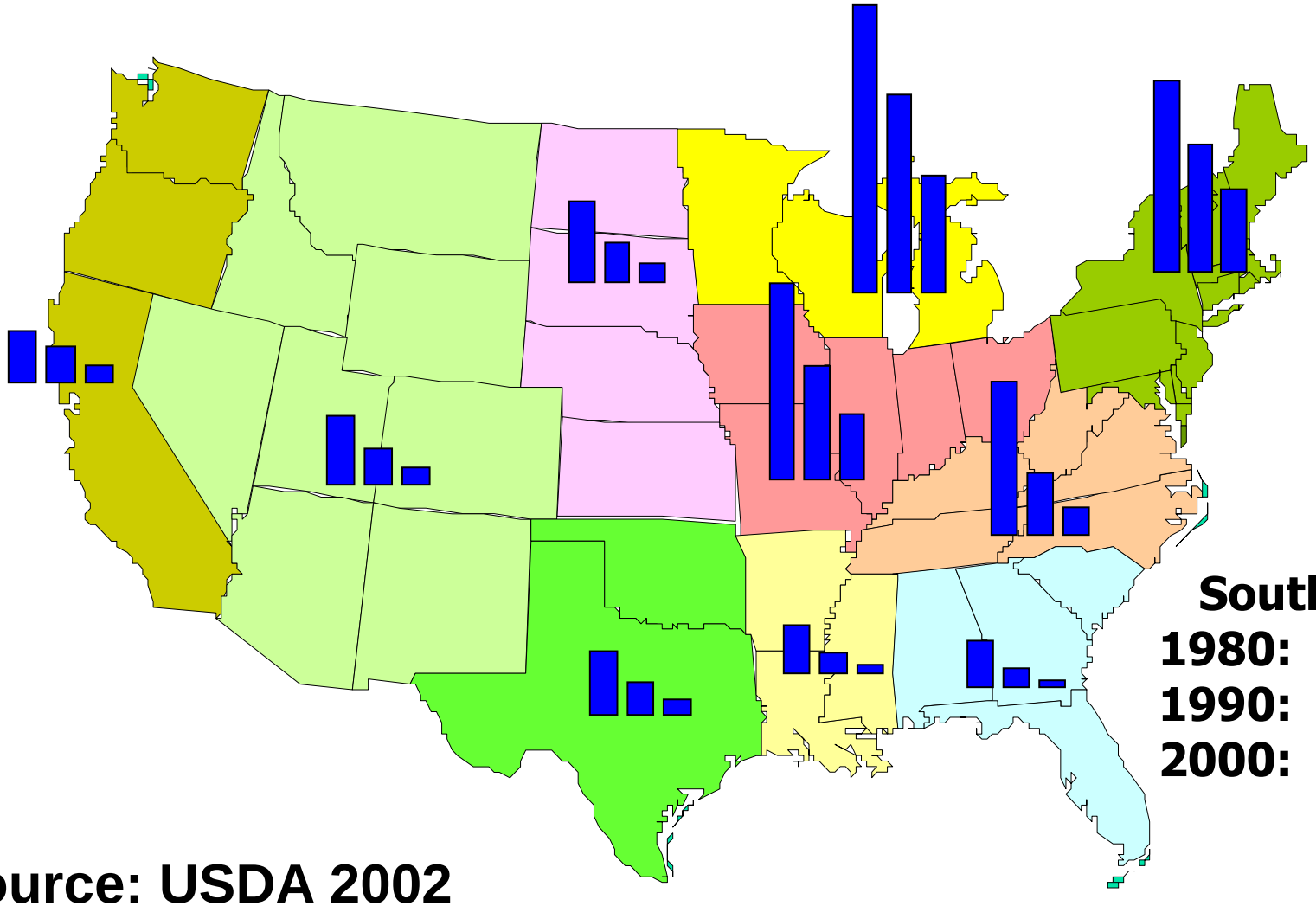
31st Annual Southern Dairy Conference, Atlanta, GA, 2/15/2005

Outline

- Trends in U.S. dairy production
- Comparison milk production economics
  - Southeast – other regions in U.S.
- What do we need to do?

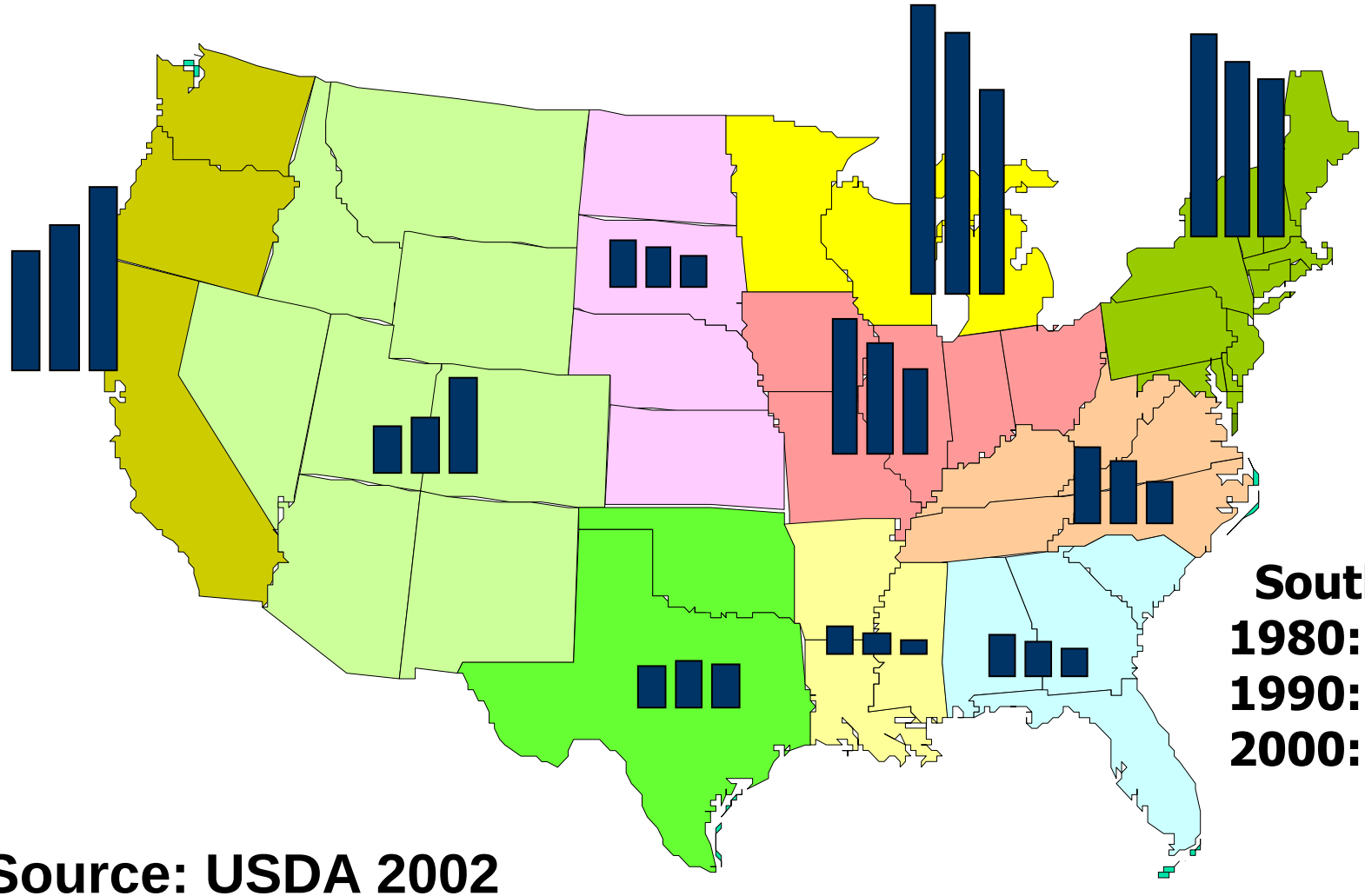
Operations with Milk Cows
1980, 1990, 2000



