
Trends in Today's Dairy Industry

Joe Horner, Dairy Economist
University of Missouri
Commercial Agriculture Program

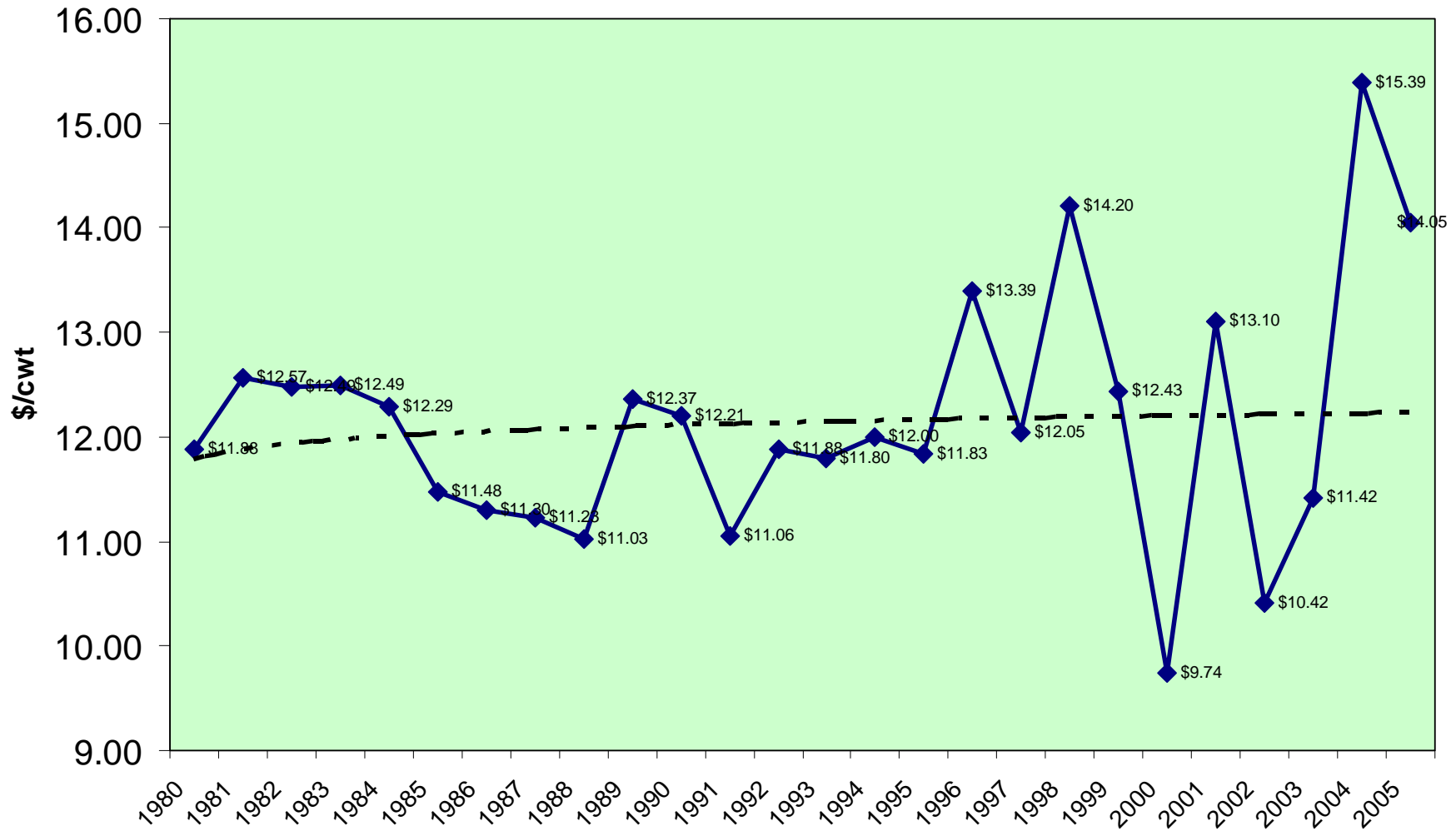
The entrepreneur always searches
for change, responds to it, and
exploits it as an opportunity.

