

FORECAST

Advantage goes to AMPI country

Peter Vitaliano believes this year will bring higher milk prices and lower feed costs for U.S. dairy farmers. The views of the vice president for economic policy and market research with the National Milk Producers Federation are shared by those providing forecasts for the dairy farmer-owners of AMPI.

Those same forecasters say it's a good time to produce milk in AMPI country. Let's dig a little deeper into that claim.

Midwest advantage

Vitaliano says AMPI members catch a break living in the Midwest, where many raise their own feed or purchase it close to home.

Ross Anderson of AgriBank agrees, saying "Commercial dairy losses have been much more significant." Anderson is senior vice president and chief credit officer for AgriBank, which provides about \$4.5 billion in loans to dairies through

As farmers and stakeholders in AMPI, a dairy marketing cooperative, Dairymen's Digest readers own a unique business portfolio.

They are typically invested in land, a dairy and a cooperative that annually markets more than \$1 billion in dairy products.

Each January, this magazine presents a farm-to-fork forecast aimed at arming members with the information they need to safeguard the interdependent investments of their livelihood.

On the next four pages veteran agricultural business writer and frequent DD contributor Nancy Jorgensen interviews the best in the business. She tracks the trends most likely to affect milk production, marketing and meeting consumer demand in 2010.

Farm Credit associations. The bank sorts dairies into commercial, which purchase most of their feed, and traditional, which raise most of their own.

Anderson says AgriBank is also studying how escalating crude oil costs affect regional dairy production. The rising cost of moving feed from the Midwest to the Southwest and California may have long-term effects. "It may slow or reverse the trend of growth in dairy cows in the West

and Southwest seen over the past 10 to 15 years," Anderson says.

Vitaliano sees another plus for Midwest dairy operators. "Smaller farmers benefit more from MILC payments," he says, referring to the federal Milk Income Loss Contract program.

2010 dairy forecast

- **Midwest dairies have an edge.** Advantages include a readily available feed supply and falling land prices.
- **Credit is tight.** Fewer loans will access lower interest rates.
- **Grain prices may decline.** Corn and soybeans may trend lower, with a soybean dip projected late this year.
- **Milk prices moving up.** One forecaster says the all-milk price average could top \$17, another says the 12-month Class III average will be one-third higher than last year. Dairies may return to profitability late in the first, or the second, quarter of this year.