Southeast
1980: 13000
1990: 5100
2000: 1880

Source: USDA 2002

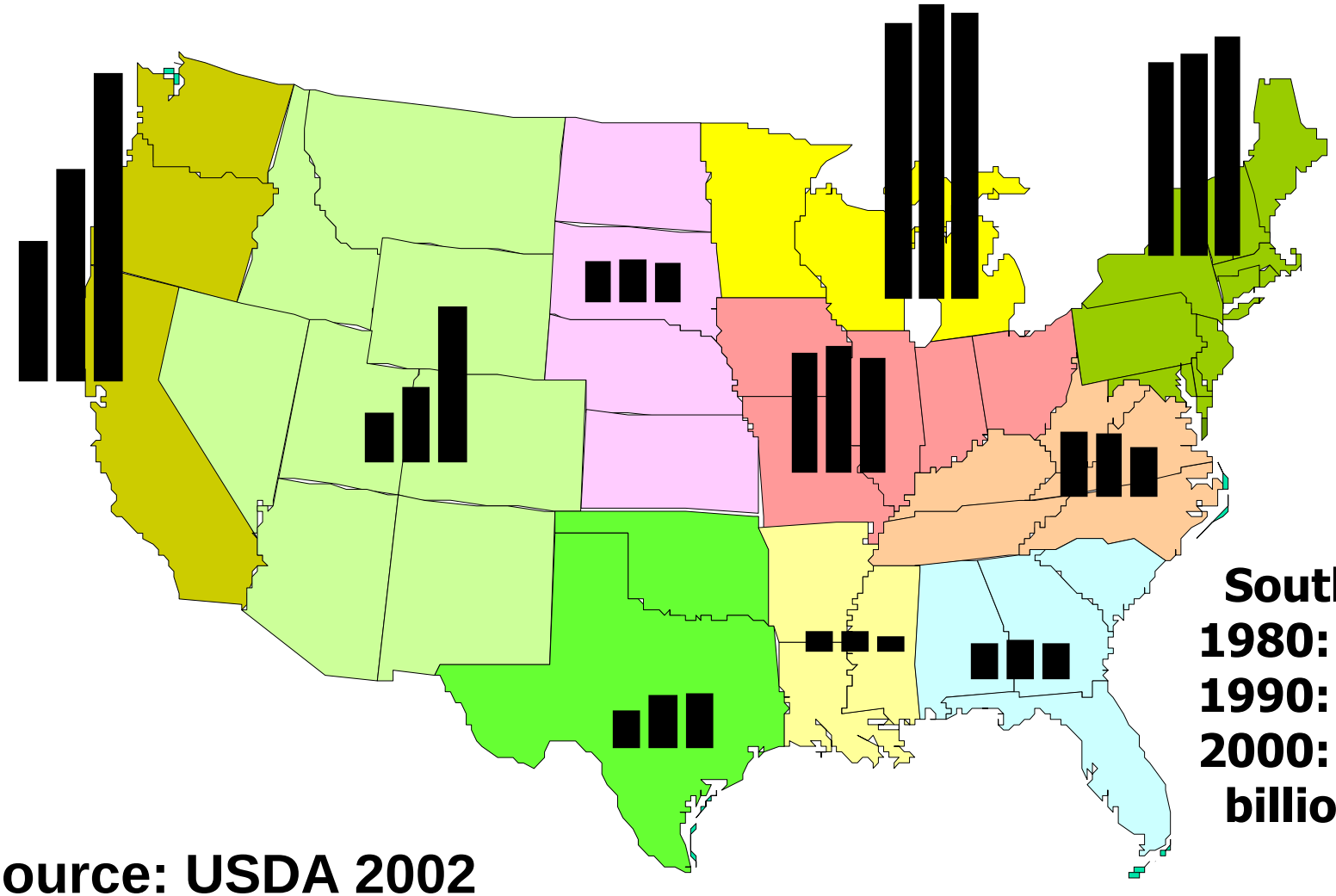
Dairy Cows
1980, 1990, 2000



Southeast
1980: 430k
1990: 368k
2000: 292k

Source: USDA 2002

Milk Production (lbs)
1980, 1990, 2000



Southeast
1980: 4.55
1990: 4.93
2000: 4.61
billion lbs