Peter F. Drucker

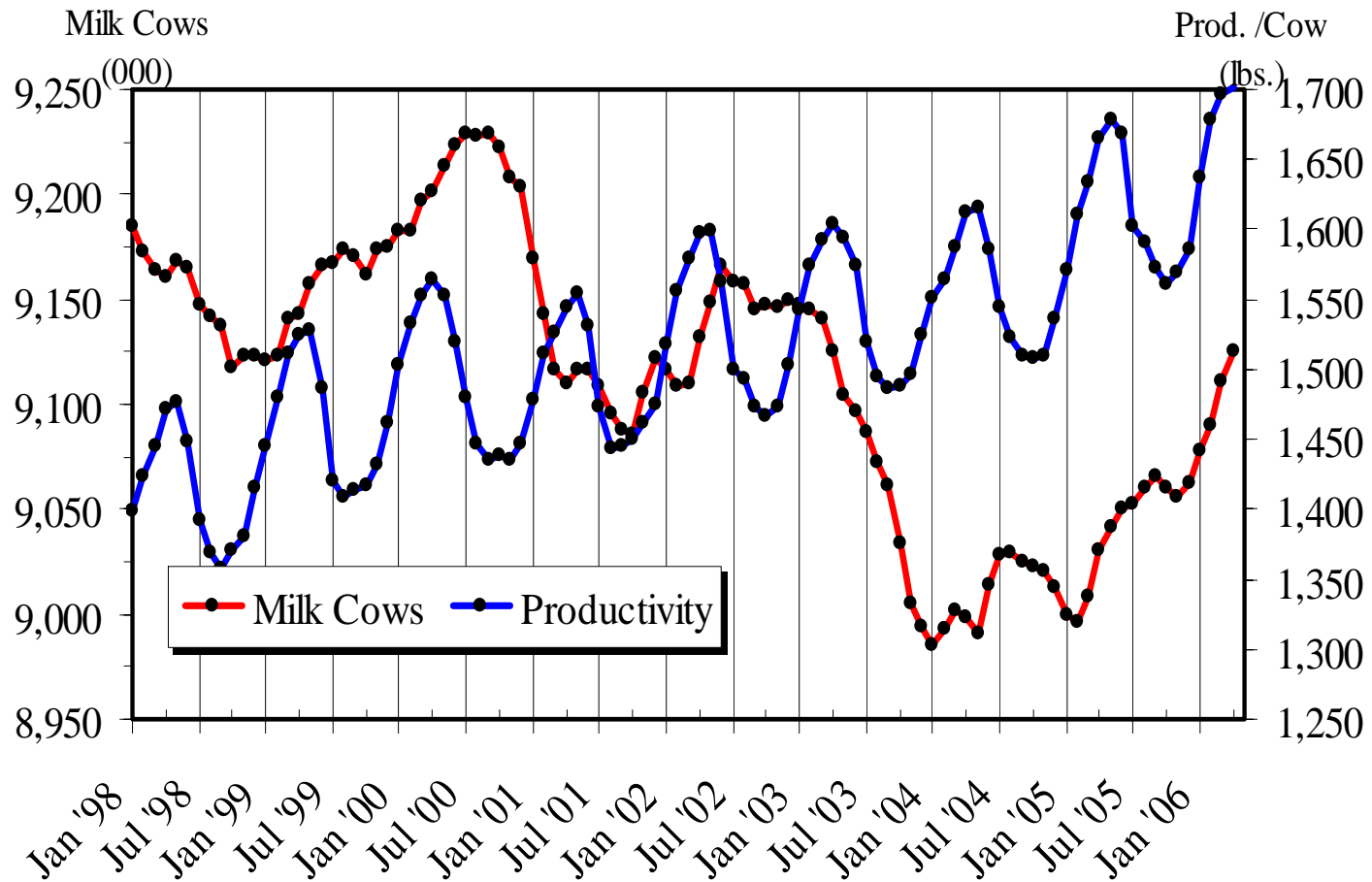




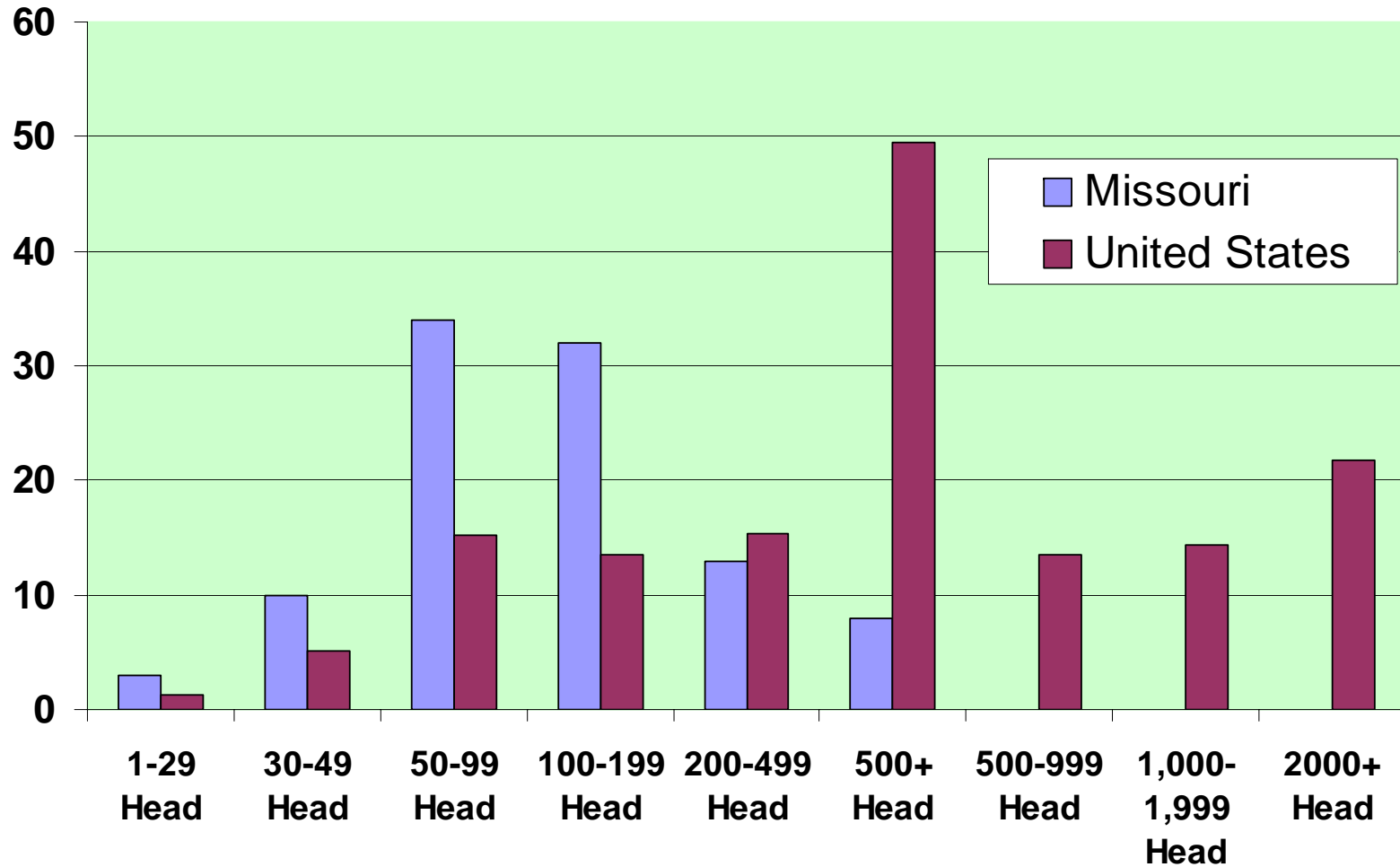
25 Year Trend in Base Milk Prices



Milk Cows vs. Per-Cow Production Total U.S. (Based On 30-Day Months)

