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Situation and Outlook for the U.S. Dairy Industry

Jerry Cessna
Senior Agricultural Economist
USDA Agricultural Marketing Service
Dairy Programs

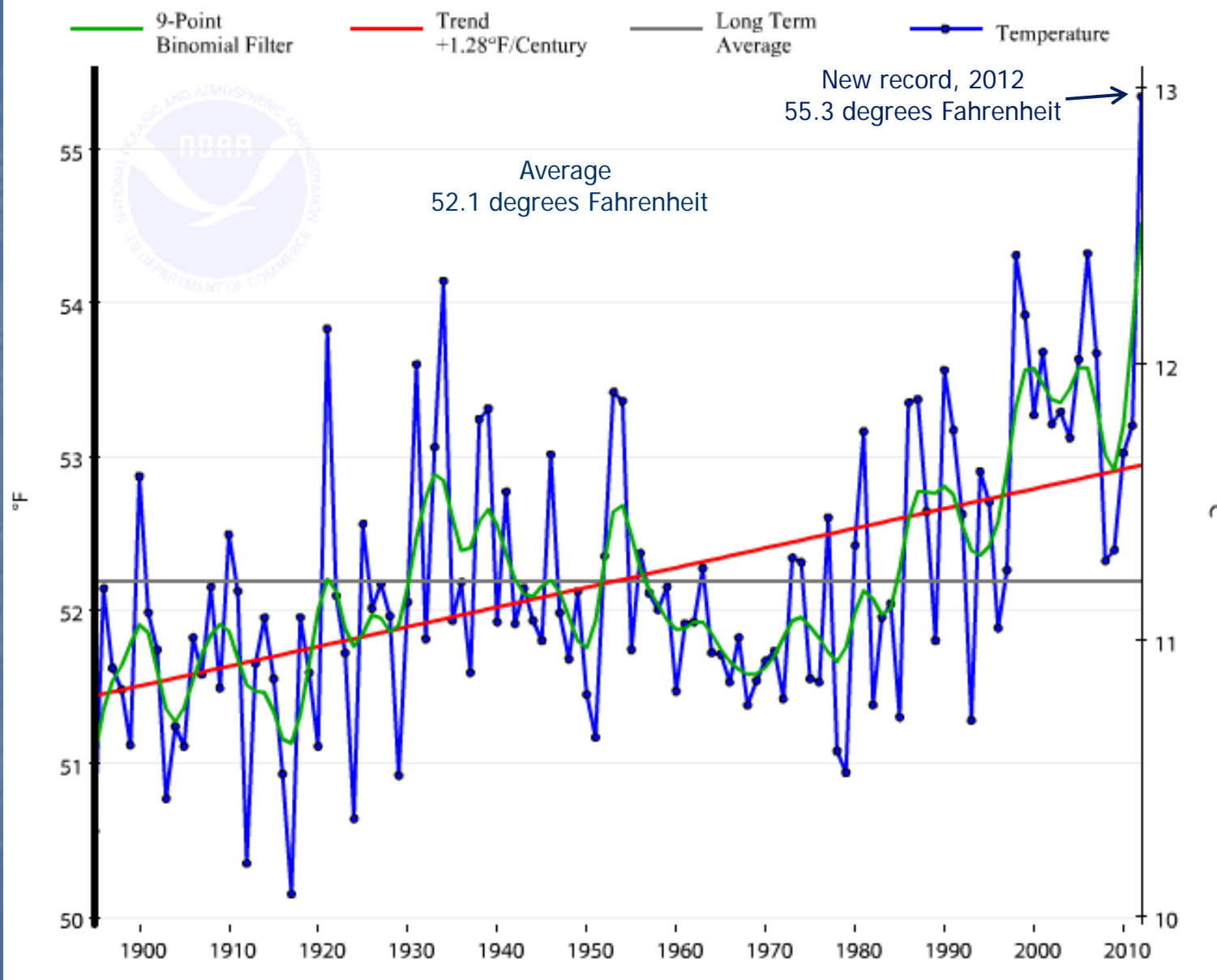
February 22, 2013



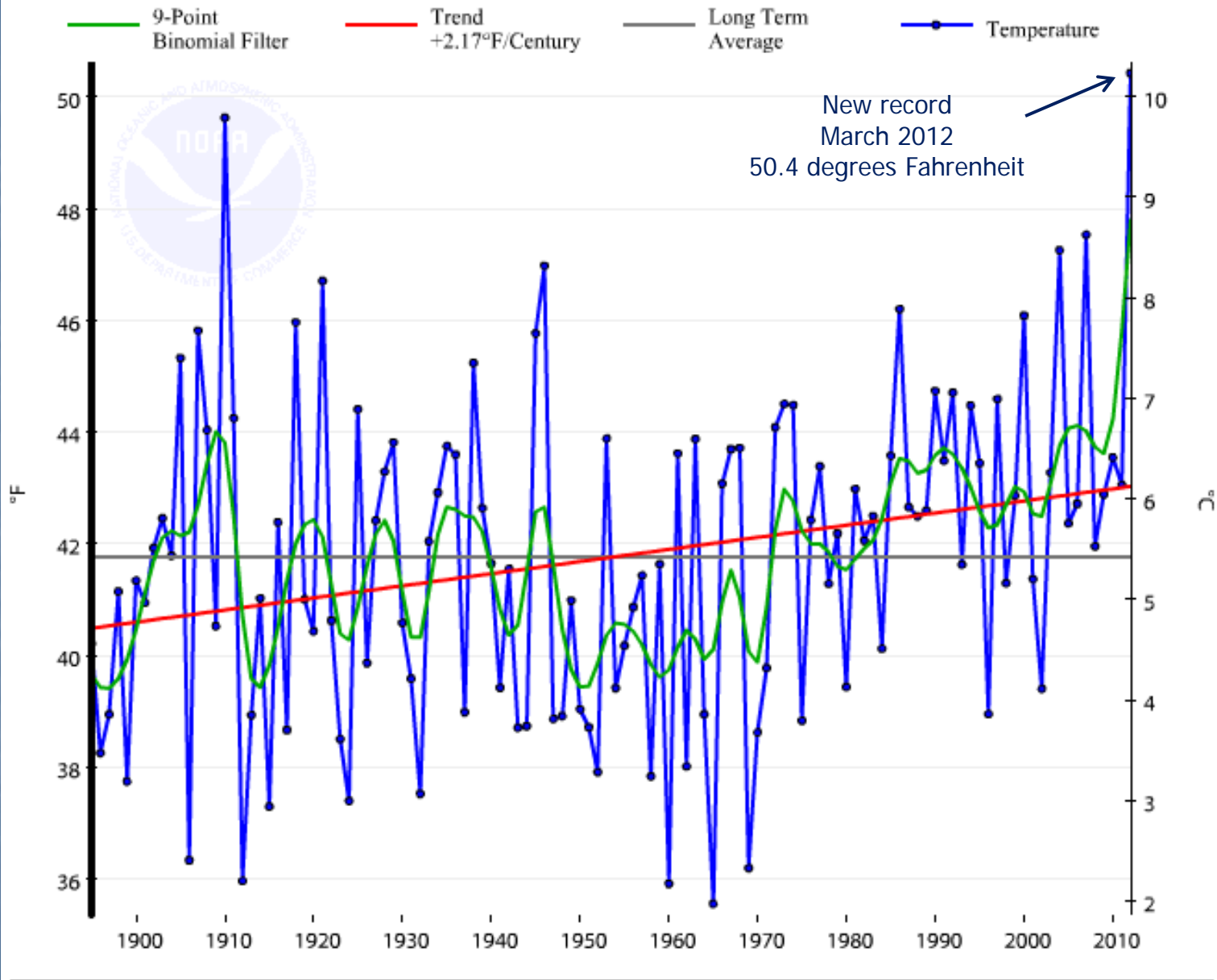
2012
A Record-Breaking
Year for the
Dairy Industry