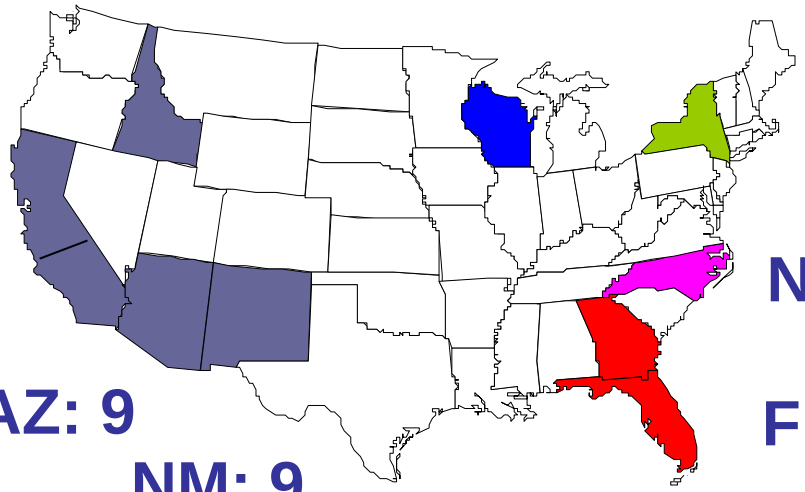
Source: USDA 2002

Year 2000

Economic Comparison: Challenges

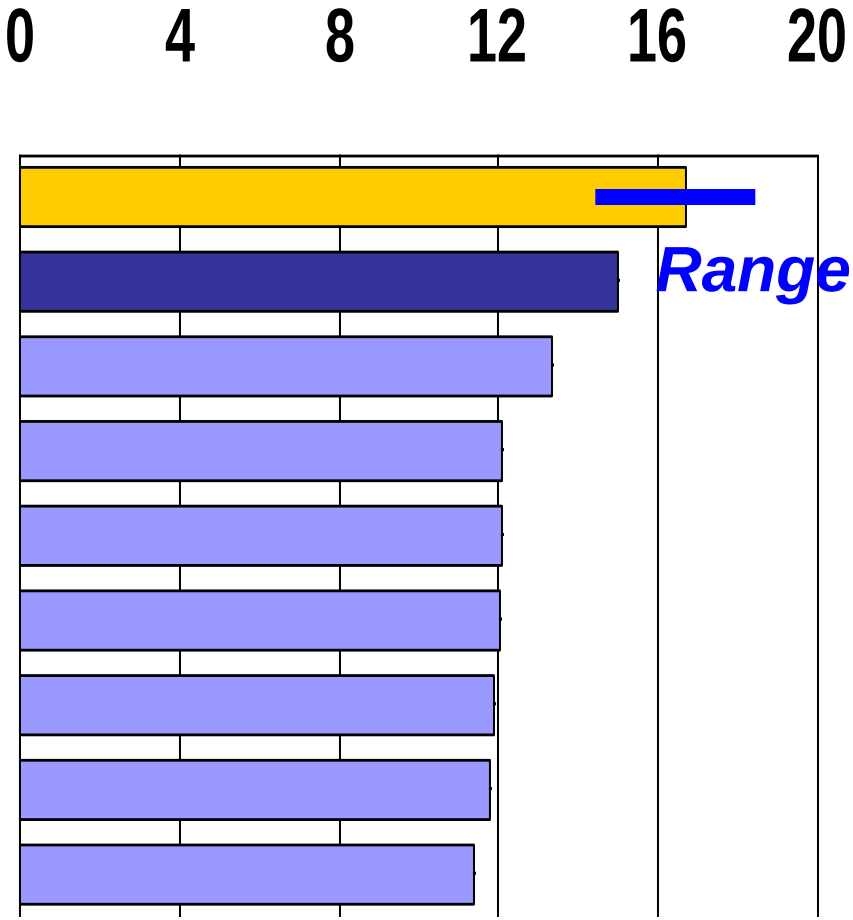
- Are methods the same?
- Is data representative for region?
- Averages don't say it all.

<u>Number of Dairies</u>



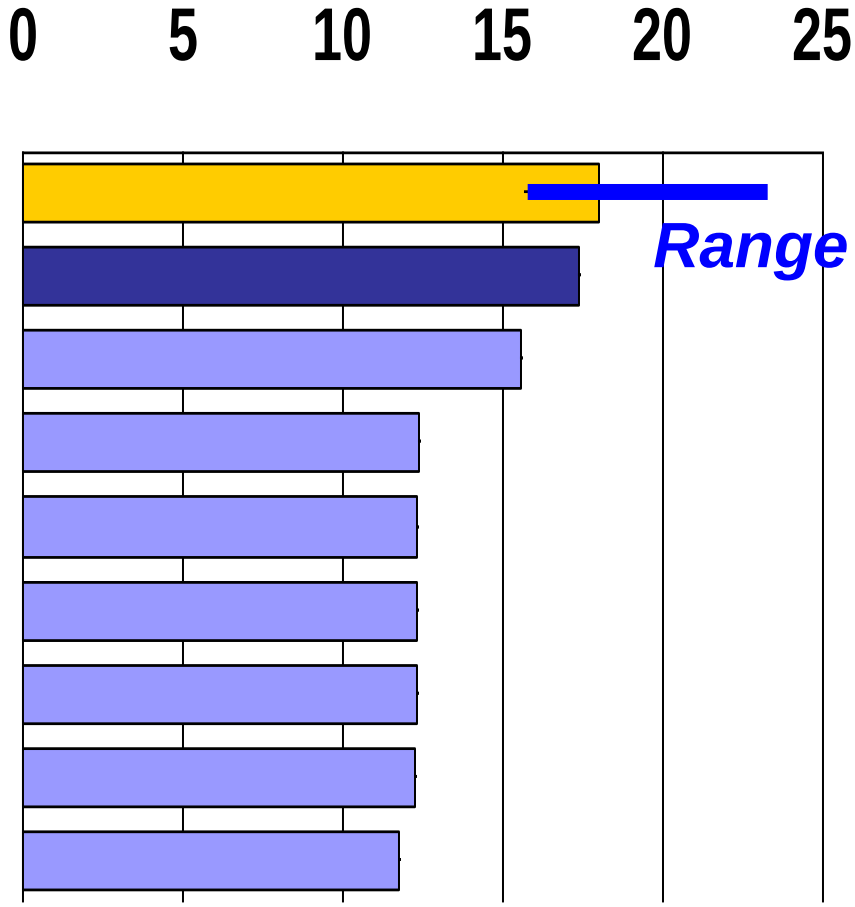
Milk Sales / cwt ($)

