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May 31, 2007

High dairy costs on the horizon

David Mercer / Associated Press Writer

CHAMPAIGN, Ill. -- Liz Kooy loves sharp cheddar cheese and is willing to pay almost any price for it.

"Ten dollars a brick, I'd still buy it" and cut back on other purchases, the 36-year-old social worker laughed as she browsed the dairy aisle in a grocery store near downtown Chicago on Wednesday.

She might want to start looking for places to cut back.

Dairy market forecasters are warning that consumers can expect a sharp increase in dairy prices this summer. By June, the milk futures market predicts, the price paid to farmers will have increased 50 percent this year -- driven by higher costs of transporting milk to market and increased demand for corn to produce ethanol.

U.S. retail milk prices have increased about 3 percent, or roughly a dime a gallon, this year, according to the U.S. Department of Agriculture.

But University of Illinois dairy specialist Michael Hutjens forecasts further increases of up to 40 cents a gallon for milk over the next few months, and up to 60 cents for a pound of cheese.

That would drive the cost of a gallon of whole milk in the country to an average of \$3.78, based on the USDA's monthly survey of milk prices in 30 metro areas.

Prices in the last survey, earlier this month, ranged from \$2.76 a gallon in Dallas to \$3.86 in Chicago and \$4.09 in New Orleans, where the dairy industry has struggled to bounce back from Hurricane Katrina.

[Return to regular web page](#)