Contiguous U.S., Temperature, January-December

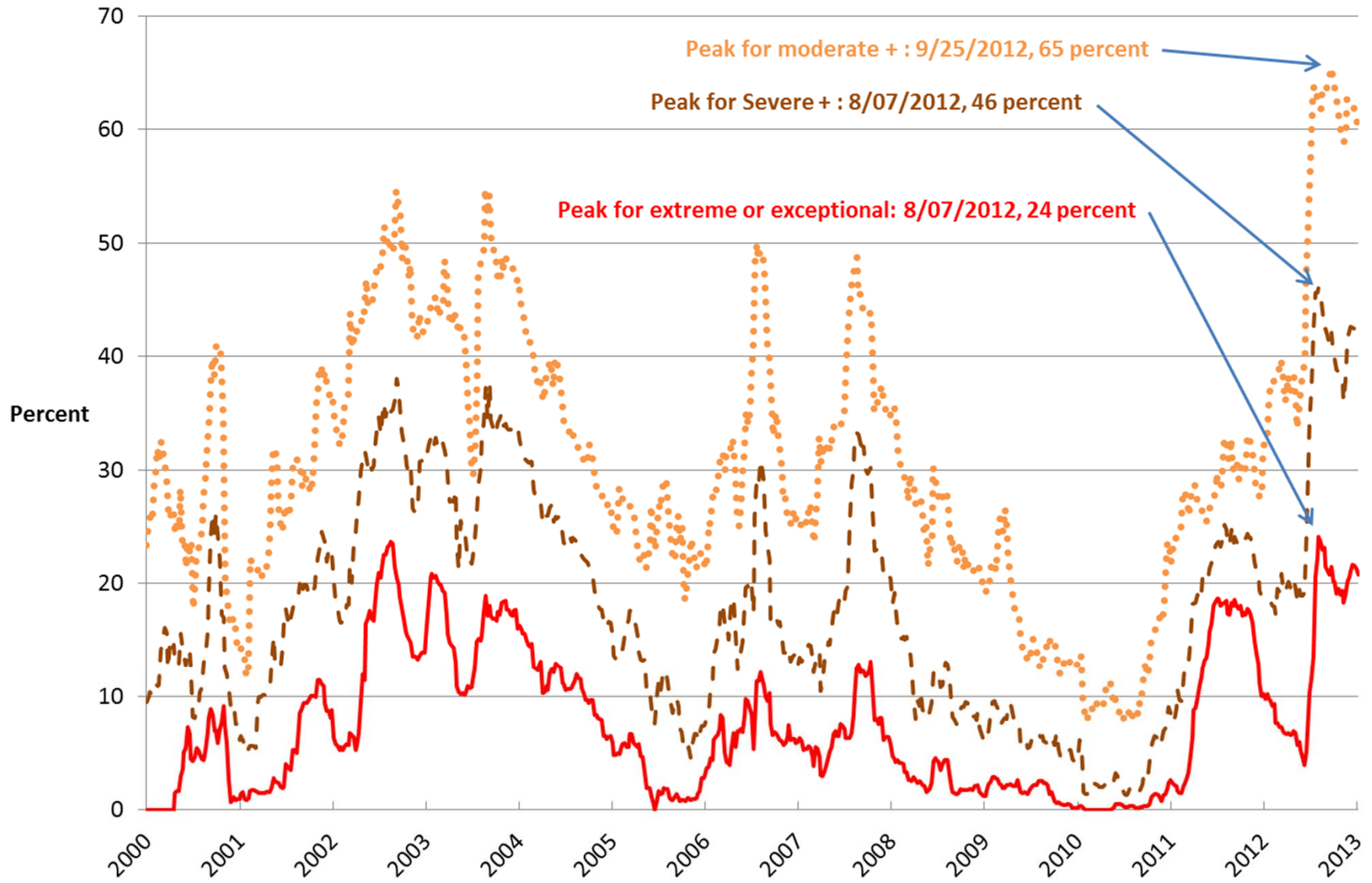


Contiguous U.S., Temperature, March

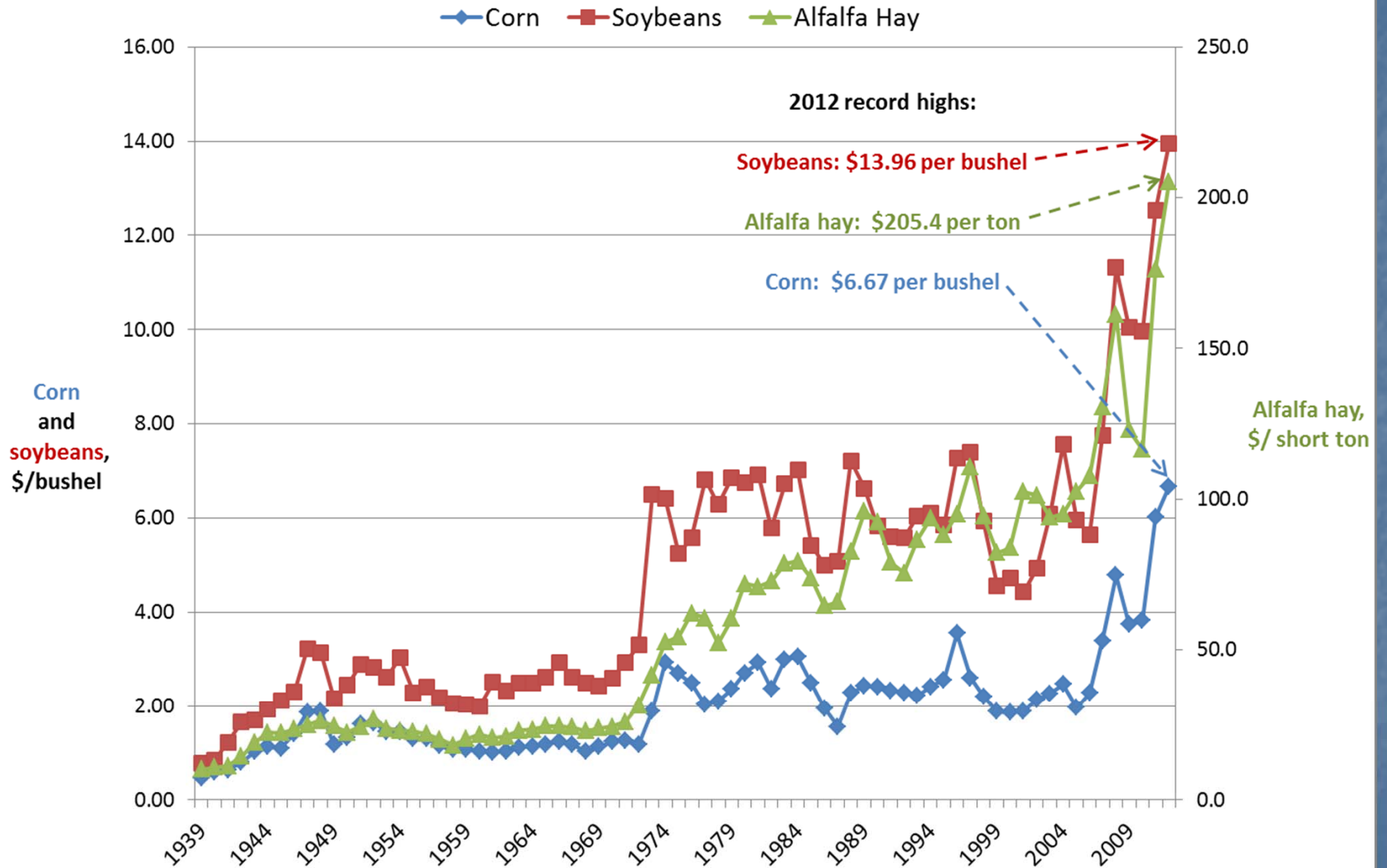


Drought in Contiguous U.S. (2000 to Present)

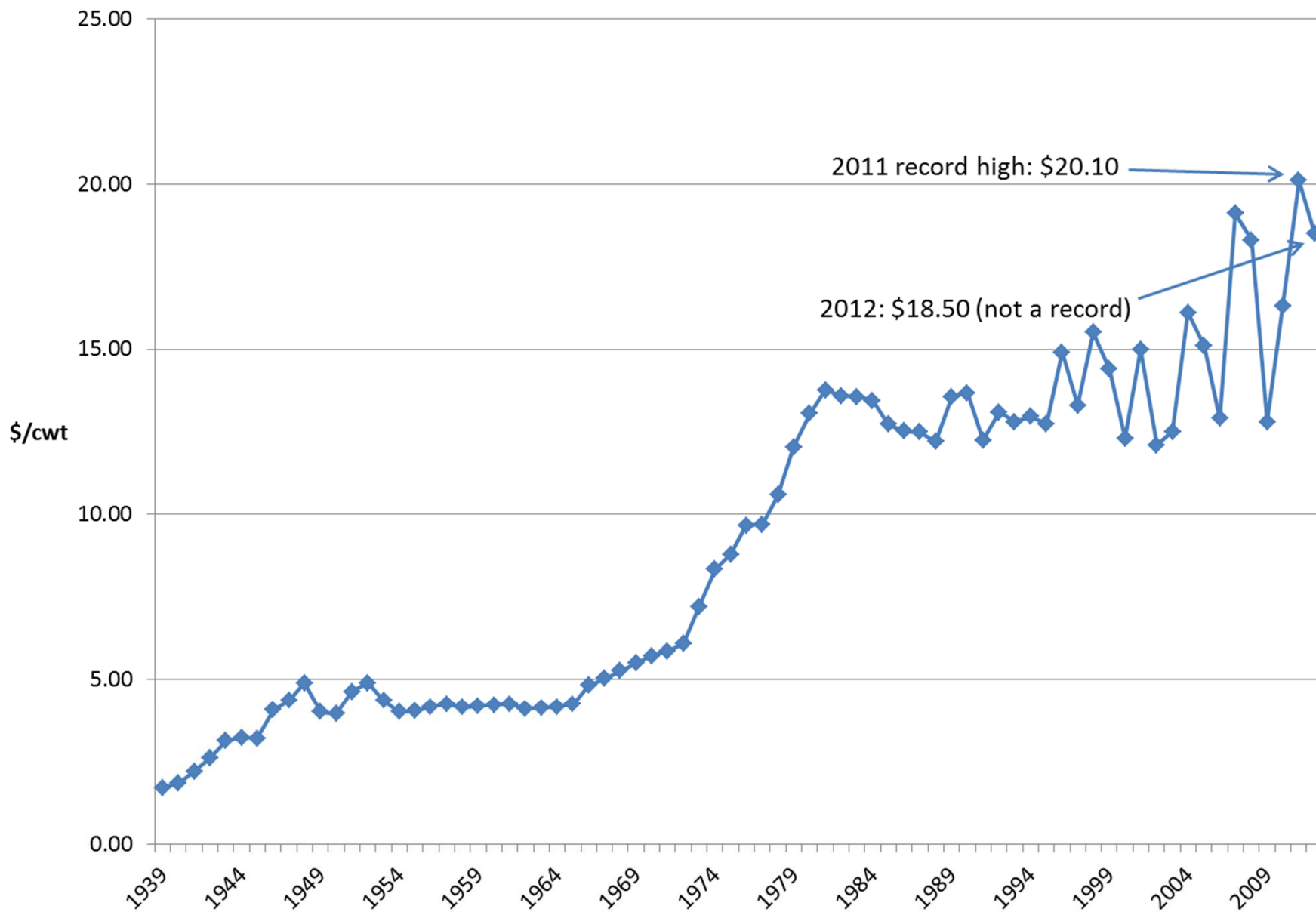
●●● Moderate + - - - Severe + — Extreme or exceptional