Florida / Georgia	16.68
North Carolina	14.98
New York	13.32
Arizona	12.07
New Mexico	12.06
South. California	12.04
San Joaquin Val.	11.88
Wisconsin	11.76
Idaho	11.40

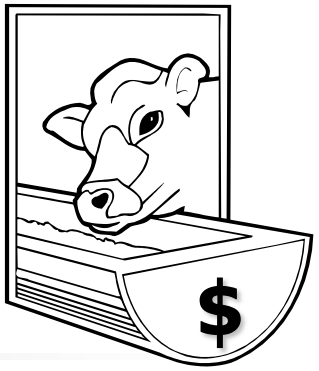


Total Revenues / cwt ($)

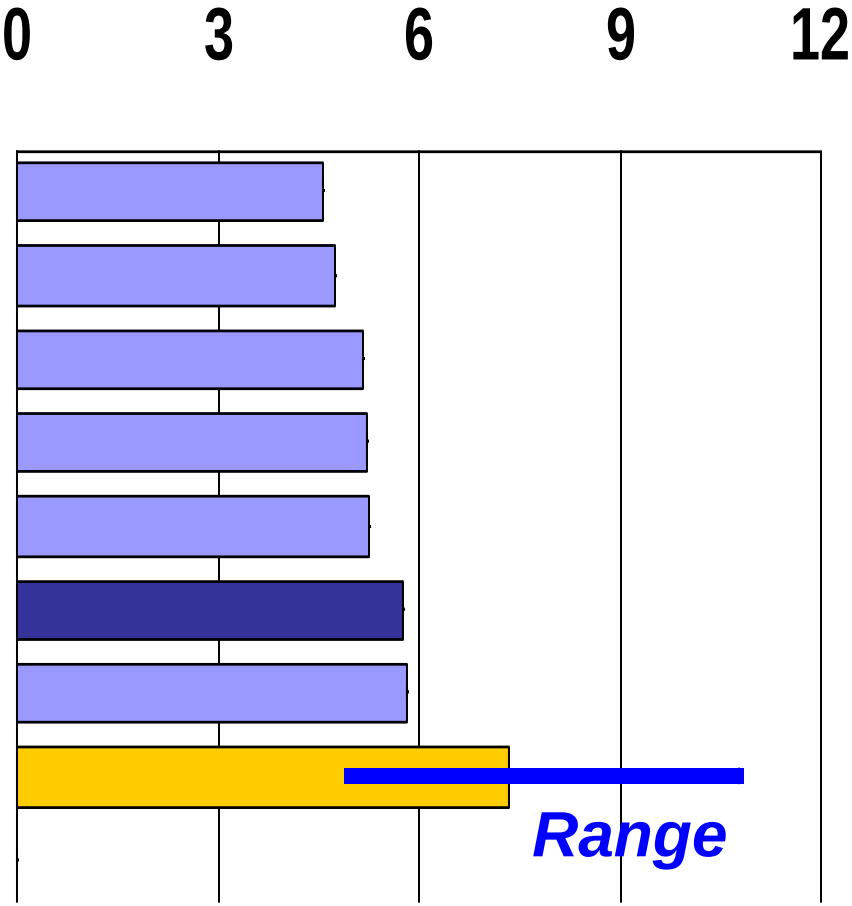
Florida / Georgia	18.03
North Carolina	17.37
New York	15.58
New Mexico	12.39
South. California	12.34
Wisconsin	12.33
Arizona	12.33
San Joaquin Val.	12.28
Idaho	11.76



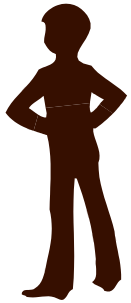
Feed Cost / cwt ($)

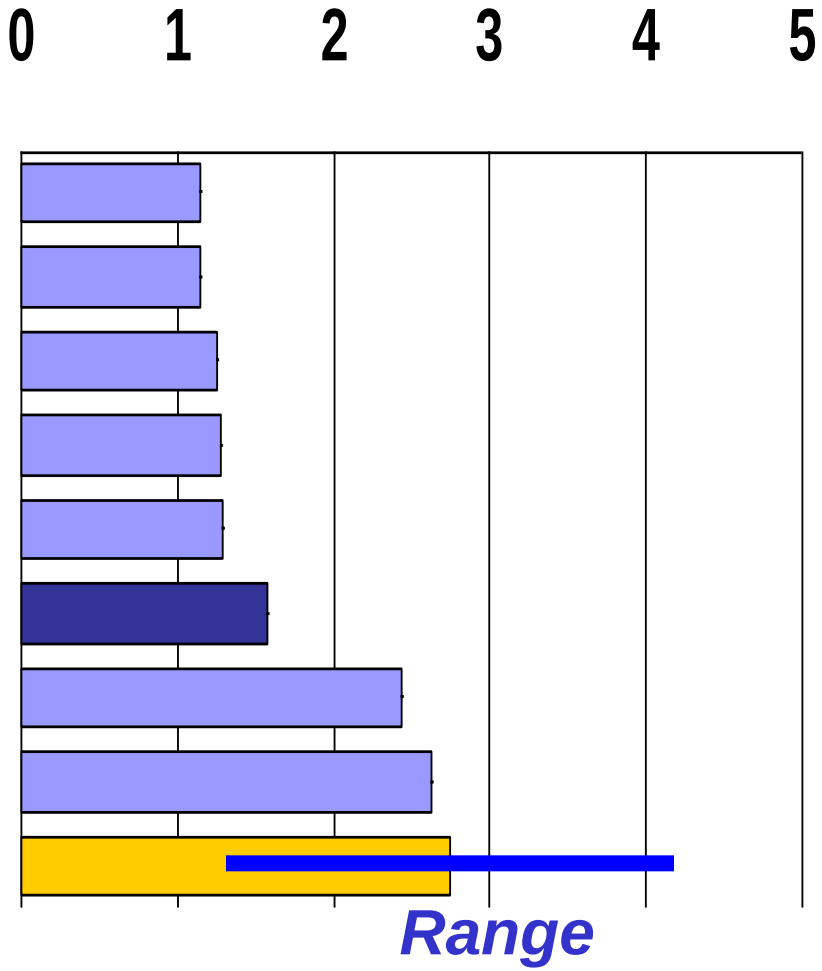


New York	4.58
Idaho	4.76
San Joaquin Val.	5.17
New Mexico	5.22
South. California	5.26
North Carolina	5.76
Arizona	5.82
Florida / Georgia	7.35
Wisconsin	?



