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# Outlook for the U.S. Dairy Sector in 2011

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**Presented at the 2009 USDA Outlook Forum  
Washington D.C.  
February 25, 2011**

# The dairy sector in 2010 and 2011

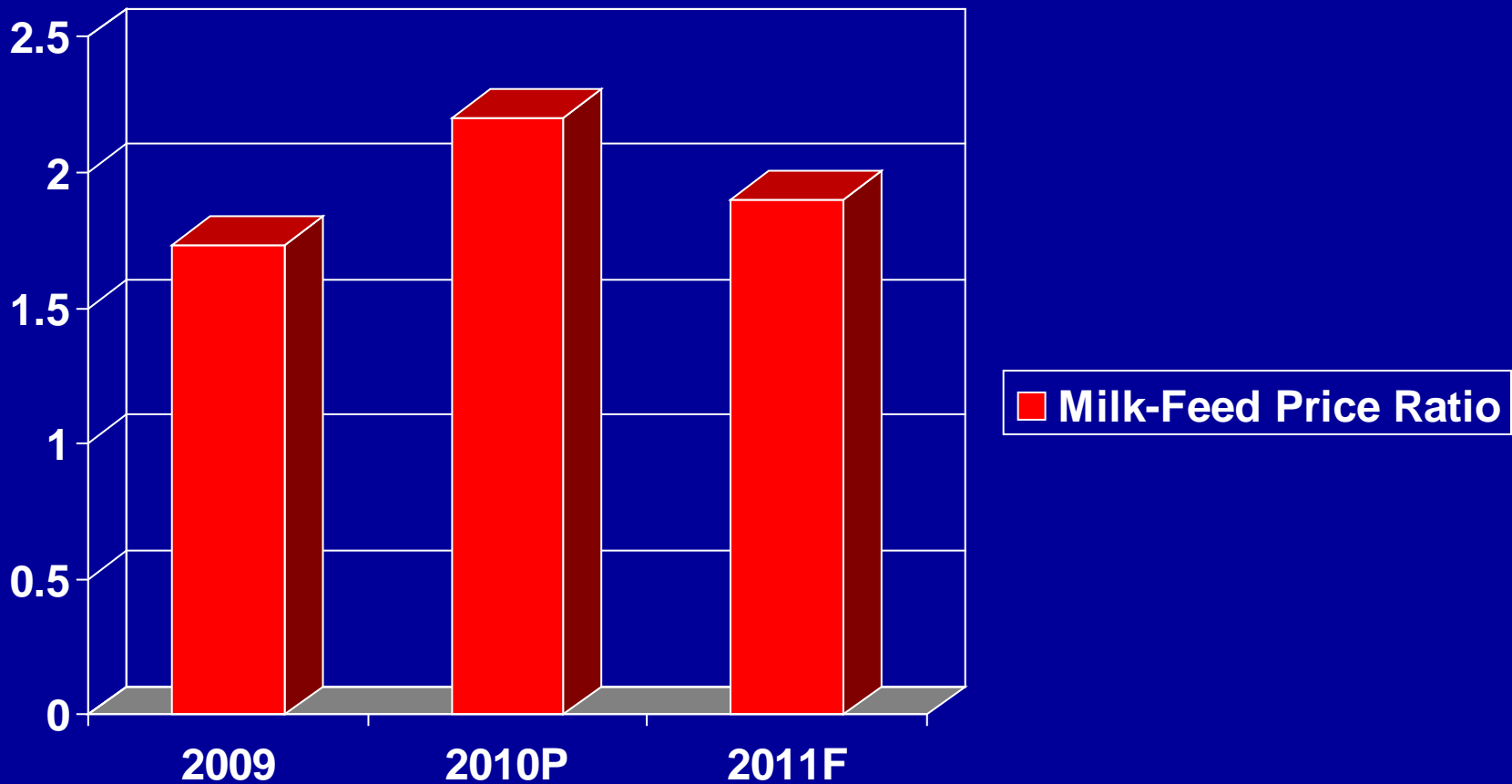
