Outlook for the U.S. Dairy Sector in 2011

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The dairy sector in 2010 and 2011

**2010**
- Milk and product prices recover
- Farm income recovers sharply
- Moderate feed prices
- Production recovers

**2011**
- Soaring feed prices
- Higher (still) milk and product prices
- Farm income declines from 2010
- Production continues to expand
Milk-Feed Price Ratio

Source: USDA/WAOB
Net Cash Farm Income, per Farm

Source: USDA/ERS ARMs data
Chinese Imports of WMP Take Off

Source: USDA/FAS
Why were U.S. exports so strong in 2010?

- U.S. prices were below world prices
- Increasing U.S. production
- Severe drought in Oceania = low world supplies
- Strong global demand because of economic growth
U.S. exports projected to decline in 2011

Source: USDA/WAOB

*Forecast
Butter, cheese and NDM prices show volatility over last five years

Source: USDA/NASS/WAOB

*Forecast
Butterfat Percentage in Raw Milk, Monthly, 2005-2011

Source: USDA/NASS
Milk prices are forecast to remain high in 2011

Source: USDA/WAOB

*Midpoint of forecasted range
2010 recovery

• Domestic production was high in 2010, at 192.7 billion pounds.

• 2010 saw milk prices recover sharply from 2009. Feed prices remained relatively moderate.

• Net average cash farm income soared to highest level since 1996.
2011 Outlook

• Milk prices continue to strengthen.
  • Domestic demand expected to rise for cheese and other value added products.
  • The export market still strong but U.S. faces stiffer competition

• Feed prices are exceptionally high and could rise further but milk production remains a profitable enterprise for many dairy farms.
Additional Information on the Outlook for 2009 is Available on the Following Websites:

- World Agricultural Supply and Demand Estimates

- Livestock, Dairy, and Poultry Situation and Outlook

- Dairy: World Markets and Trade