

# DAIRY HERD MANAGEMENT

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### **Report: Fewer Florida dairy farms projected** By Dairy Herd news source (Thursday, March 22, 2007)

Florida's human population is growing but the state has fewer dairy farms and cows, according to University of Florida researchers, who say retailers may need to rely more on out-of-state milk in the summer and fall when local supplies run dry.

Milk prices are also expected to rise slightly this year, mostly due to increased demand, said Russ Giesy, a University of Florida dairy extension agent in Bushnell, Fla. Giesy is co-author of Florida Dairy Farm Situation and Outlook, an annual report that compiles data from surveys of Florida dairy farmers on revenues, expenses and investments. The 2007 report was issued Monday.

"The overall per-capita demand for milk hasn't changed, but we have more residents," Giesy said. "We need the Florida dairy industry to grow, not retract, to supply that milk."

The report shows Florida with about 130,000 dairy cows in December 2006, down from 152,000 in early 2002. Florida has about 150 dairy farms; the number declines about 6 percent each year.

The state's milk production has gradually declined as well, according to the Florida Agricultural Statistics Service. Total production was down from 2.46 billion pounds in 2000 to 2.27 billion pounds in 2006.

About 86 percent of Florida-produced milk is sold as drinking milk, the rest is used to make cheese, butter and whey products, Giesy said.

The state's dwindling dairy herd is mainly the result of smaller farms closing, he said. With land values booming, many farmers choose to sell their property to developers, sometimes earning \$10,000 an acre, far more than the land is worth for agricultural production.

"The larger dairy farms are the ones that need more help (from the University of Florida) because they are implementing new technologies and building new facilities," Giesy said. "The cost of production in Florida is going up, profit margins are getting narrower, which requires that producers modify continuously to come up with more efficient methods. These trends are true everywhere in the country."

Production costs in Florida can run 25 percent higher than the national average, said Albert De Vries, a University of Florida animal sciences assistant professor and co-author of the report. A large part of the extra expense is due to Florida's hot, humid climate, which reduces milk production unless climate-control technology is used. Feed costs are also higher in Florida, because farmers use large quantities of corn hauled from the Midwest.

"Corn is the big new looming issue," De Vries said. "Corn prices are up, nearly double from last year."

Demand for corn used to make ethanol fuel has driven up demand for the grain used to feed cows, and speculation has pushed prices higher, Giesy said.

"It's hurting dairymen's wallets," he said. "What always happens in agriculture is, someone gets hurt, another had a great year. Corn farmers are doing well."

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Though production costs are rising, revenues have not kept pace, the report said.

The average cost of producing 100 pounds of milk in 1996 was \$18.51, compared to \$20.18 in 2005, according to the report. But farmers received an average of \$18.32 for that 100 pounds in 2005, virtually the same price as in 1996 — \$18.39.

Most dairy economists predict that milk prices paid to farmers will be up 8 percent over 2006, the report said. The average 2007 price for Florida farmers is expected to be about \$18 per 100 pounds.

Milk prices are determined partly by the U.S. Department of Agriculture using a national supply and demand model, so farmers do not have complete freedom to adjust for increases in their production costs. For Florida dairy farmers, the average net income per 100 pounds of milk declined from \$1.22 in 1995-99 to 73 cents in 2000-05, the report said.

"There is quite a bit of variability in the income farmers actually make," De Vries said. "Some do much better than others. Because dairy farmers cannot control milk prices, they have to control their cost of production."

Florida consumers can help the state's farmers stay in business by choosing locally produced milk, he said, but it's not always easy to select.

Store brands tend to be locally produced but that's not 100 percent certain, Giesy said.

"Consumers have to be astute," he said. "Your best bet is to look at the fine print on the carton and see where the milk was processed. Locally produced milk is likely fresher, so it will last longer in your refrigerator."

Source: *University of Florida*



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P: 847-634-2600 | F: (847) 634-4379 | [info@vancepublishing.com](mailto:info@vancepublishing.com)  
400 Knightsbridge Pkwy Lincolnshire IL 60069