## 2010

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

## 2011

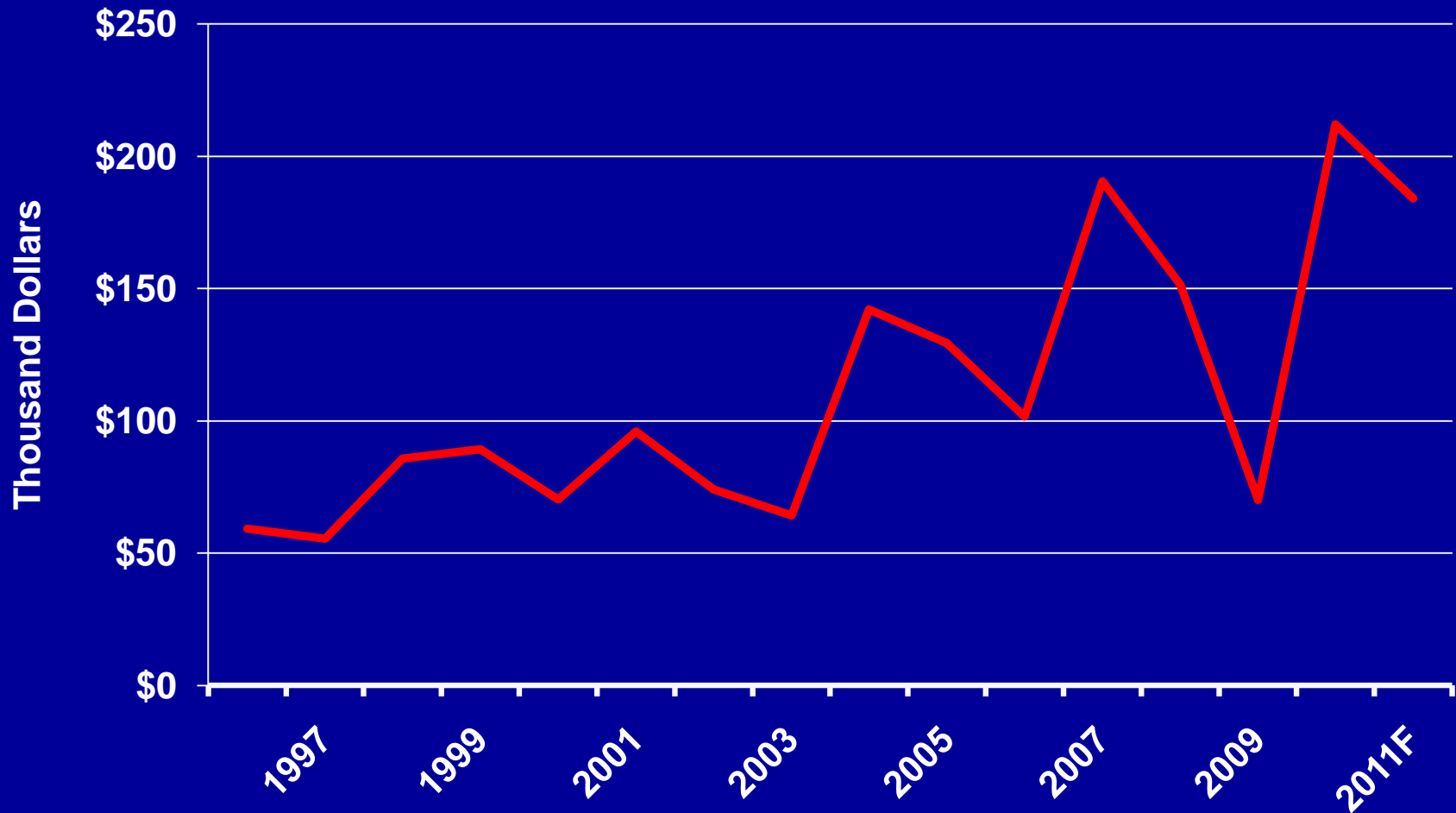
- Soaring feed prices
- Higher (still) milk and product prices
- Farm income declines from 2010
- Production continues to expand

