

The following information is excerpt from *the Livestock, Dairy, & Poultry Outlook/LDP-M-171/September 19, 2008* Economic Research Service, USDA.

### **U.S. Dairy Herd**

Cow numbers will average 9,260-thousand head for 2008. For 2009, U.S. herd size is forecast to contract to 9,235-thousand head. This anticipated decline is based on anticipated higher feed costs with lower milk prices. Cow slaughter is running higher than a year ago and cow replacement prices are lower. Milk yield is lagging. An increase in milk per cow projected for 2009 will be the smallest since 2004. The reason? Higher feed prices along with lower product prices will continue to have a limiting effect on milk yields.

### **Commercial Use**

Domestic and international demand growth is slowing. The slowing domestic economy is taking a toll on the restaurant sector and on cheese demand. Strong export markets have helped butter and nonfat dry milk sales, but as the world economy slows, exports are forecast decline in 2009. These factors, (1) slowing global economy, (2) the dollar strengthening against the Euro and other currencies, and (3) increasing foreign production, all suggest a decline in export sales in 2009. Declining oil prices will reduce oil revenue for a number of major NDM importers such as Mexico and Algeria. This decline will temper export sales in 2009.

### **Market Prices**

A softening demand both domestically and internationally contributes to lower prices for the balance of 2008 and into 2009 compared with 2007. The cheese price is forecast at \$1.905 to \$1.925 per pound this year and to decline to \$1.840 to \$1.940 per pound in 2009. Butter prices, at a near record high this year, are projected to average \$1.405 to \$1.445 per pound in 2008 and decline to \$1.350 to \$1.480 per pound next year. Slower exports take a toll on NDM prices both this year and next, as the annual price is expected to average \$1.375 to \$1.395 per pound in 2008 and \$1.455 to \$1.525 per pound in 2009. Whey prices, in the doldrums after 2007 highs, are expected to average 26.0 to 28.0 cents per pound this year and increase fractionally in 2009 at 26.0 to 29.0 cents per pound.

The Class III price is expected to average \$17.65 to \$17.85 per cwt in 2008 and slide to \$16.75 to \$17.75 per cwt in 2009. If export demand continues to weaken, the Class III price may slide another \$1.00 - \$1.50. The Class IV price is expected to be higher next year than this year. The price is expected to average \$15.80 to \$16.10 per cwt in 2008 and rise to \$16.10 to \$17.20 per cwt in 2009. These price projections apply the new make allowances. The new allowances went into effect on October 1. The all milk price is projected at \$18.65 to \$18.85 per cwt this year, declining to \$17.85 to \$18.85 per cwt next year.

### **MILC-2008**

With weakening demand and slow production growth, 2009 will see some positive MILC payments. If you would like to calculate these payments, along with the feed price adjuster, you can download a Microsoft Excel Workbook at [http://aede.osu.edu/programs/ohiodairy/MILC\\_Center/MILC\\_Center.htm](http://aede.osu.edu/programs/ohiodairy/MILC_Center/MILC_Center.htm). This workbook will help you project your eligible milk production and calculate your MILC payments by month, October through September.