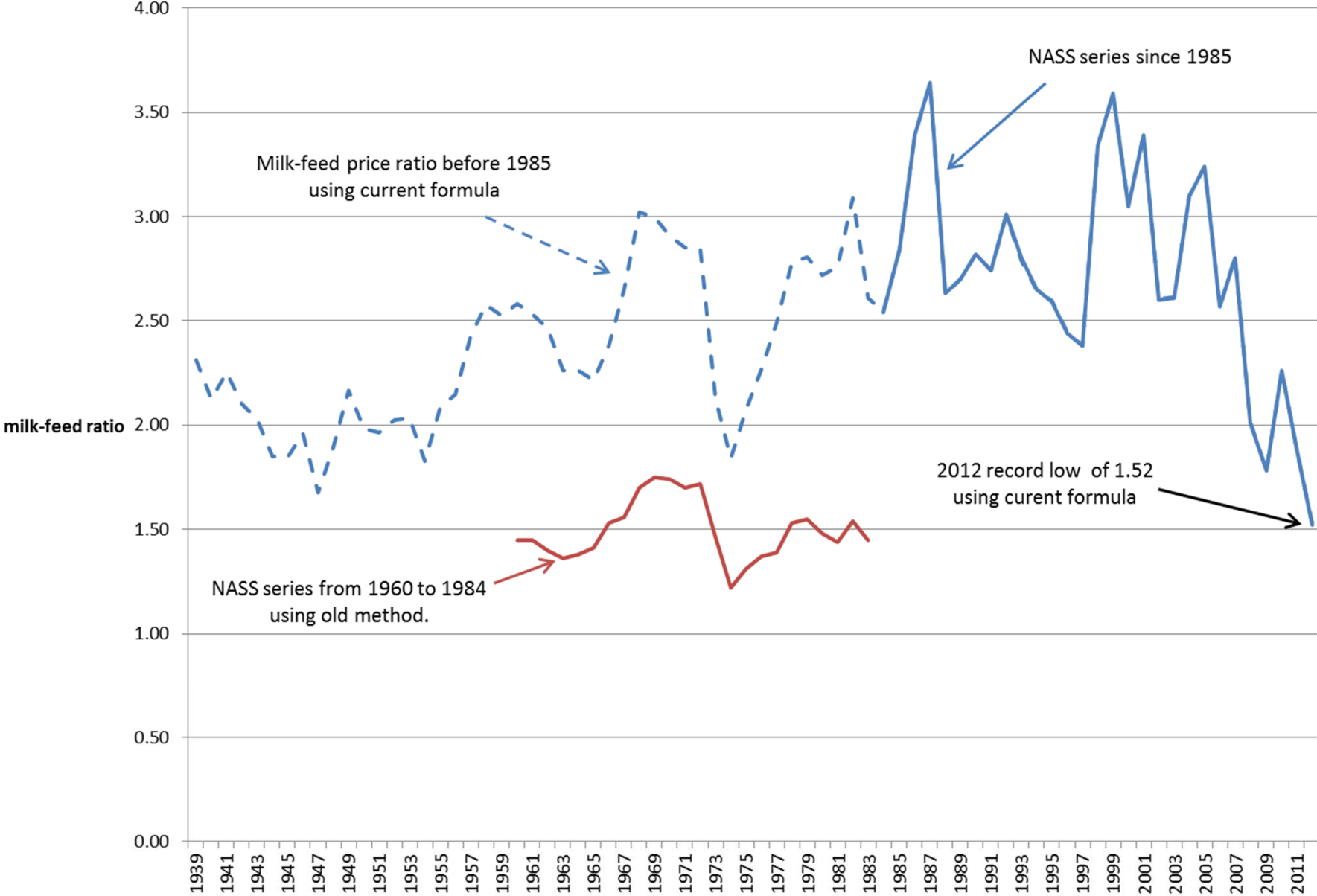
Prices of Feed Ingredients



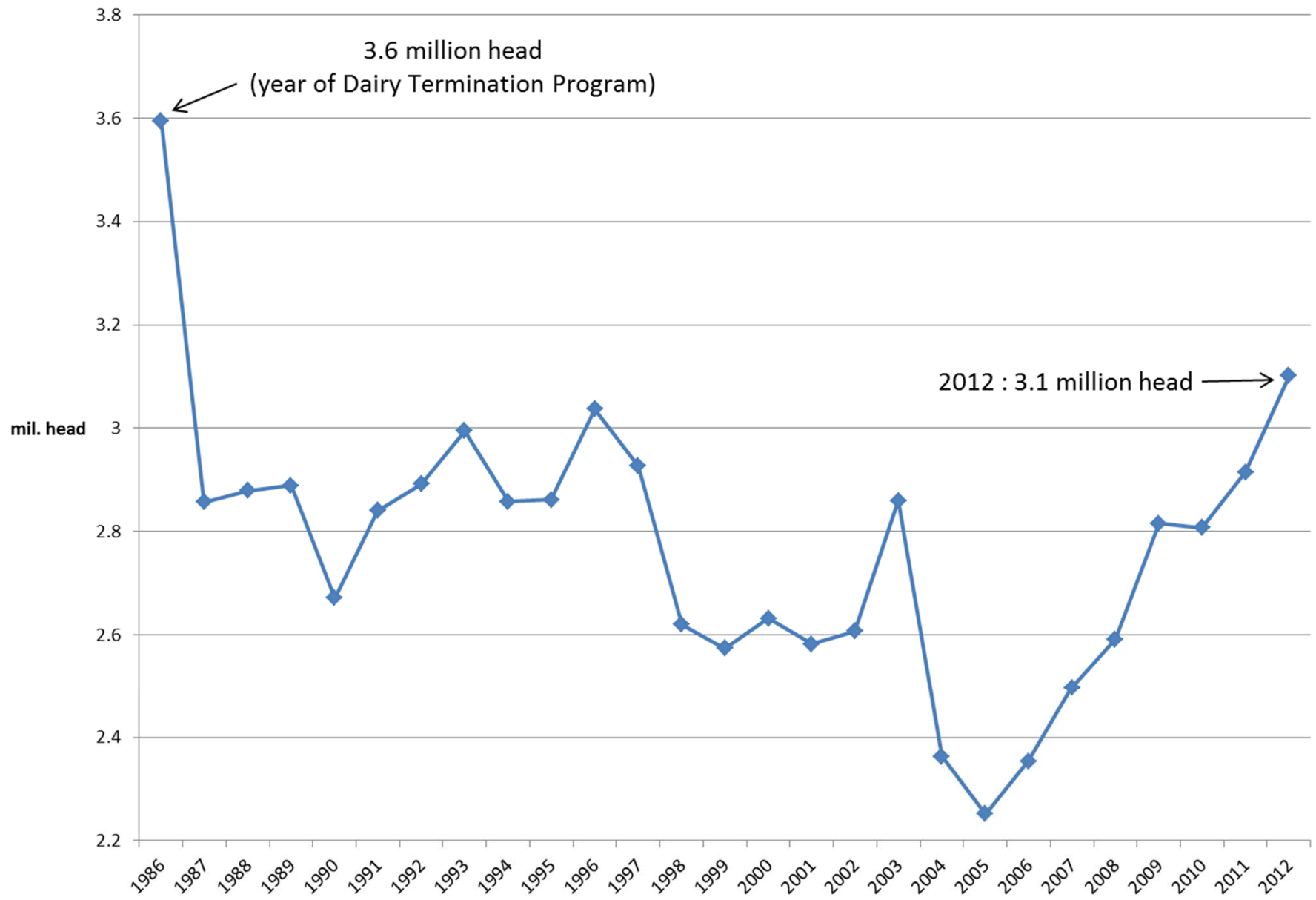
All-Milk Price



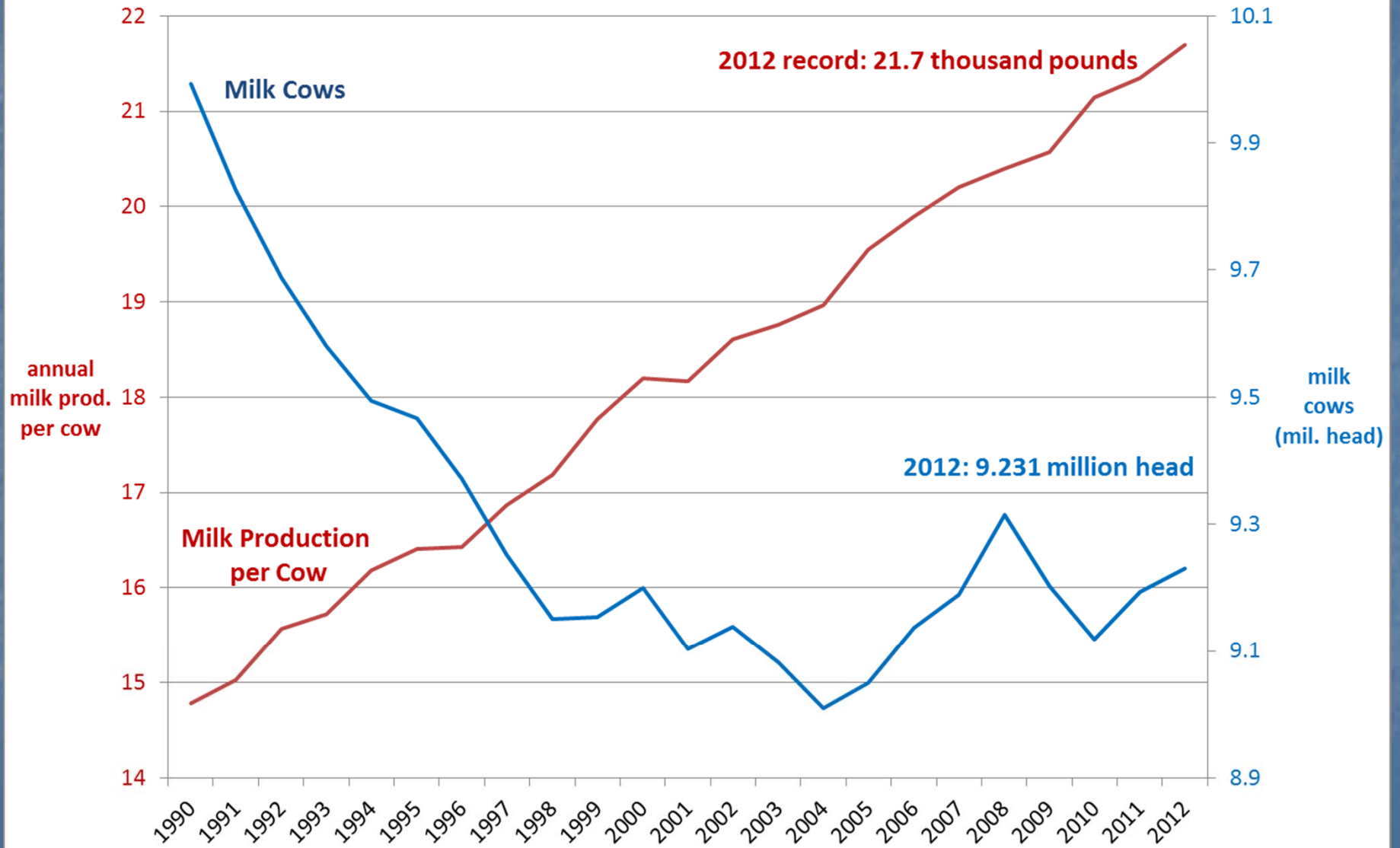
Annual Milk-Feed Price Ratio



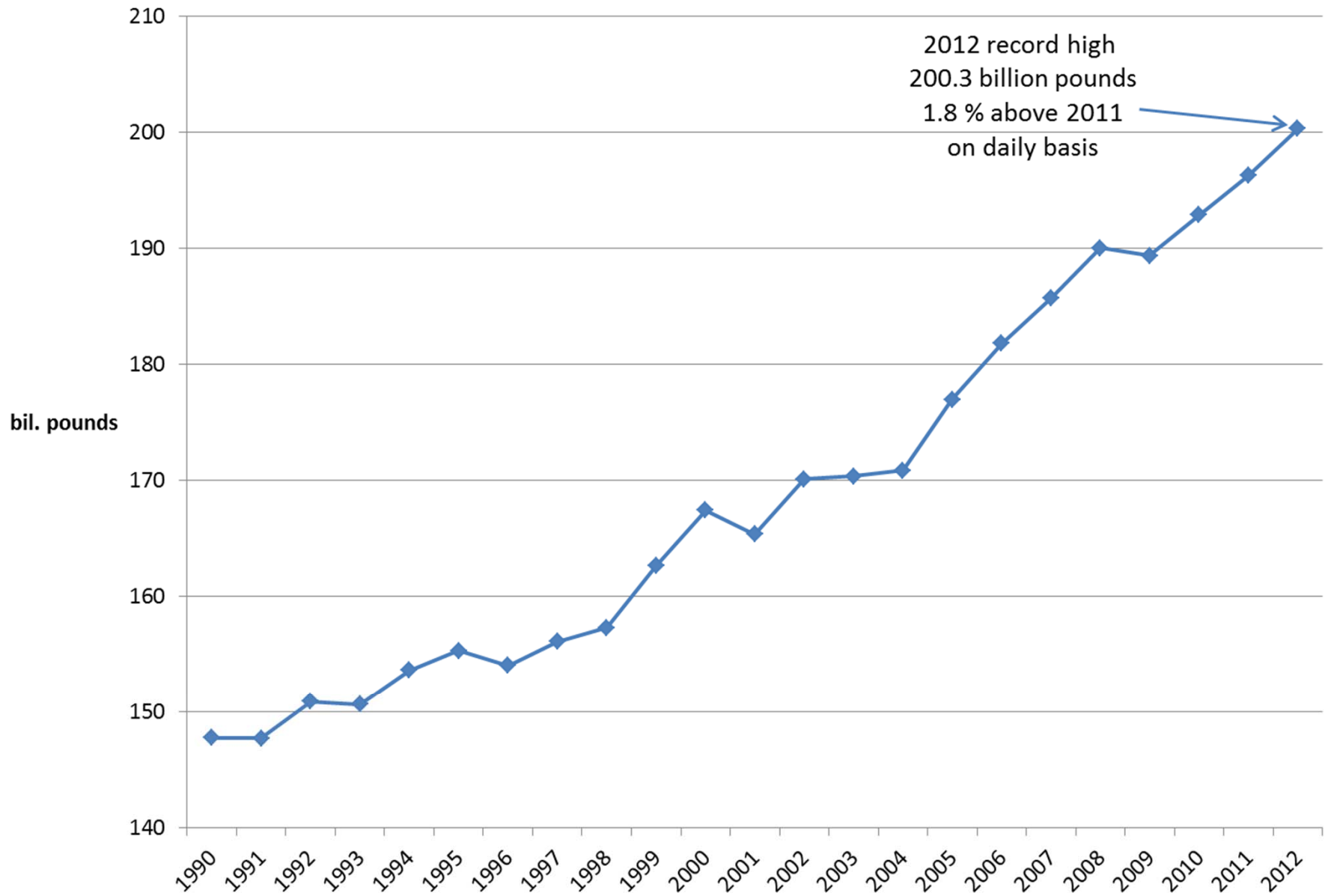