# Milk-Feed Price Ratio



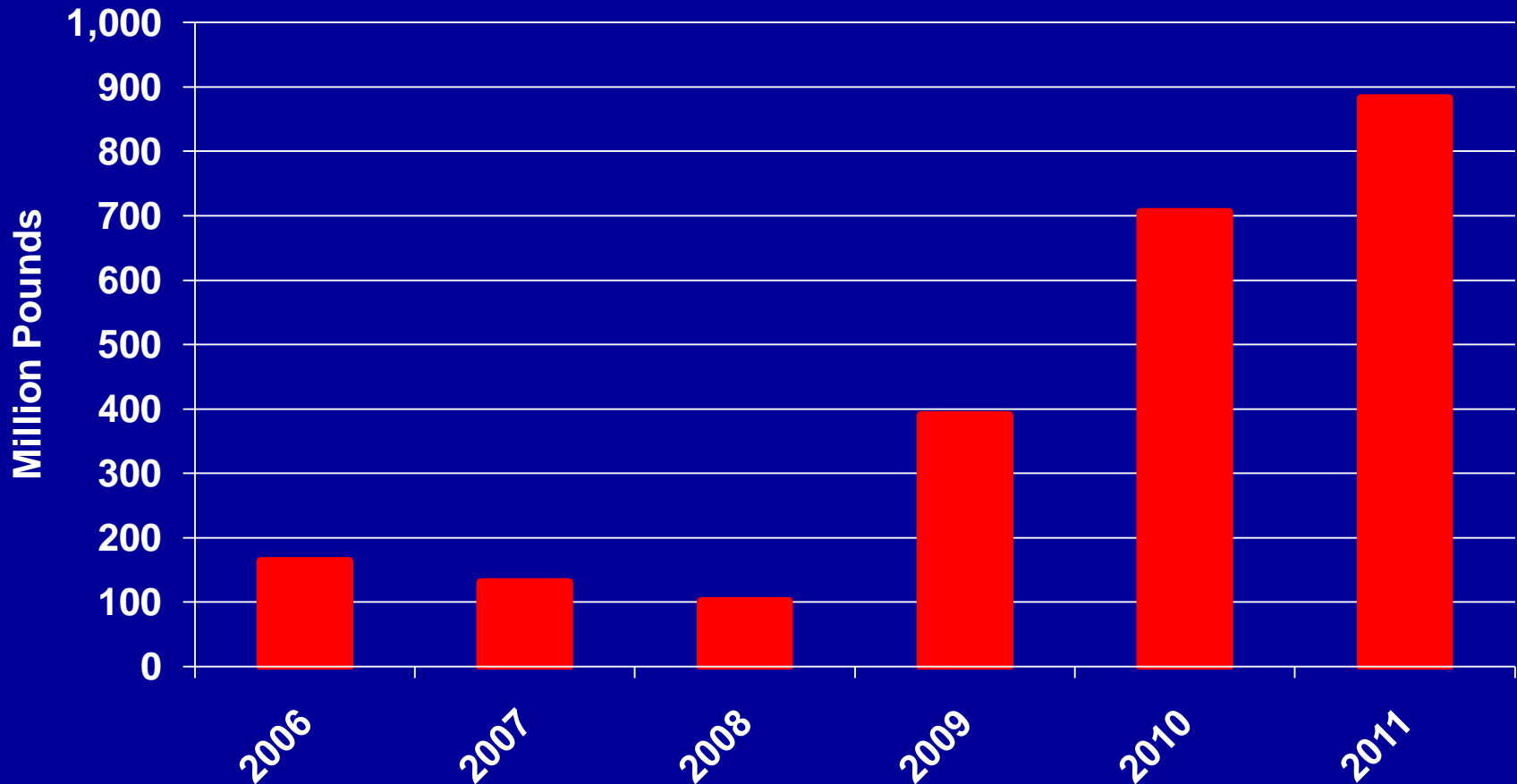
Source: USDA./WAOB

# Net Cash Farm Income, per Farm



Source: USDA/ERS ARMs data

# Chinese Imports of WMP Take Off