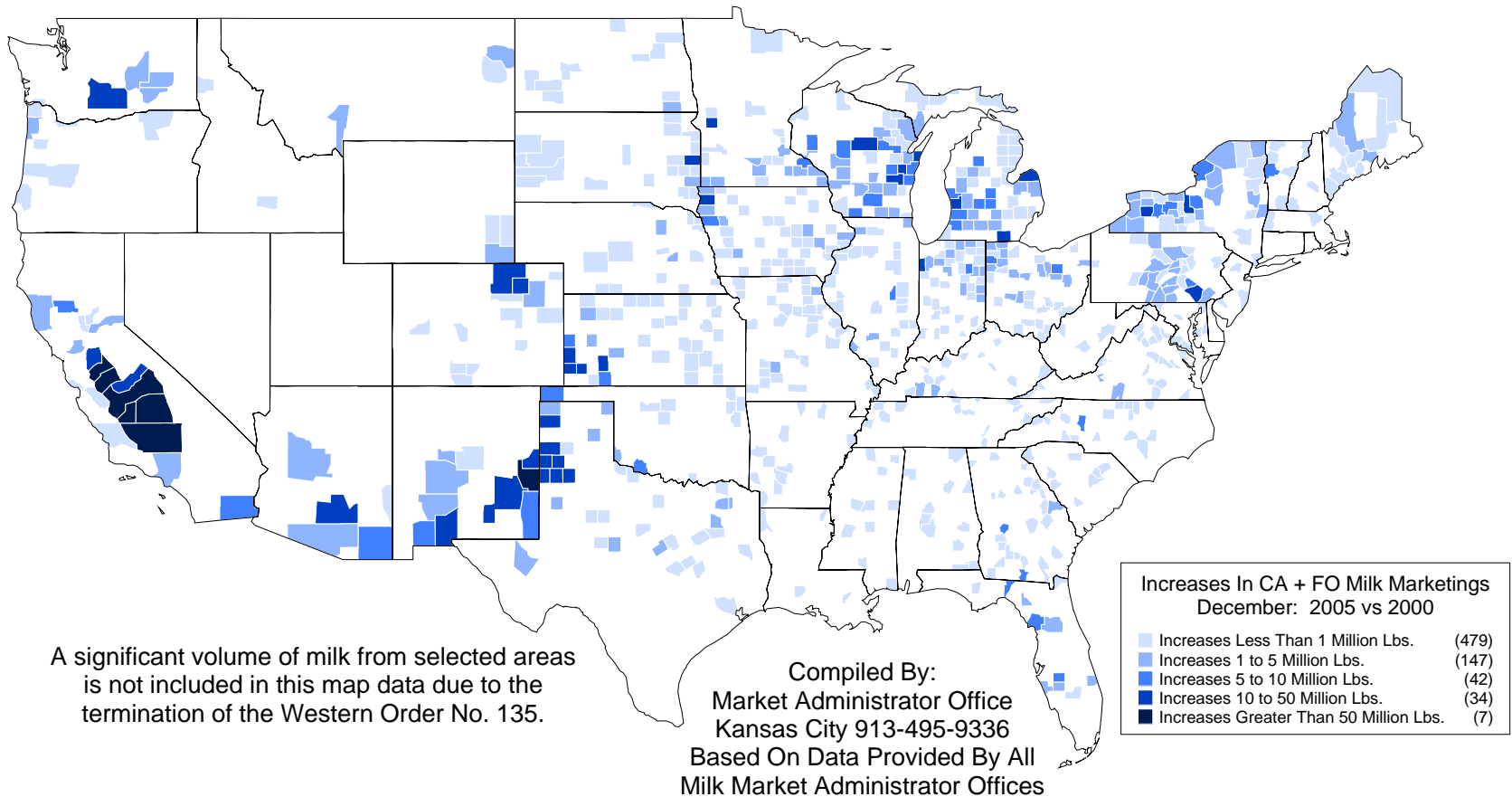


Milk Production Percent by Size of Operation

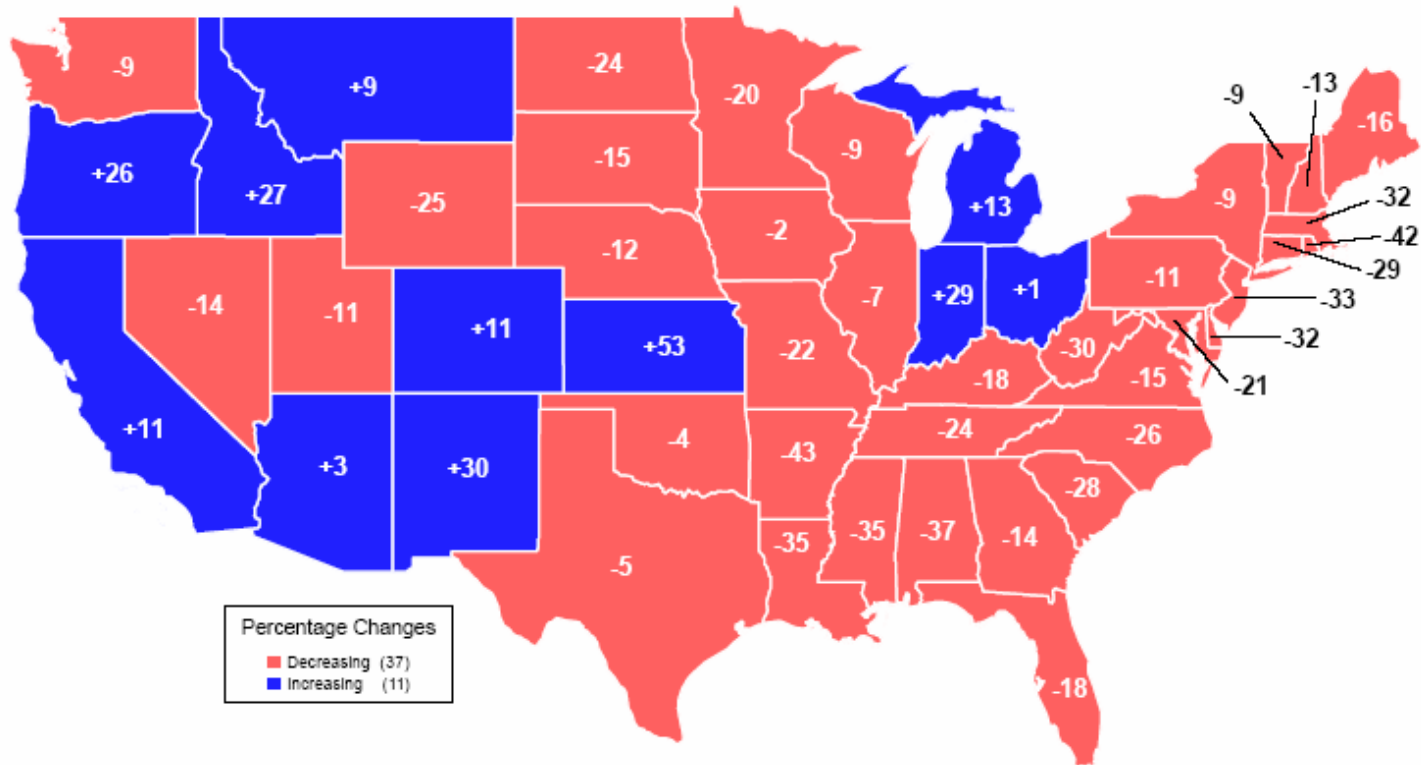


Source: USDA, NASS 2005

In Past 5 Years 709 Counties Increased Marketings