Milk Cows Slaughtered



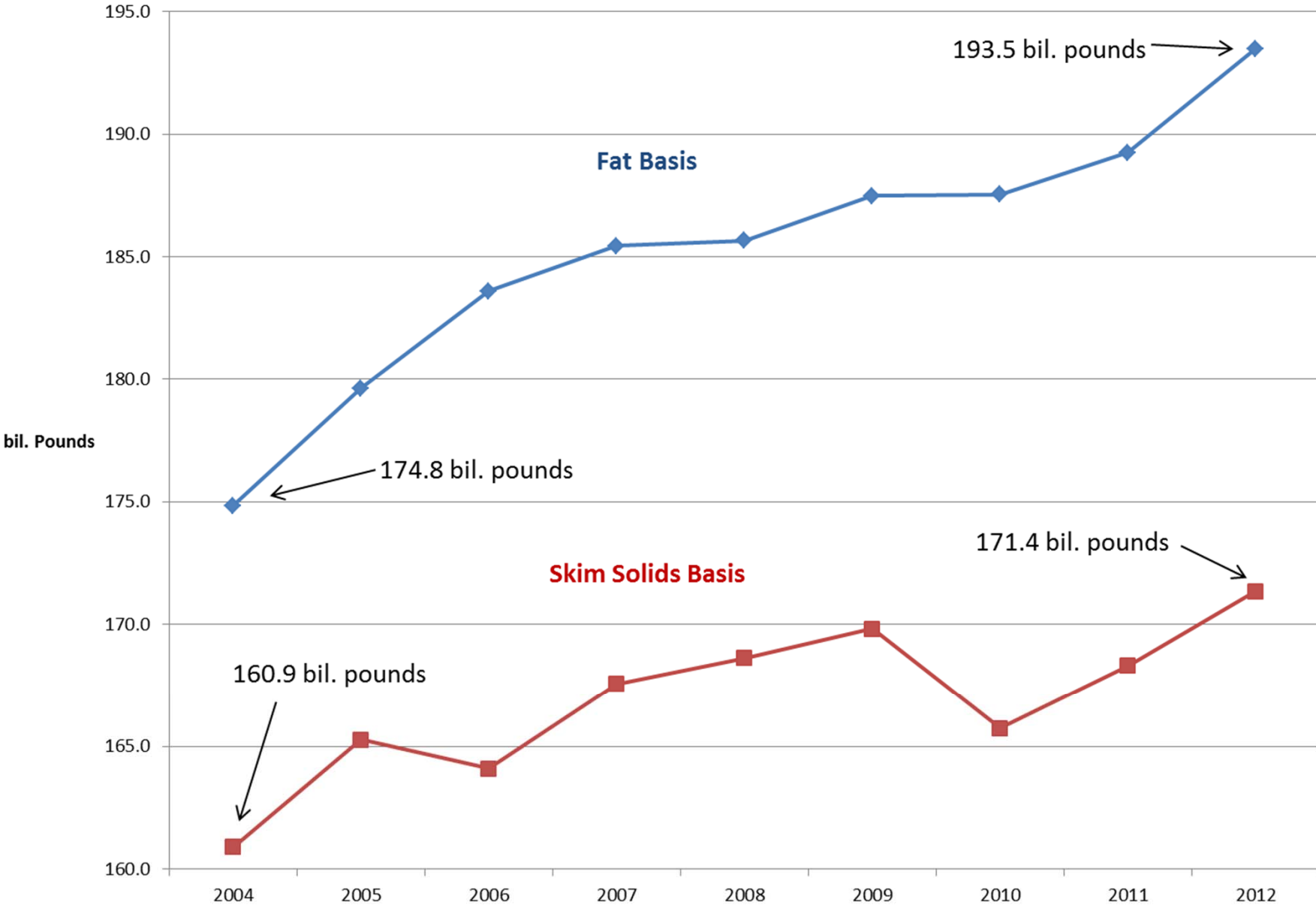
Milk Cow Numbers and Milk Production Per Cow



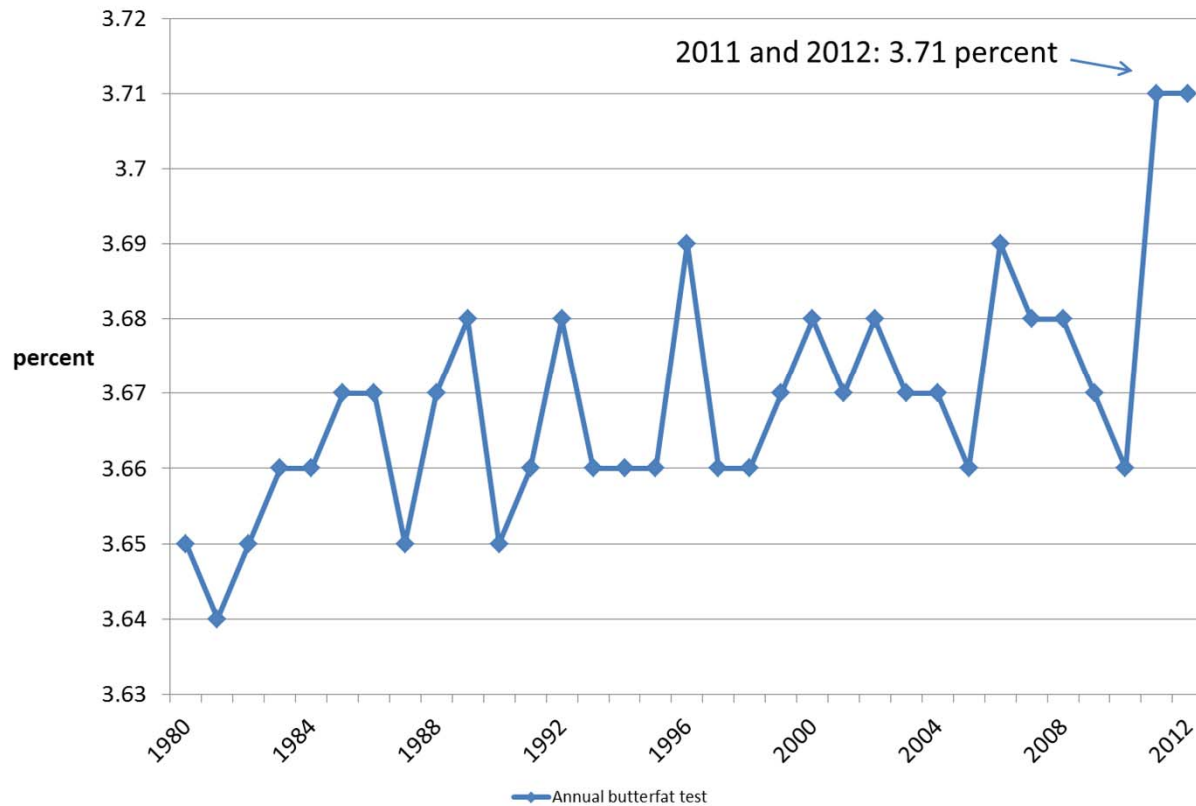
2012 Milk Production Passes 200 Billion Pound Mark