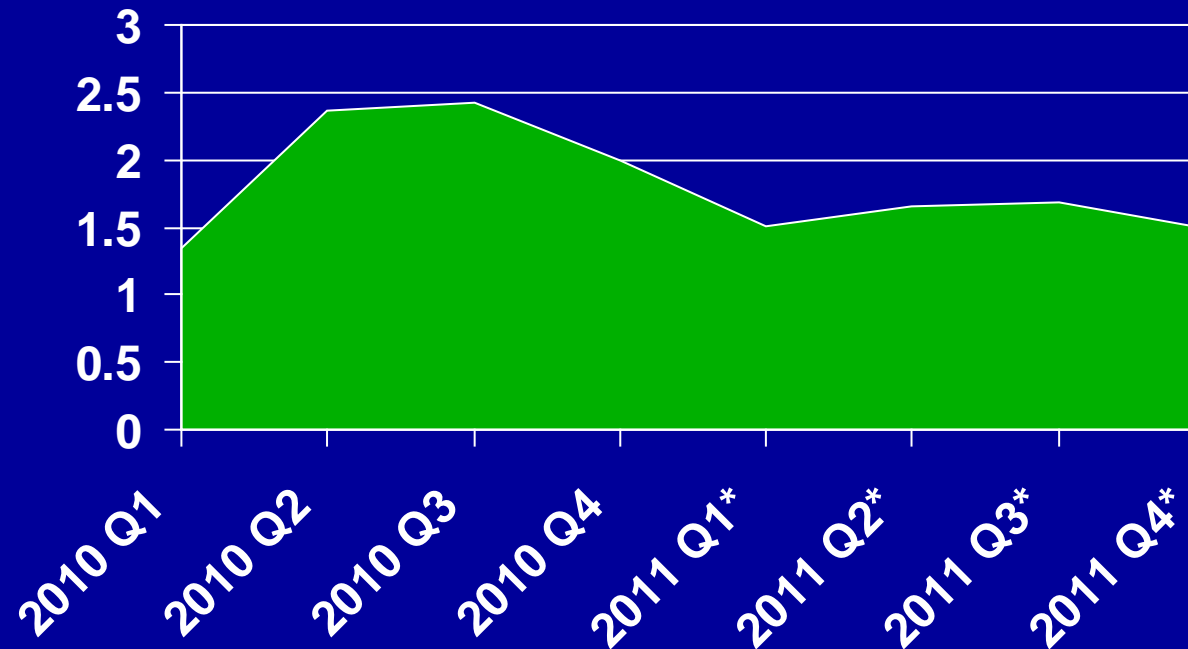
Source: USDA/FAS

# 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

**Commercial Exports of Milkfat  
(billion pounds milk equivalent)**