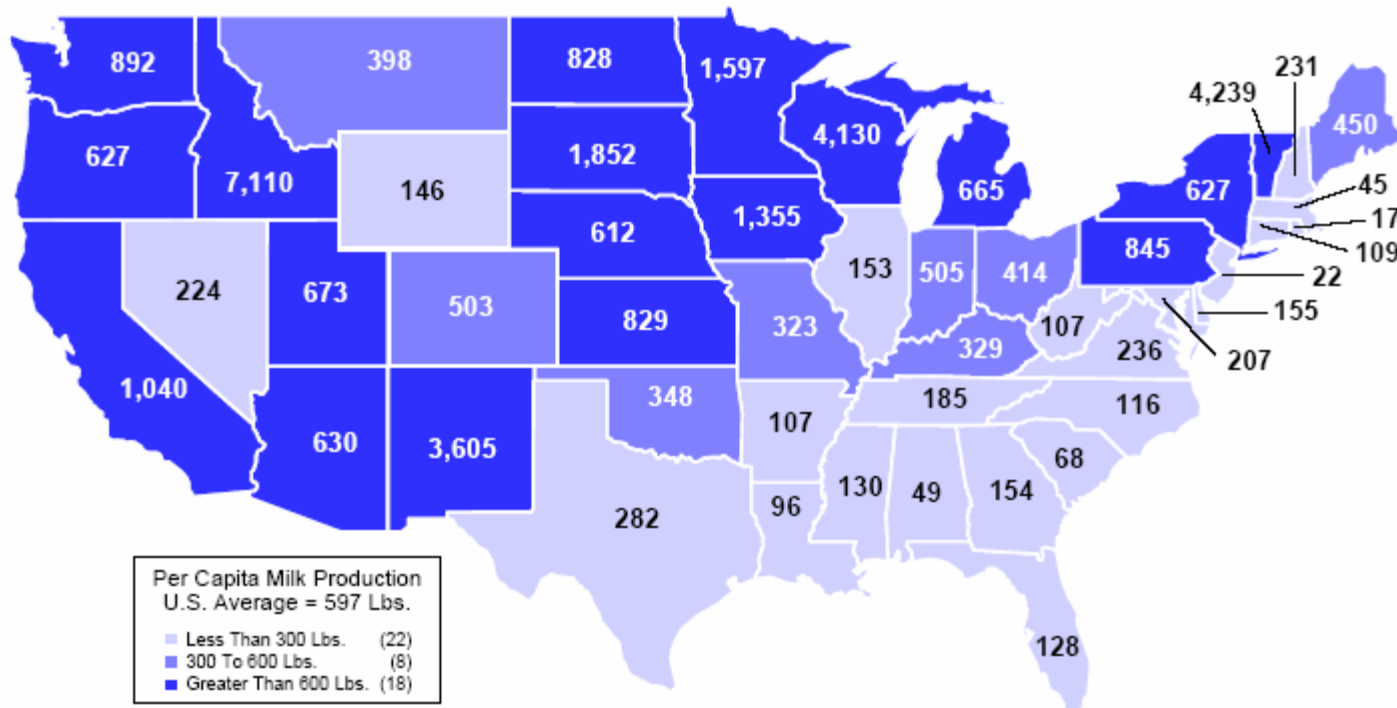


Percentage Change in Per Capita Milk Production 2004 vs 1999



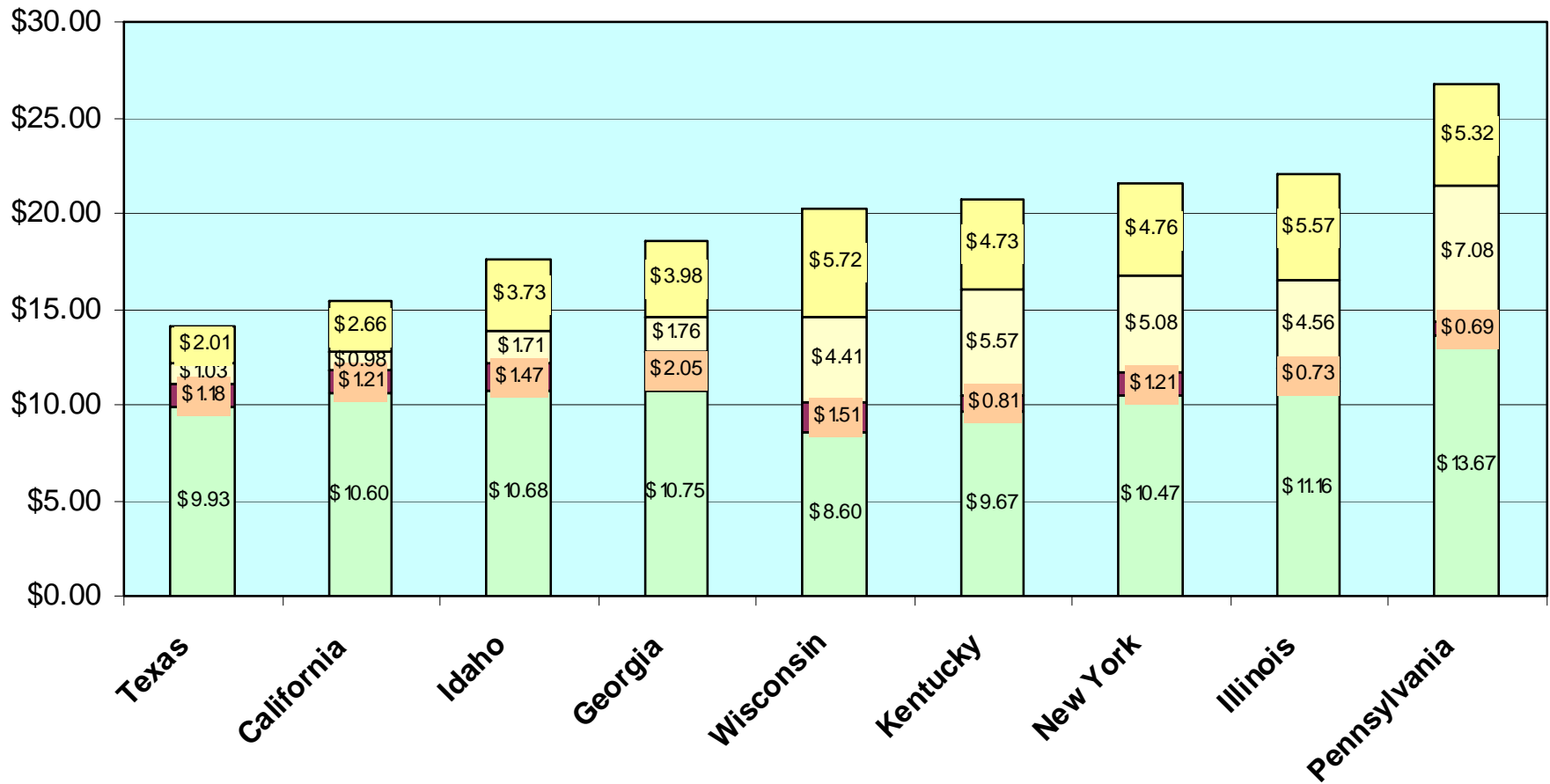
2005 Per Capita Milk Production

States < 200 lbs/capita production are milk deficit for fluid needs



Cost of Production (\$/CWT)

■ Operating cost except labor
 ■ Hired labor
 ■ Opportunity cost of unpaid labor
 ■ Allocated Overhead



Source: USDA, ERS Milk Cost of Production, May 2006

No institution can possibly survive if it needs geniuses or supermen to manage it.

It must be organized in such a way as to be able to get along under a leadership composed of average human beings.