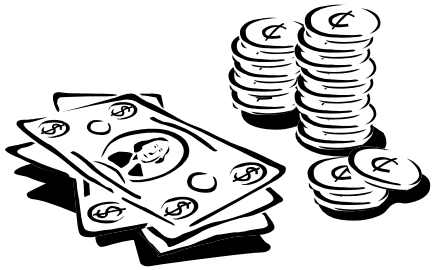
Labor Cost / cwt ($)

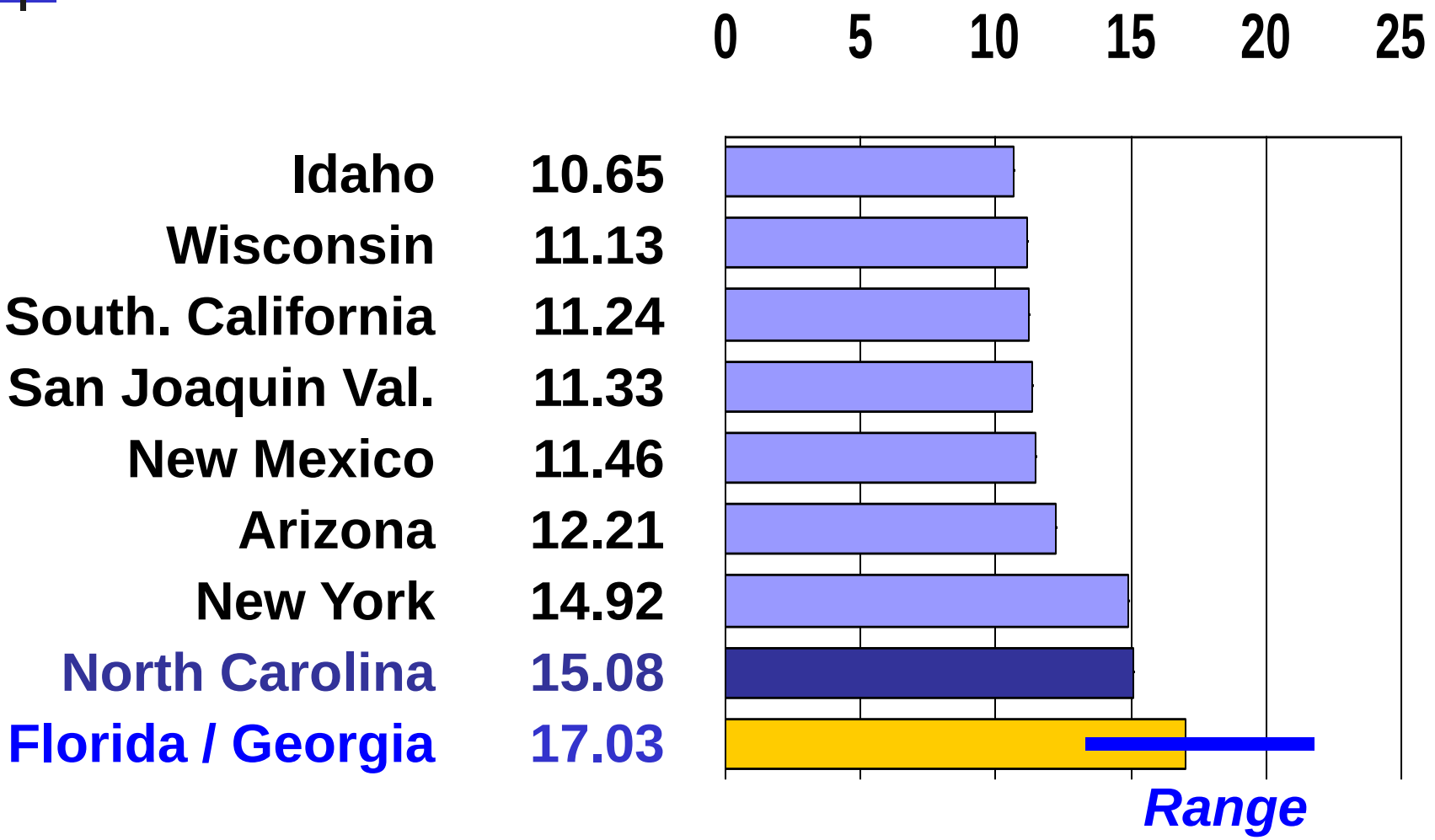




New Mexico	1.15
San Joaquin Val.	1.15
Idaho	1.25
Arizona	1.28
South. California	1.29
North Carolina	1.58
Wisconsin	2.44
New York	2.62
Florida / Georgia	2.74