Domestic Commercial Disappearance



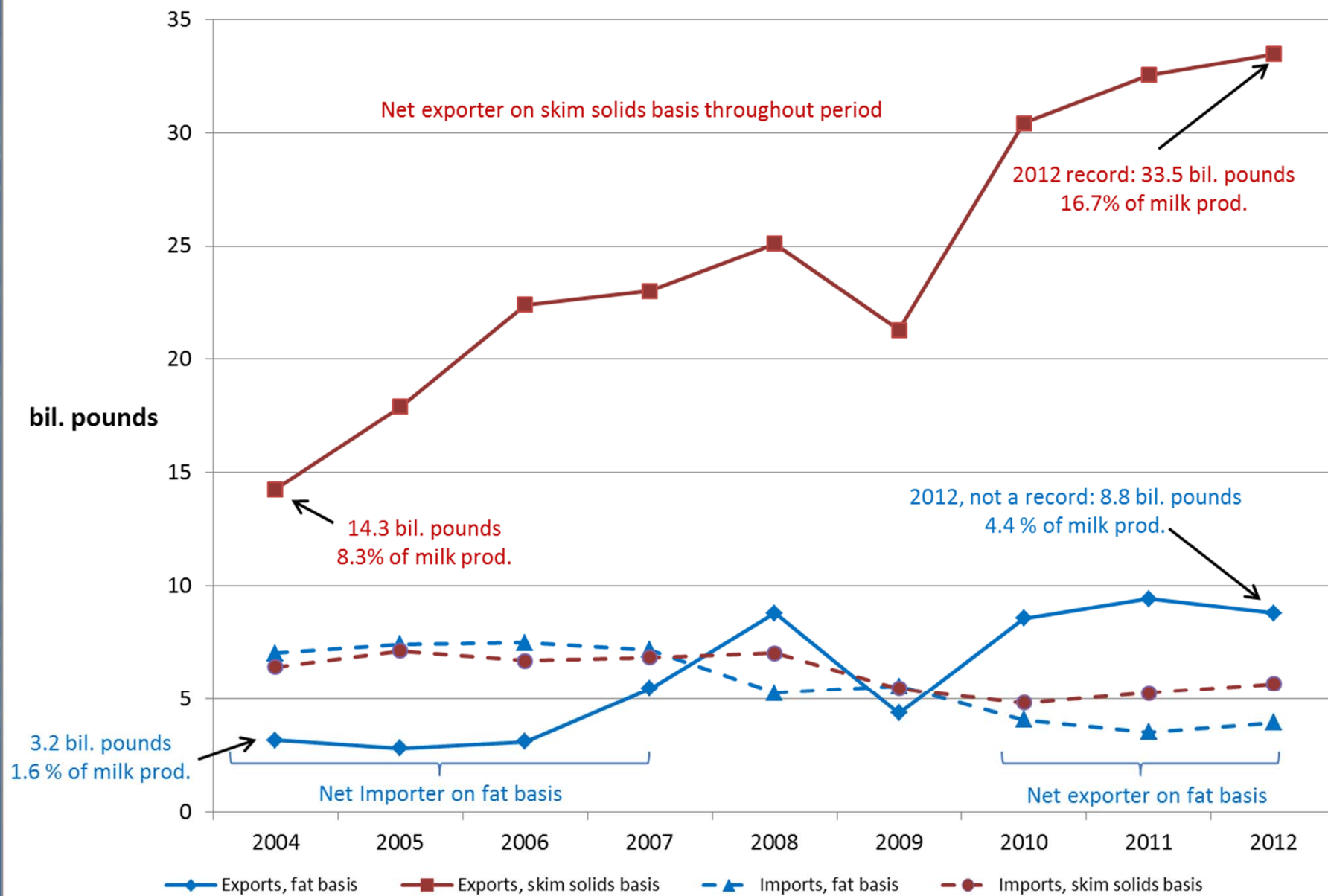
Annual Milkfat Test



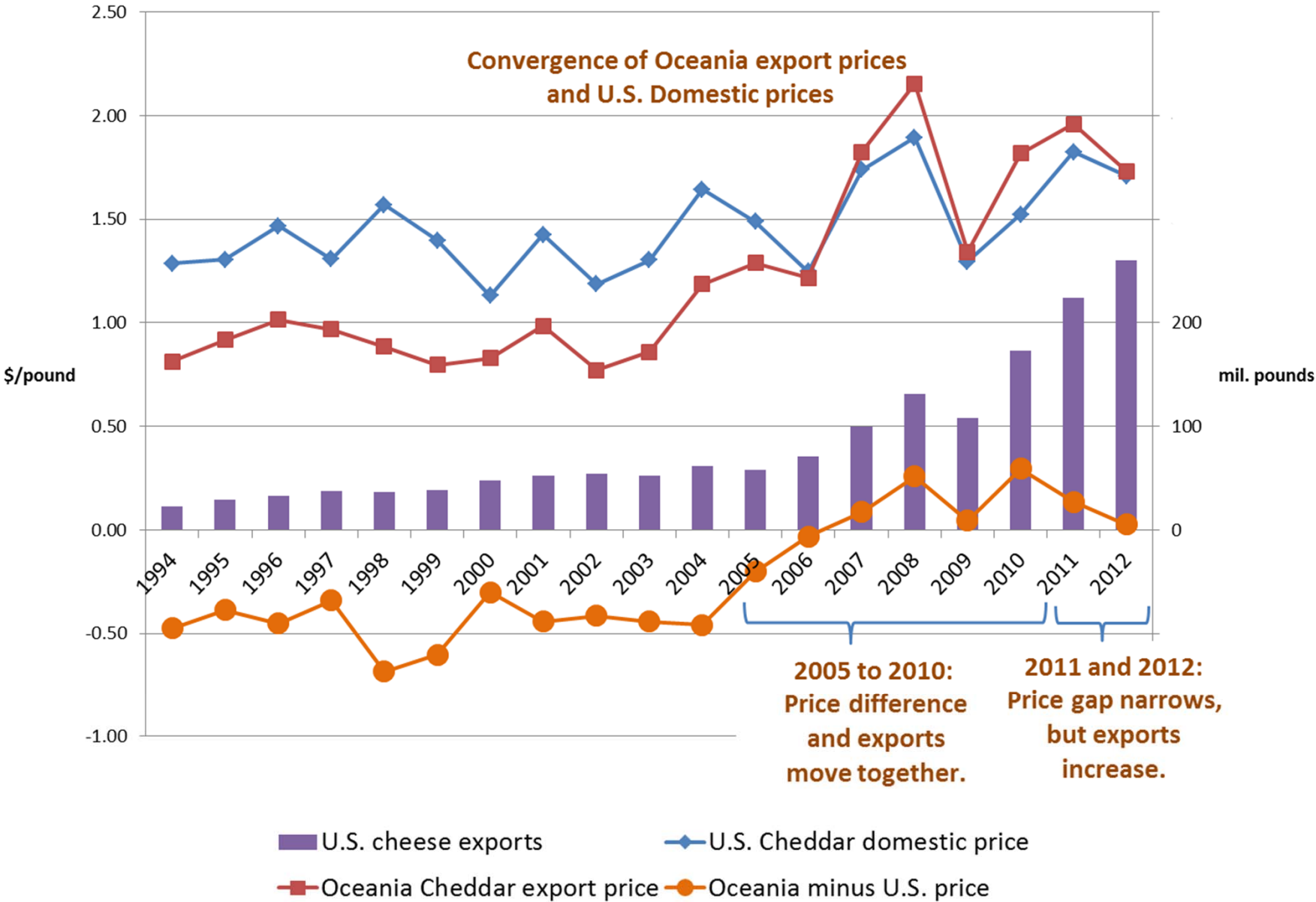
Dairy Cow Percentage Enrollment in Dairy Herd Improvement (DHI) Test Plans as of January 1 by Breed

Breed	2009	2010	2011	2012	2013
Holstein	89.1	87.6	86.8	86.0	84.7
Mixed	5.1	6.6	7.5	8.2	8.6
Jersey	5.1	5.2	5.1	5.2	6.2
Other	0.7	0.6	0.6	0.5	0.5
Total	100.0	100.0	100.0	100.0	100.0

