Milk Pricing Opportunities Ahead

Milk production March 2001 declined a dramatic 2.2% for the 20 selected dairy states. This is the 4th straight month that milk production in the 20 major dairy states has declined year over year. Milk per cow was down for the 4th straight month as well, 33 pounds less than March 2000. First quarter 2001 milk, January-March, was 3.1% below the same period last year. 20 state milk cow numbers were down by 18,000 from March 2000. February 2001 milk production was revised downward an additional 0.7%.

Iowa milk production dropped by 3.5%, 12 million pounds. Cow numbers dropped by 2000 in March but the major reason total milk dropped in Iowa was the drop of 40 pounds milk per cow.

Only 5 of the top 20 states had milk production increases for March 2001. Idaho had the largest percentage increase, 10.1%, with 23,000 more cows and 50 pounds more milk per cow than last year. California only had a 2.3% increase in milk production due solely to 69,000 more milk cows. Indiana continued its milk production increase, 8.3% more milk with 8,000 more cows and 35 pounds more milk per cow. New Mexico and Michigan milk increased 1.1% and 1.2% respectively.

Many states had major drops in milk production, the largest being Texas. Texas had 15.5% less milk. The drop was largely due to 230 pounds less milk per cow although cow numbers were down by 7,000 cows. Arizona had the second largest milk drop, -9.3%. Milk per cow in Arizona dropped by 235 pounds but there were 3,000 more cows. Again, Missouri milk production declined by 80 pounds with 8,000 fewer cows. Wisconsin milk production dropped 3.1% and had 47,000 fewer cows. Minnesota lost 20,000 cows and 5.3% less milk. New York milk dropped 5%, Ohio –4.8%, Pennsylvania –5.3%, Vermont –5.4%, Virginia –4% and Kentucky –5%.

Cheese stocks for March 2001 were re4ported down 6% from 1 year ago and down 1% from the previous month. Total butter stocks for March were only 80% of 1 year ago but increased seasonally by 12% compared to February.
Foot and Mouth Disease

Several news pieces in recent days have brought into question whether or not Foot & Mouth Disease (FMD) will become a major market maker in the US livestock market. Japan has lifted its ban on Danish pork imports. US pork producers may have been able to capture additional market share but the embargo was short-lived. British authorities appear to be backing off the most stringent control measures. Whether the change in policy is due to the British government getting FMD under control or is taking a political beating. One of the issues the British government has recognized is that destroying huge numbers of animals negatively impacts tourism. In the part of England where the outbreak started, 6 times as much money is earned from ag-tourism than from the sale of livestock and livestock products. However, denuding the English landscape of livestock can seriously damage the tourism that many English farmers depend upon and it could negatively impact Tony Blair’s re-election campaign.

A recent Federal Emergency Management Agency, FEMA, exercise looked at what might occur if FMD were to be introduced into Iowa. Under the worst-case scenario, 50,000 people were required to bring FMD under control. One of the reasons is the large hog population Iowa has. Hogs tend to produce much more FMD virus after infection than cattle. Hogs can thus spread FMD over a much larger area than an equivalent number of cattle. FMD could spread more rapidly here than other states.

Controls are in place to prevent FMD entry in the US. Even though the mathematical probability that FMD will enter the US, its real likelihood is small. Many FMD outbreaks have occurred in several areas of the world since the beginning of 2000 without reaching the US. China is one of those areas. Africa has an endemic problem with FMD while it has also spread in South America.