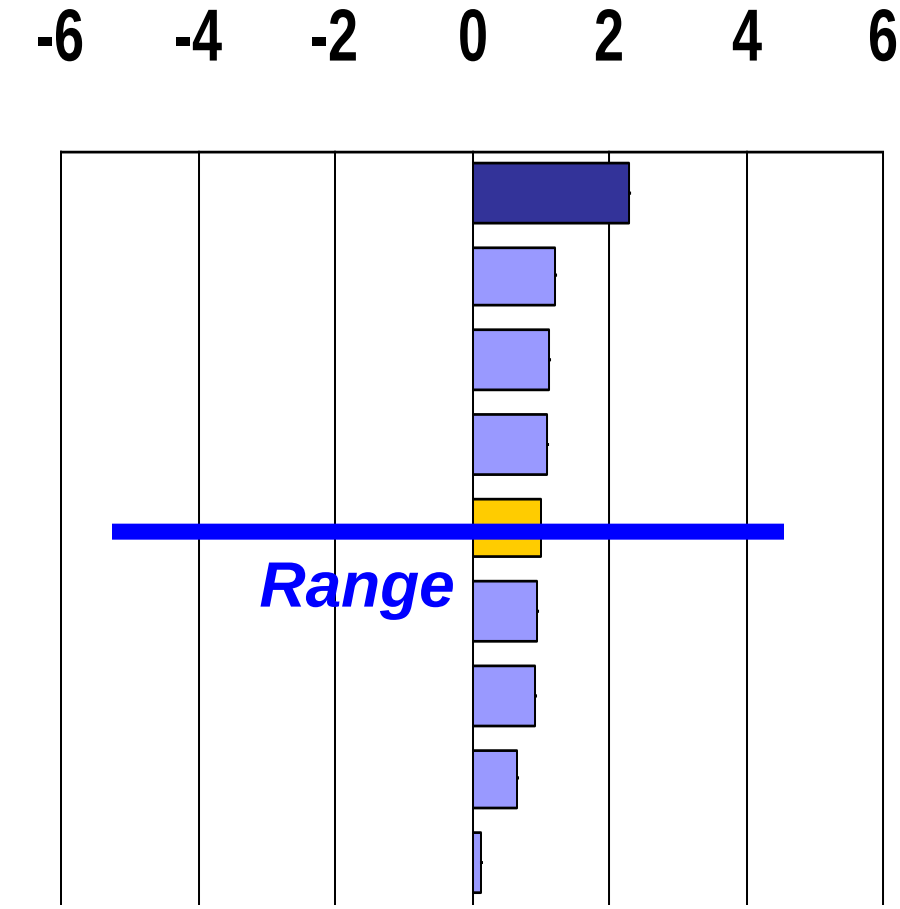
Total Cost / cwt ($)





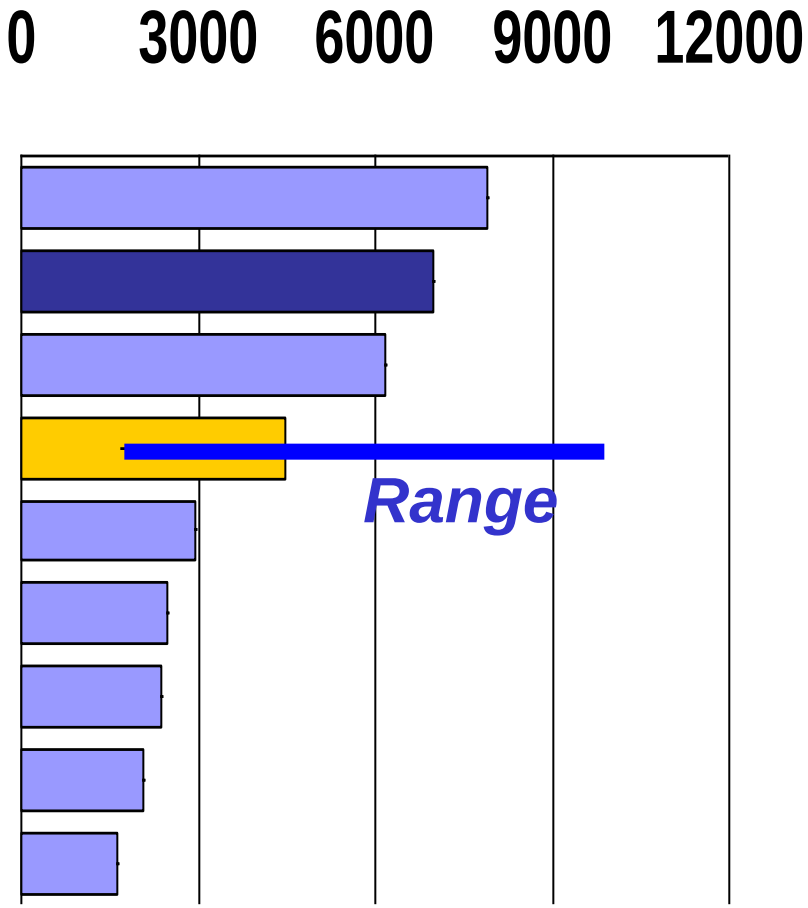
Revenue – Cost = Net Income / cwt ($)

North Carolina	2.29
Wisconsin	1.20
Idaho	1.11
South. California	1.10
Florida / Georgia	1.00
San Joaquin Val.	0.95
New Mexico	0.93
New York	0.66
Arizona	0.12



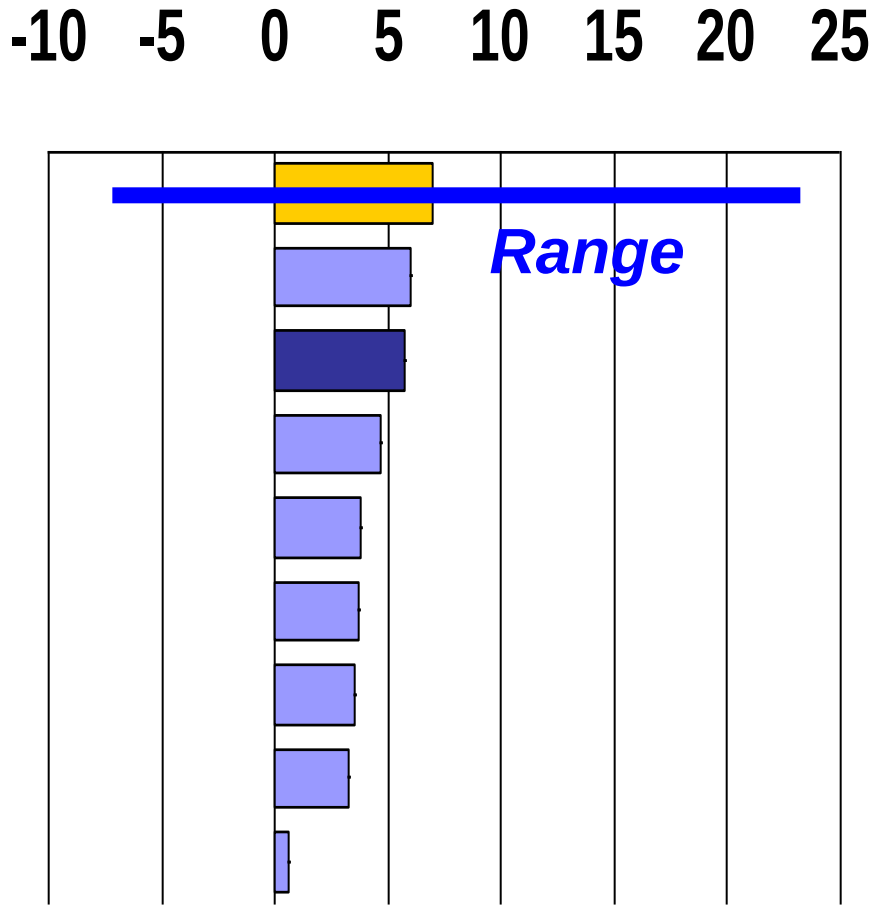
Assets / Cow ($)