Annual Commercial Exports and Imports on Milk Equivalent Basis

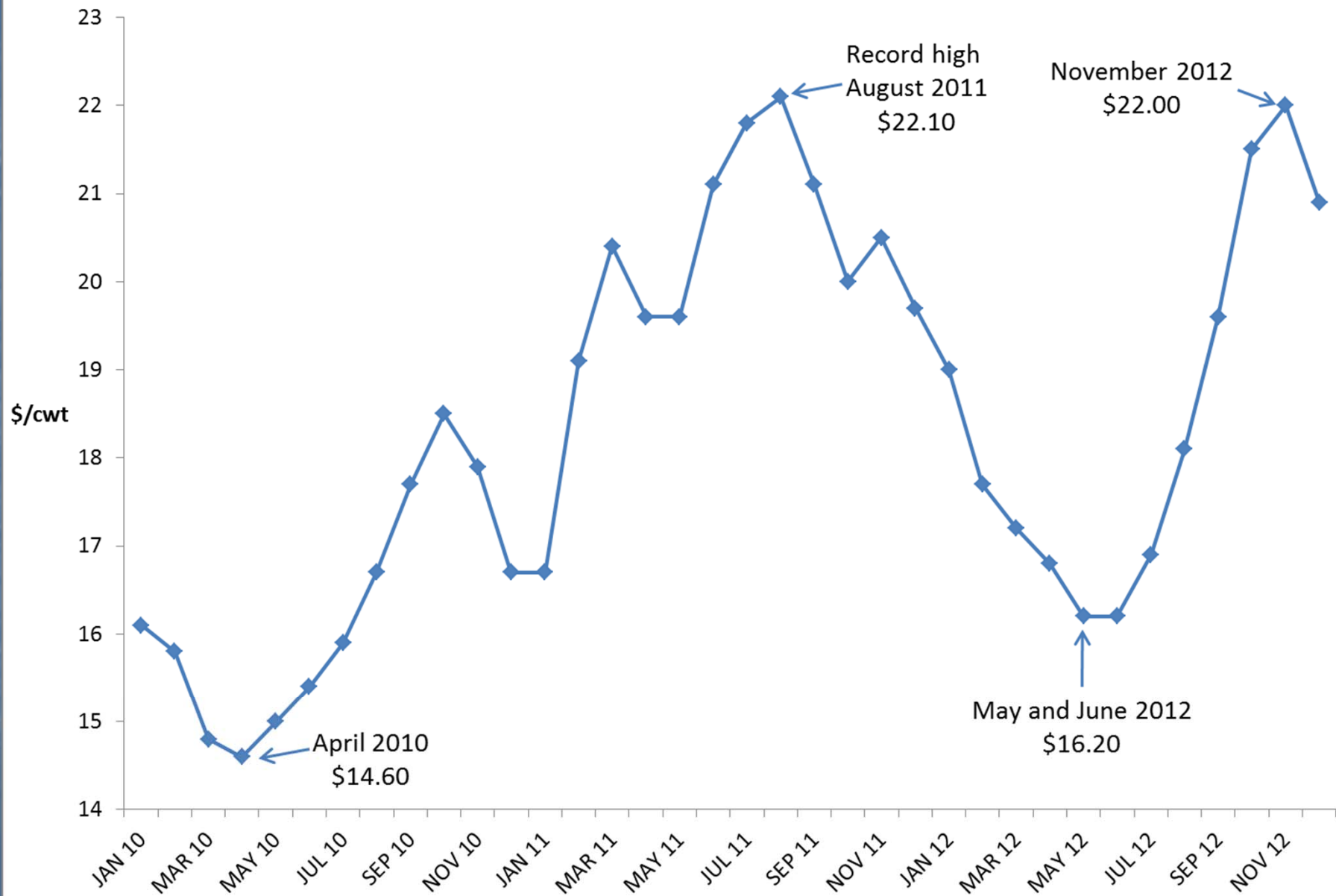


Relationship of Cheese Prices and Exports



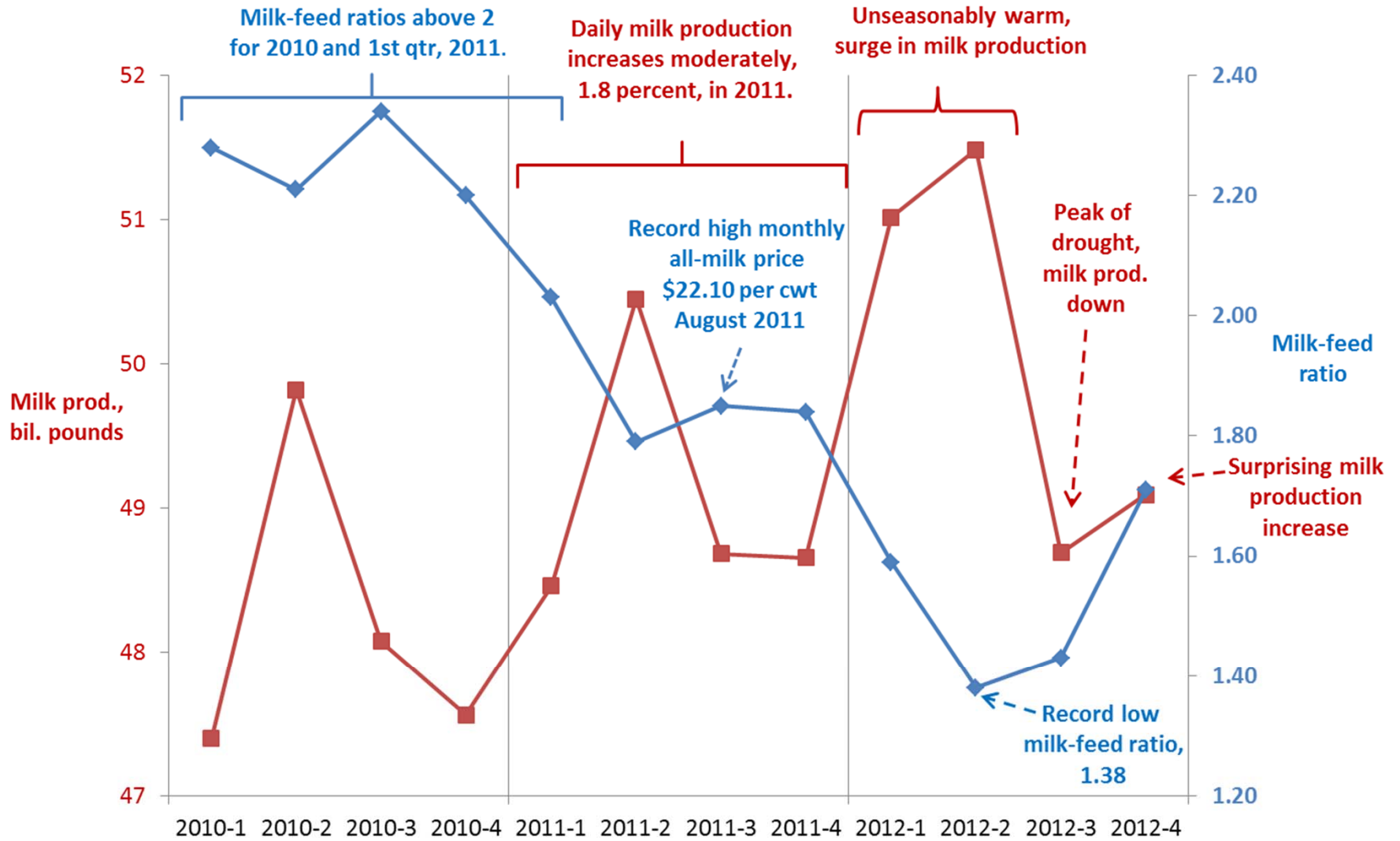
Closer Look at 2010 Through 2012

Monthly All-Milk Price, 2010-2012

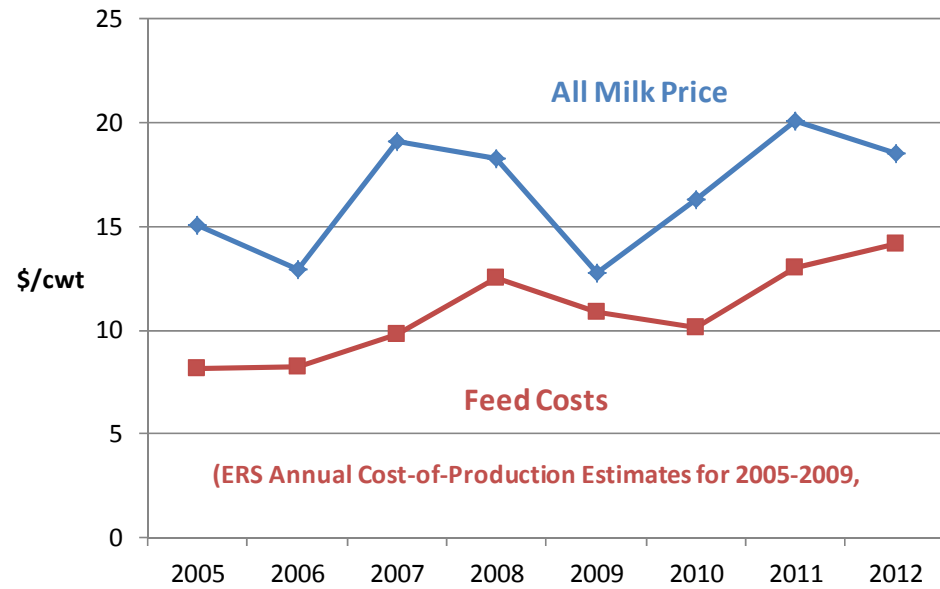