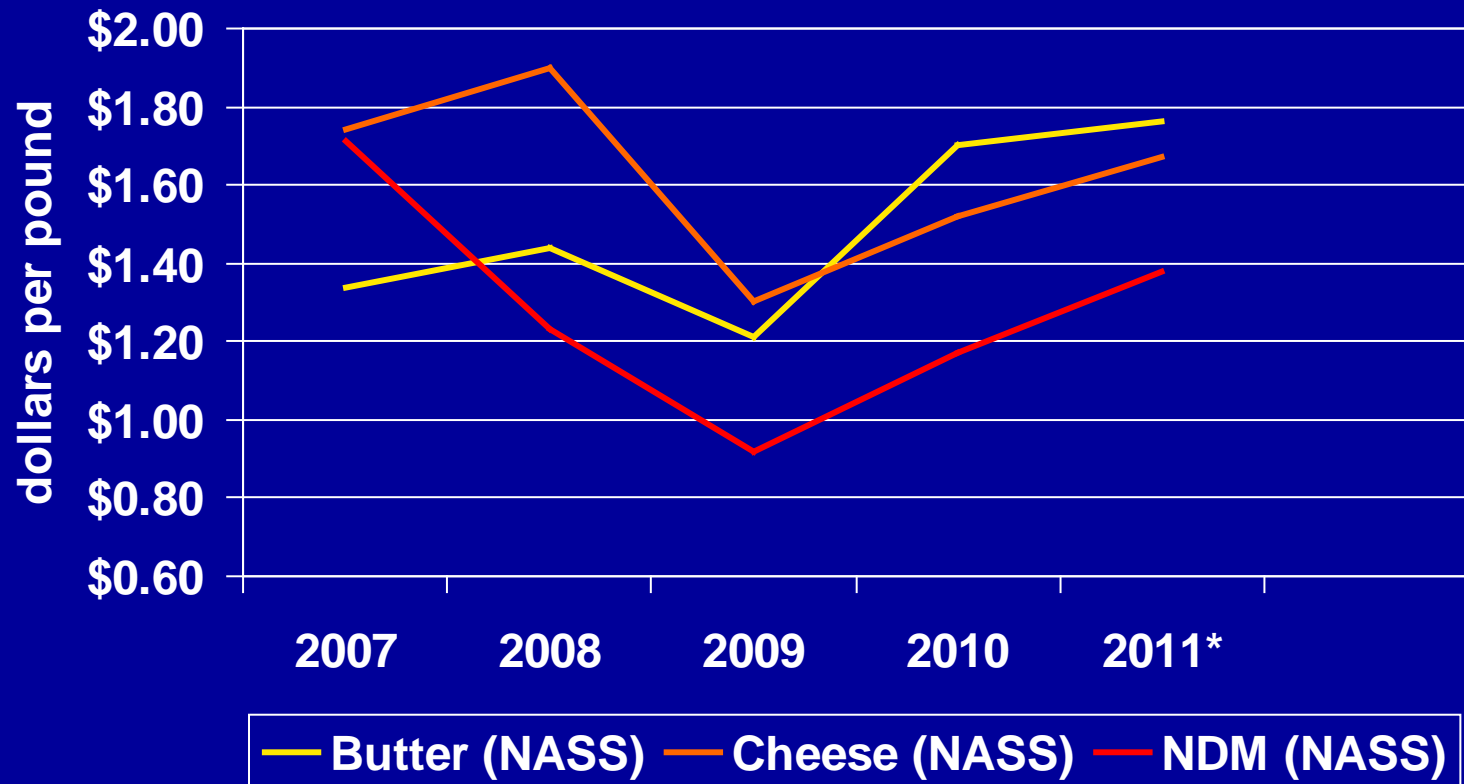


Source: USDA/WAOB

\*Forecast



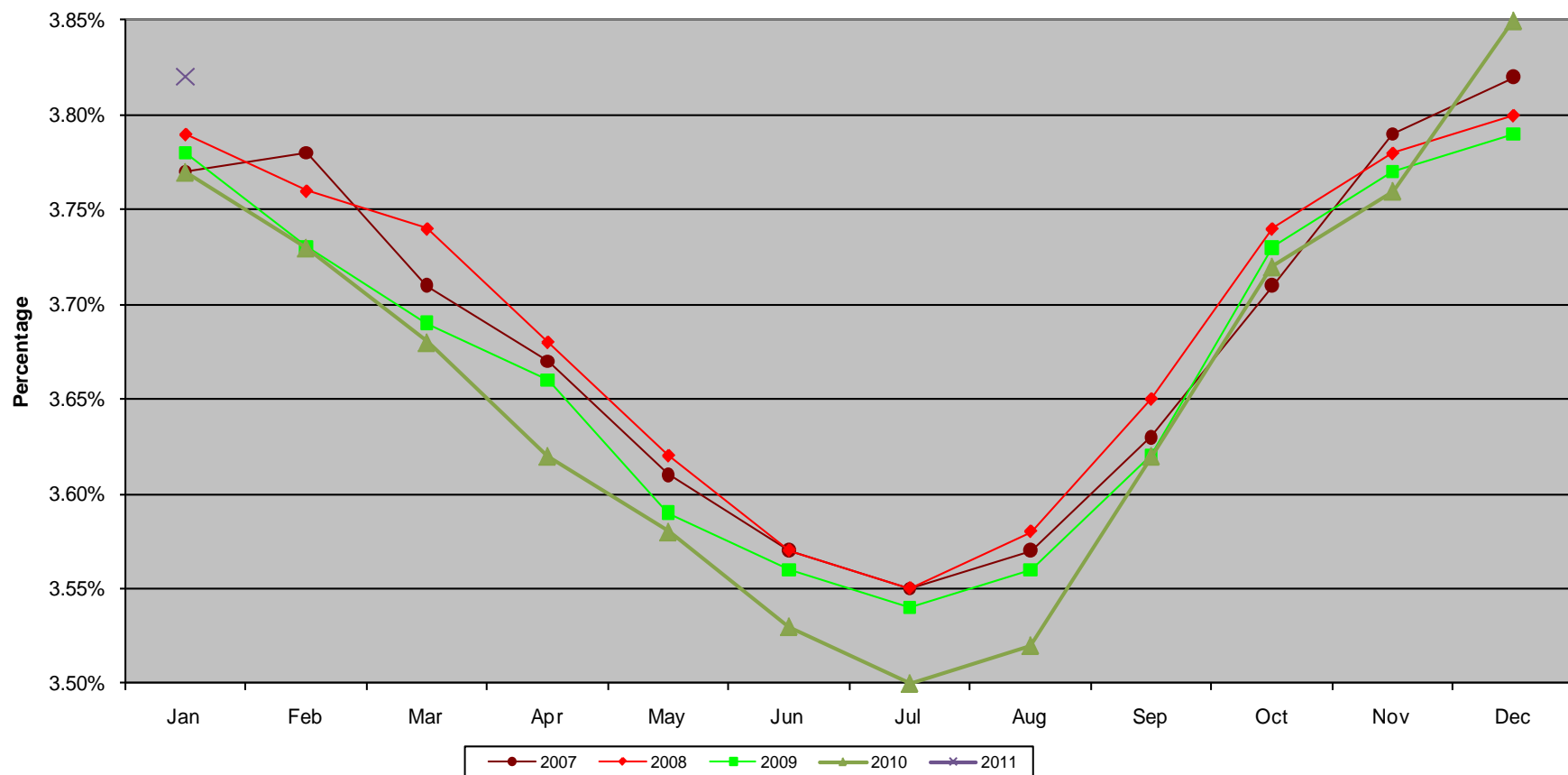
# Butter, cheese and NDM prices show volatility over last five years