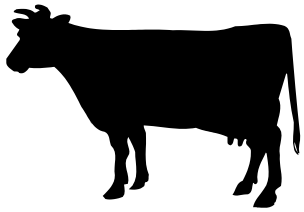
Wisconsin	7,911
North Carolina	6,995
New York	6,179
Florida / Georgia	4,460
Arizona	2,961
San Joaquin Val.	2,463
South. California	2,367
Idaho	2,071
New Mexico	1,616



Rate of Return on Assets (%)

Florida / Georgia	7.0
Idaho	6.0
North Carolina	5.7
New Mexico	4.7
New York	3.8
South. California	3.7
Wisconsin	3.5
San Joaquin Val.	3.3
Arizona	0.6





Economic Comparison
Summary

- **Southeast compared to other regions:**
  - **Higher revenue / cwt**
  - **Higher cost / cwt**
  - **Competitive profitability**
- **Considerable variation between farms in Florida / Georgia.**
- **Opportunity for well-managed herds.**

What do we need to do?

Opinions of leaders in the Southeast dairy industry:

I. Production Efficiency

1. **Educate dairy producers how to maximize their resources:**
   - **Focus on cost control.**
   - **Utilize what is already known about cow comfort, nutrition, genetics, reproduction, and production of quality milk.**
2. **Develop the technology and management systems to contribute to milk production by reducing costs through:**
   - **Determining optimal crop and forage fertilization programs including the development of subtropical grasses.**
   - **Develop economically viable and environmentally sound weed and exotic plant control practices.**
   - **Improve feed efficiency to achieve proper balance of milk production with minimal nutrient excretion.**
   - **Better understanding of the role of feed supplements in heat-stressed conditions and their effect on digestion of feed stuffs.**
   - **Supplementation options and practices.**
   - **Grazing systems.**

II. Reproduction, Genetics

1. **Evaluate reproduction using a systems approach in addressing:**
   - **Reproductive efficiency.**
   - **Calving dates and seasons.**
   - **Calf and heifer development.**
2. **Genetics:**
   - **Continuous studies of breeds and breeding programs; crossbreeding.**

III. Environment

1. **Gather new baseline data on dairy farms and their effect upon:**
   - **Air quality.**
   - **Water quality.**
   - **Water Use Practices for maximum milk production and water conservation.**
2. **Develop a viable education program that:**
   - **Assists the public's understanding of the importance of agriculture.**
   - **Educates dairy producers in Best Management Practices.**
   - **Develops guidelines for use of bio-solids and analysis of their environmental impact.**
3. **Analyze methane production systems used for:**
   - **Cooling.**
   - **Hot water generation.**
   - **Electricity generation.**
   - **Solids drying.**
   - **Rapid composting.**

IV. Housing, Equipment

1. **Total confinement; tunnel barns**
2. **Bedding options for comfort and management**
3. **The role of milk equipment in mastitis control and overall milk quality.**

V. Economics

1. **Economic strategies to protect the local milkshed:**
   - **Production incentives for local milk production.**
   - **Federal order pooling strategies to protect local milk production.**
   - **Models for de-coupling of fluid milk pricing from manufacturing prices.**