Milk Production and Milk-Feed Ratio

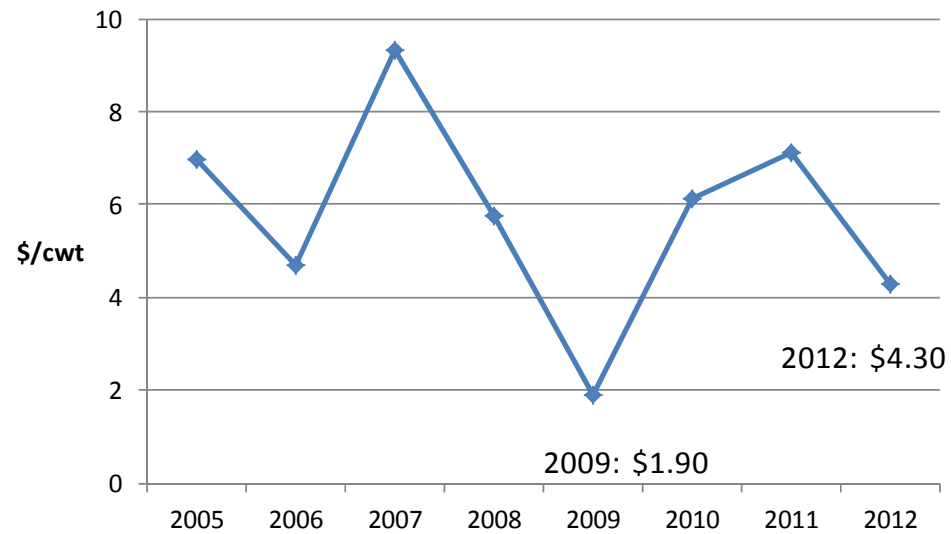
■ Milk production ◆ Milk-feed ratio



All Milk Price and Feed Costs

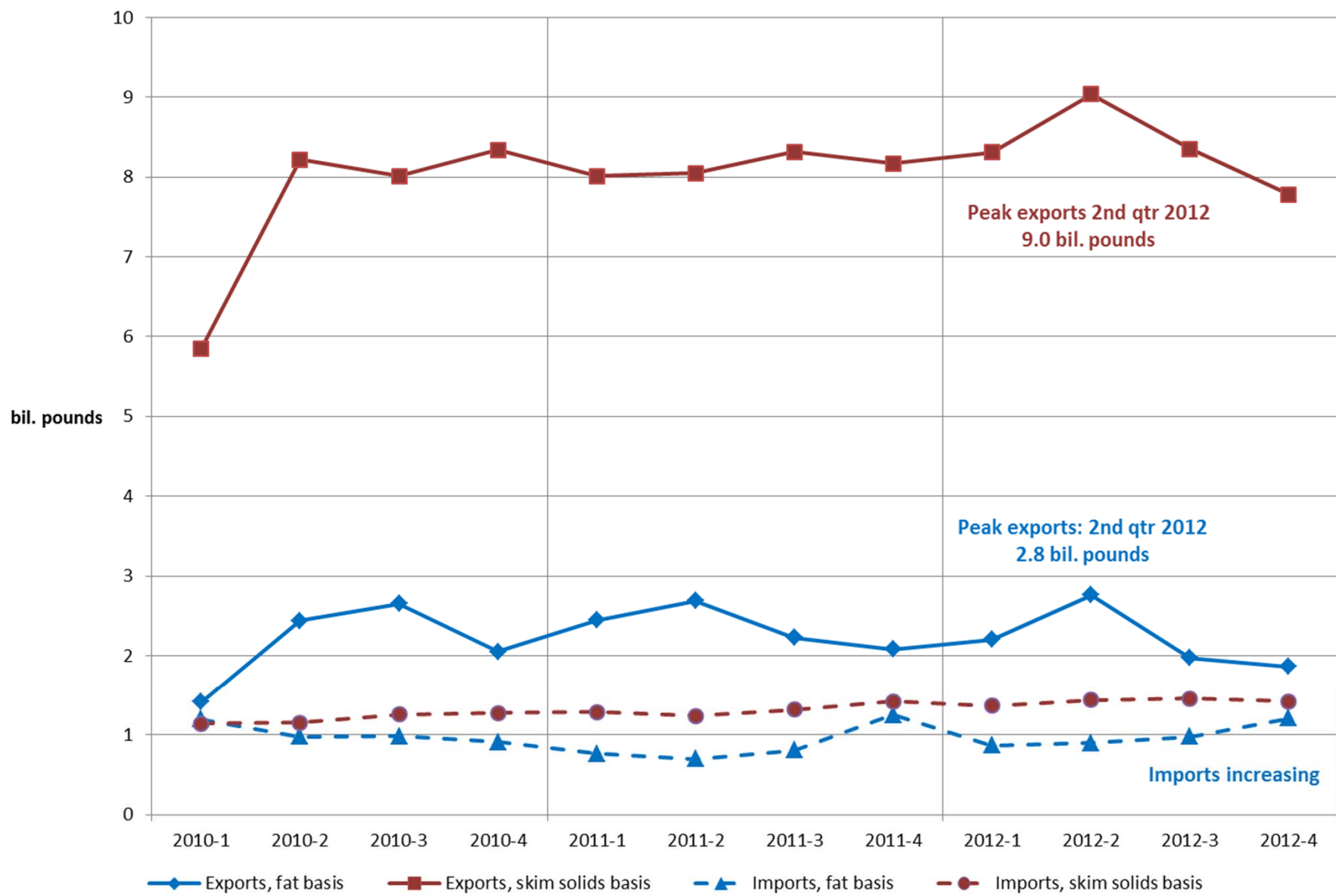


All-Milk Price Minus Feed Costs (using above data)



Margins on average were smaller in 2009 than in 2012.

