

Florida Dairy Farm Situation in 2009¹

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Summary

The global economic crisis is causing international shifts in supply and demand of milk products and inputs. Consequently, the average Florida farm milk price in 2009 is expected to be historically low while the cost of production remains relatively high. The total expected loss for the Florida dairy industry for 2009 is \$99,000,000, or a loss of \$709,000 per Florida dairy farm. The Florida dairy industry is facing a very difficult financial time.

Analysis

Florida ranks 19th in the US for total milk production. Approximately 2.1 billion pounds of milk are produced annually in Florida on approximately 140 dairy farms. Florida dairy farms employ approximately 2000 employees directly. Approximately an equal number of people are employed in the allied industry (feed, supplies, milk marketing) (Table 1).

Milk prices determine approximately 90% of revenues on Florida dairy farms. The projected average price Florida farmers will receive for their milk in 2009 is \$17.08/cwt.

Average profit (loss) per month per Florida dairy farm

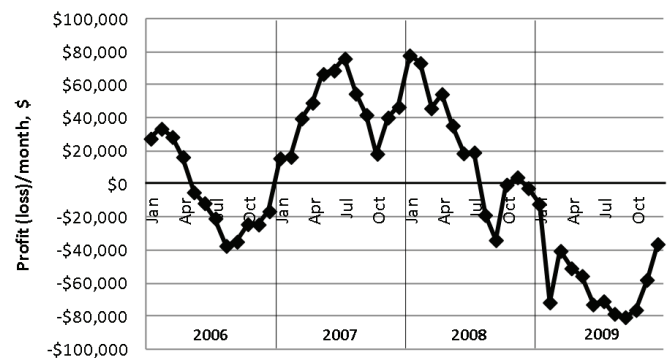


Figure 1. Average profit (loss) per month per Florida dairy farm, 2006 to 2009 (forecast).

One cwt equals approximately 11.6 gallons. Thus, the projected average price Florida farmers will receive for the milk they sell is \$1.47/gallon. Revenues from the sales of cull cows and calves are estimated at \$1.00/cwt. Total revenues on Florida dairy farms were approximately \$526,000,000 in 2008, but are expected to decrease below \$380,000,000 in 2009 as a result of very low milk prices.

Table 1. Demographics of Florida dairy farms, 2006 to 2009 (forecast).

	2006	2007	2008	2009 (forecast)
Number of dairy cows	132,000	125,000	120,000	118,000
Employees at dairy farms	2200	2083	2000	1967
Milk produced (billion lbs)	2,17	2,10	2,06	2,10
Number of dairy farms	150	145	143	140

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Table 2. Profitability of Florida dairy farms, 2006 to 2009 (forecast)

	2006	2007	2008	2009 (forecast)
FL milk price/cwt	\$17.08	\$22.98	\$23.50	\$17.08
Total revenue/cwt	\$19.21	\$24.72	\$25.63	\$18.08
Total cost/cwt	\$19.95	\$21.44	\$24.02	\$23.00
Profit (loss)/cwt	(\$0.74)	\$3.28	\$1.61	(\$4.92)
Profit (loss)/cow	(\$84)	\$614	\$320	(\$841)
Profit (loss)/farm	(\$74,000)	\$529,000	\$268,000	(\$709,000)
Profit (loss) all FL farms	(\$11,000,000)	\$77,000,000	\$38,000,000	(\$99,000,000)

The cost to produce milk is estimated at \$23.00/cwt for 2009, which is slightly less than the all time high cost of \$24 in 2008. Total cost to produce milk in Florida in 2009 is \$470,000,000.

The difference between revenues and costs leads to an expected loss of \$4.92/cwt of milk produced. In 2009, revenues are expected to be less than 80% of total cost (Table 2). The total expected loss for the Florida dairy industry for 2009 is \$99,200,000, or \$709,000 per Florida dairy farm. The depressed profitability is expected for dairy farms throughout the nation.

References

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