Thank you for your attention
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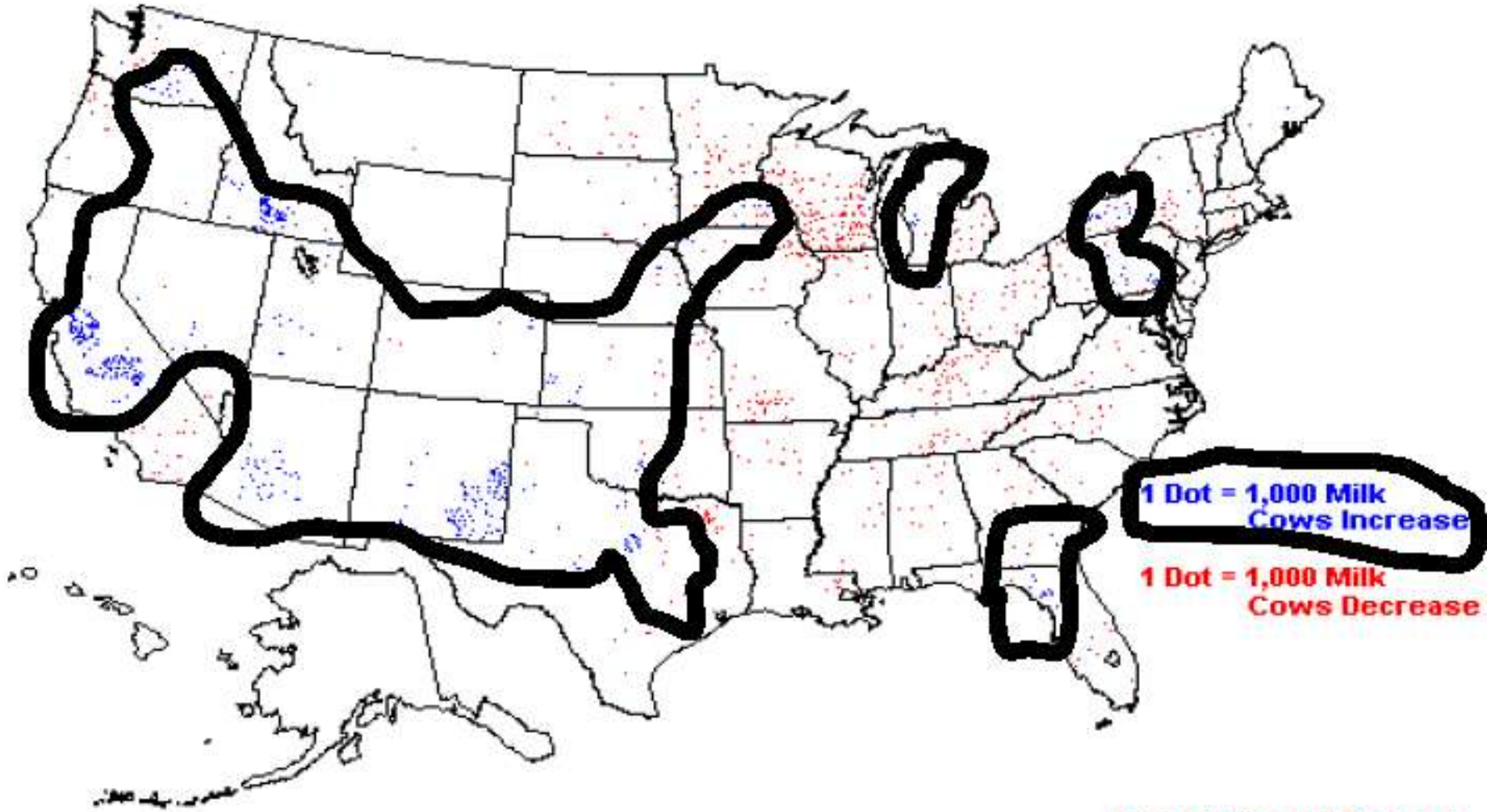
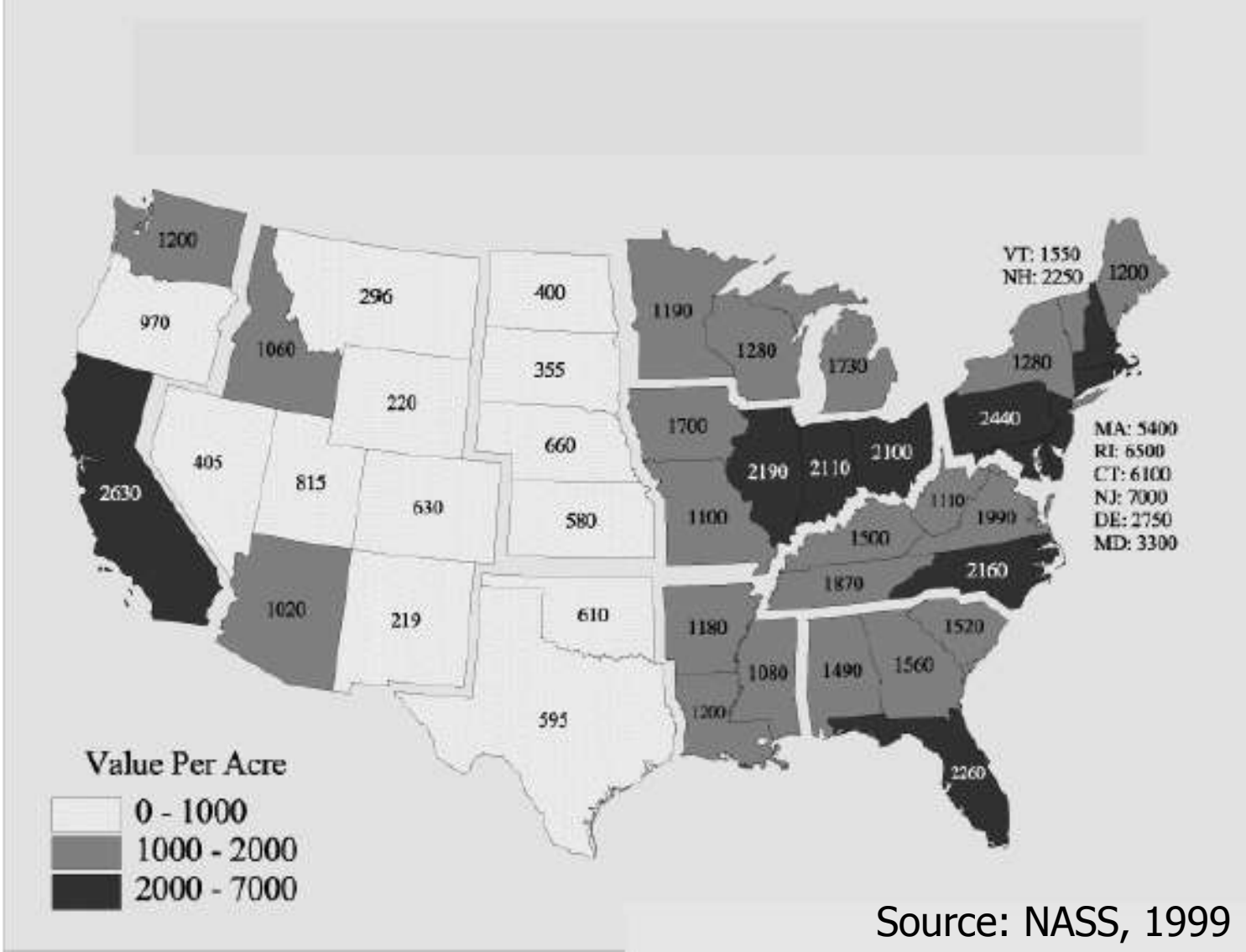
Change in inventory of dairy cows from 1992 to 1997



Source: 1997 Census in Agriculture

Average farm real estate values per acre on January 1, 1999



Source: NASS, 1999