



# Milk Marketing

As 472, AVS472 Fall 2007

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# Milk- Nature's most nearly perfect food

- 87% Water
- 13% Solids
  - Fat- fat soluble vitamins A,D,E,K
  - Protein – casein & lactalbumin
  - Lactose – carbohydrate
  - Minerals – Calcium, P, Mg, K
  - Vitamins – B2 riboflavin, A, D

# Milk Marketing is Complex

- Perishable product.
- Types of products sold – Fluid, cottage cheese, ice cream, cheese, butter, nonfat dried milk.
- Consumption patterns – 3.5% fluid ↓  
1% fluid ↑↑  
Cheese ↑↑
- Supply/Demand – season, cow#s, production increases and government policy.

## Complex Cont.

- Who buys milk and how they pay for it?.
- Who sells milk and how they are paid?
- Increase in production / cow
  - 1950 – ave prod. Per cow = 5,000 lbs/cow/yr.
  - 2005- >20,000 lbs/cow/yr
  - 1992-2005 increase in prod by region
    - West up 108%
    - IDAHO UP 234%
    - WASHINGTON UP 74%
    - MIDWEST UP 44%, NORTH EAST UP 41% , SOUTH UP 30%

# Where is milk produced in the US?

## Production

171.3 Billion Lbs.(2006)

181.3Billion est for 2007

- | State          | Production        | % of total |
|----------------|-------------------|------------|
| 1. California  | 35.5 billion lbs. | 19%        |
| 2. Wisconsin   | 23                | 14%        |
| 3. New York    | 12                | 7%         |
| 4. Penn        | 10.9              | 6.7        |
| 5. Minnesota   | 9.5               | 5.8        |
| 6. Idaho       | 6.5               | 3.9        |
| 7. Texas       | 5.6               | 3.4        |
| 8. Washington  | 5.5               | 3.4        |
| 9. Michigan    | 5.4               | 3.3        |
| 10. New Mexico | 4.7               | 2.9        |

# Who Produces Milk in the U.S. ?

- 9.0 million cows.
- 70,209 dairy farms (74,012)
  - Southeast 6,660 -7% (7,159)
  - West 4,982 -2% (5,083)
  - Northeast 19,185 -1.9% (19,553)
  - Midwest 39,382 -6.7% (42,217)

## Cow #s in the US

- 1961 - 18 million
- 1969 - 13 million
- 1977 - 11 million
- 1985 - 11 million
- 1993 - 9.5million
- 2001 - 9.1million
- 2004 - 9.0million

# Dairy Industry Profile is changing- 1992-2004

- 1992- Herds Cows Cows/Herd
- 131,535 9.6mil 74 (166 west)
- 2005-
- 70,209 9.0mil 130 (636 west)
- Fewer cows, fewer herds, larger herds, more milk.

# History of Milk Marketing

- **The Great Depression**
- **1933 Agriculture Adjustment Act**
- **Price Support system- Commodity Credit Corporation**
- **1937 Federal Milk Marketing Orders**
- **Late 70s early 80s Supply Control**
  - **Decrease Price support**
  - **Dairy Diversion Program- 1983 - paid \$10 for milk not produced**
  - **Dairy Research and Promotion \$.15 check-off 1984**
  - **Dairy Termination Program- 1986 - decrease 3 million cows- export or cull - paid up to \$22.50/cwt. For milk not produced. Could not have dairy cattle on the property for 5 yrs.**
  - **Milk Loss Payment 2002 MILC payment**

# 2003 CWT/\$.05 check off

- Herd Reduction
- Reduced Production Marketings
- Export Assistance
  
- Effect-229 herds retired
  - -32,000 reduced cows
  - -608 million lbs. reduced milk

# Who Buys Milk ?

- Independent handlers
  - Jerome Cheese, Wilcox
  - Safeway
- Cooperatives (82% of US Milk)
  - Dairy Farmers of America (1)
  - California Dairies, Inc. (2)
  - Land O'Lakes (3)
  - Northwest Dairy Assoc. (4)
  - Magic Valley Quality Milk Producers (29)
  - Tillamook County Creamery Association(32)

# How is Milk Utilized ?

- Fluid Products 35%
- Manufactured Prod. 65%
  - Cheese 59%
  - Butter 23%
  - Ice Cream 14%
  - Other 4%

## Grades of Milk

- **Grade A**
- **Federal sanitation standards - Pasteurized Milk Ordinance(PMO).**
  - **Standards regulated by State Dept. of Ag. Or State Dept. of Health (inspections 1-6x per year).**
  - **State regulations must meet PMO or stricter (700,000 scc).**
  - **Price determined by the Federal Milk Marketing Order.**

## Grades of Milk

- Grade B
  - Not regulated by state or federal standards.
  - Processor determines standards.
  - Product utilized in cheese production.
  - Price determined by free market.

## Classes of milk Jan. 2000

- Class I - Fluid
- Class II - Ice Cream, Cottage Cheese
- Class III - Cheese
- Class IV - Non Fat Dried Milk, butter

# Agencies Involved in Milk Marketing

- USDA- Ag. Marketing Services -National Ag. Statistics Service, National Research and Promotion Board.
- National Milk Producers Federation.
- Regional - WA Dairy Products Commission, WA State Dairy Federation, United Dairymen of Idaho

## Resources

- **[www.ams@usda.gov/dairy](http://www.ams@usda.gov/dairy) -**
- **The Market Administrator's Report - [www.fmmaseattle.com](http://www.fmmaseattle.com)**
- **National Dairy Council - 1-800-426-8271**
- **The Dairy Markets ( Chicago Mercantile Exchange) Subscriptions 1-815-459-1742**
- **Marketing and Pricing of Milk and Dairy Products in the United States. Kenneth W. Bailey 1997**