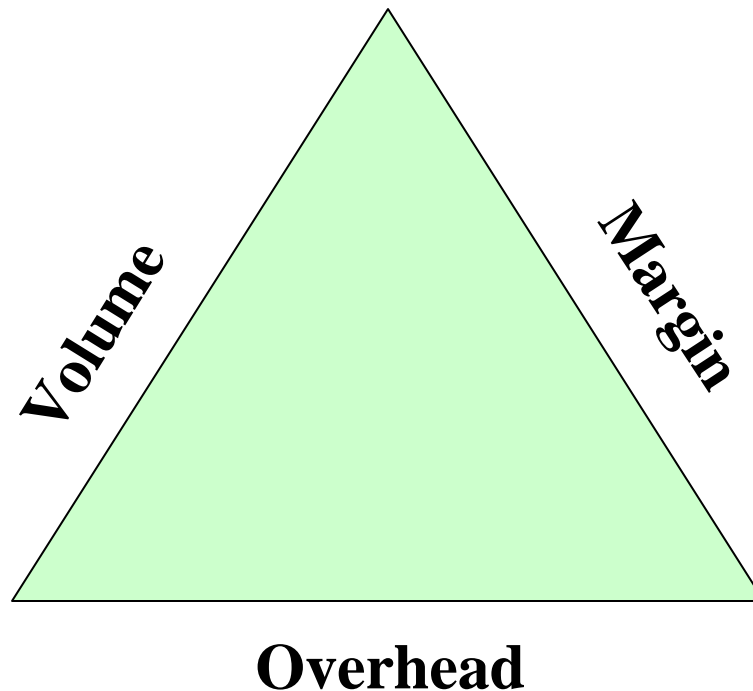
Peter F. Drucker

Moral: Create Simple Systems

Profitability Triangle

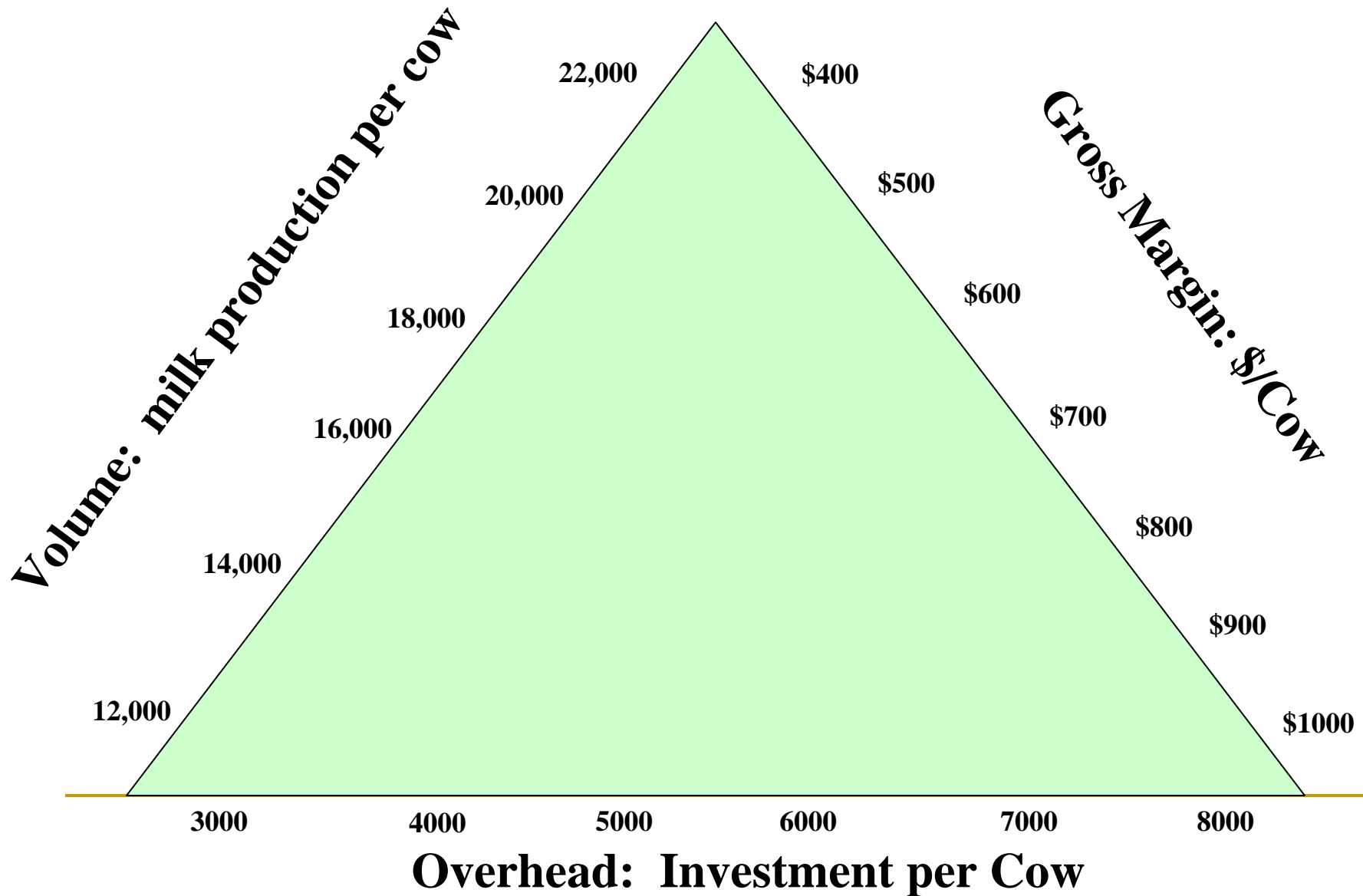
- Every business faces the same challenge in creating a profitable enterprise, finding the appropriate mix of:

- Volume
- Margin
- Overhead



Overhead

Dairy System Profitability Triangle



When you hear someone at this conference discussing their system, ask yourself:

- How would that effect our Overhead?
- How would that effect our Volume?
- How would that effect our Margin?