Source: USDA/NASS/WAOB

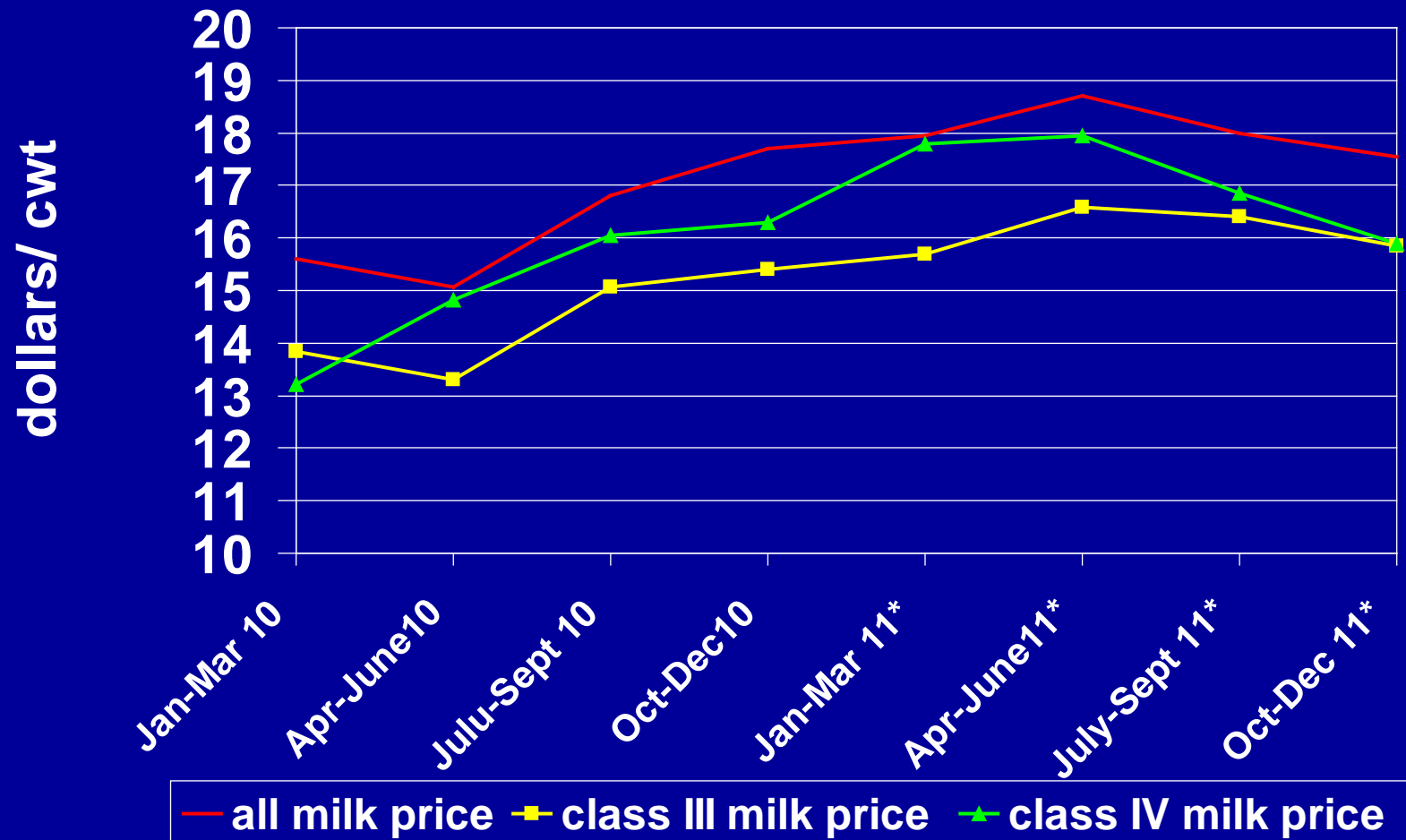
\*Forecast

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
  - <http://www.usda.gov/oce/commodity/wasde/index.htm>
- Livestock, Dairy, and Poultry Situation and Outlook
  - [www.ers.usda.gov/publications/ldp/](http://www.ers.usda.gov/publications/ldp/)
- Dairy: World Markets and Trade
  - <http://www.fas.usda.gov/dlp/dairy/dairy.asp>