Commercial Exports and Imports



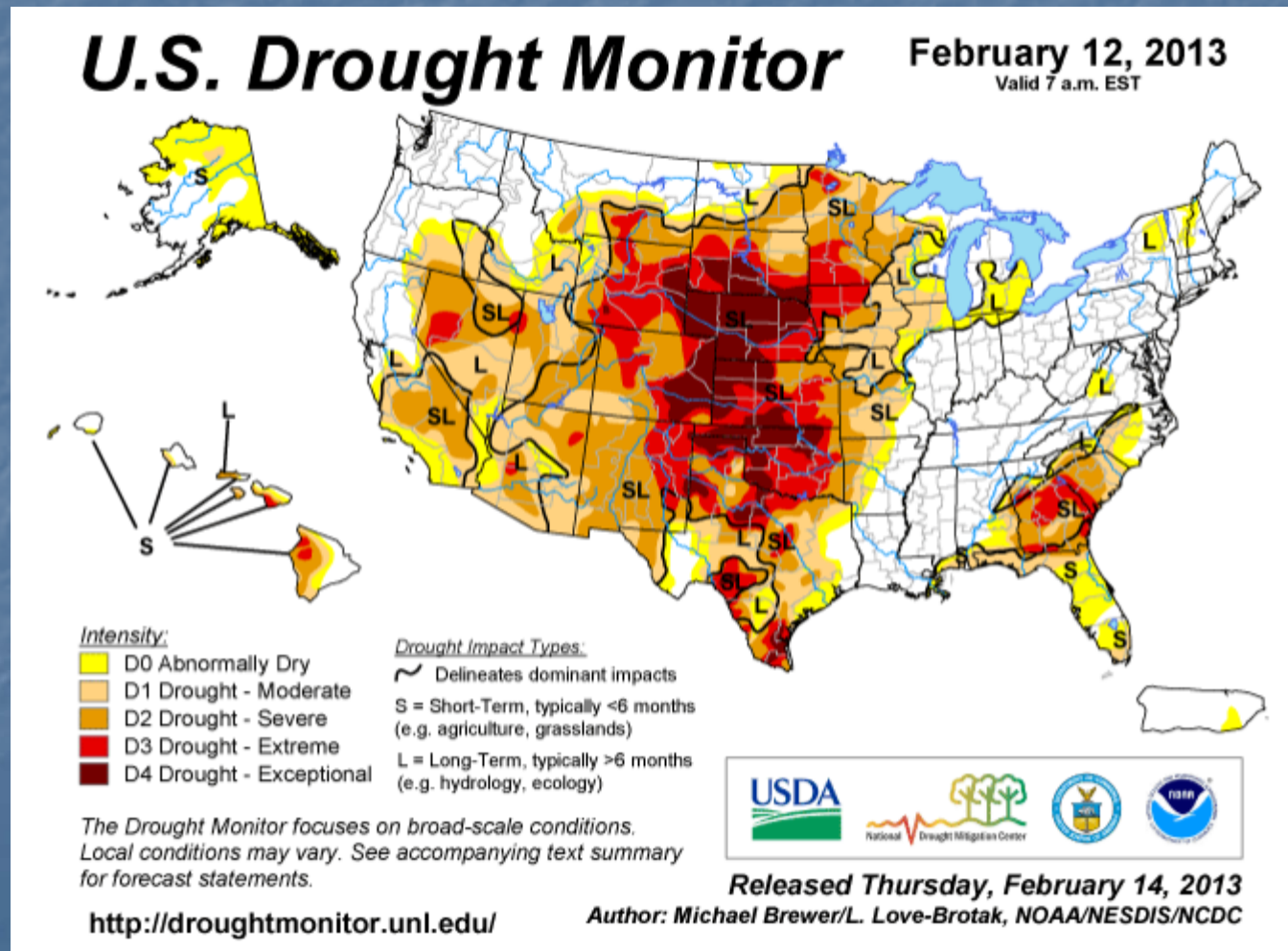
Transition

From 2012 to 2013

Still in a Drought

Projections Assume Return to Normal Weather

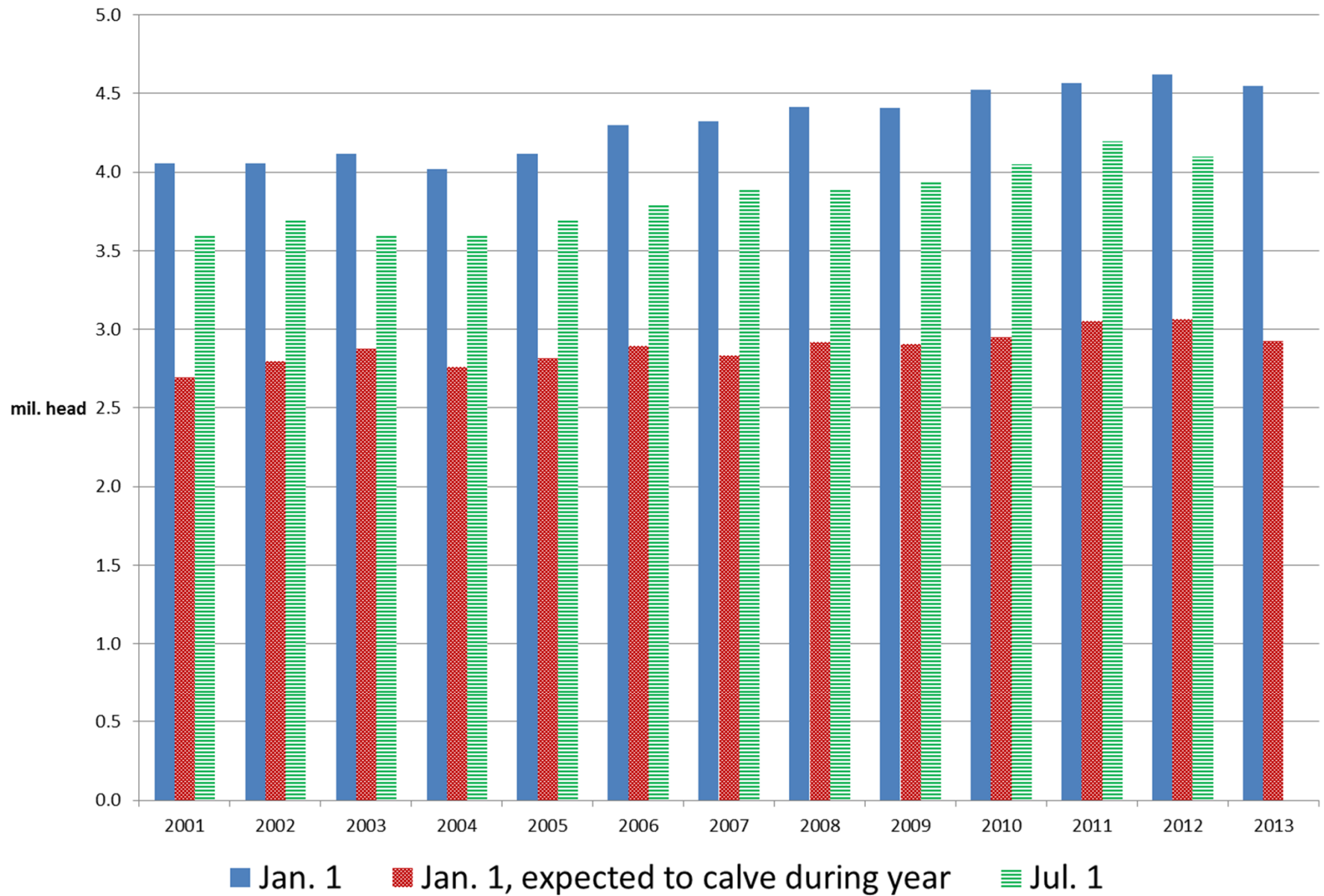
38 % of contiguous U.S. in severe or worse drought.
Down from peak of 65 %.



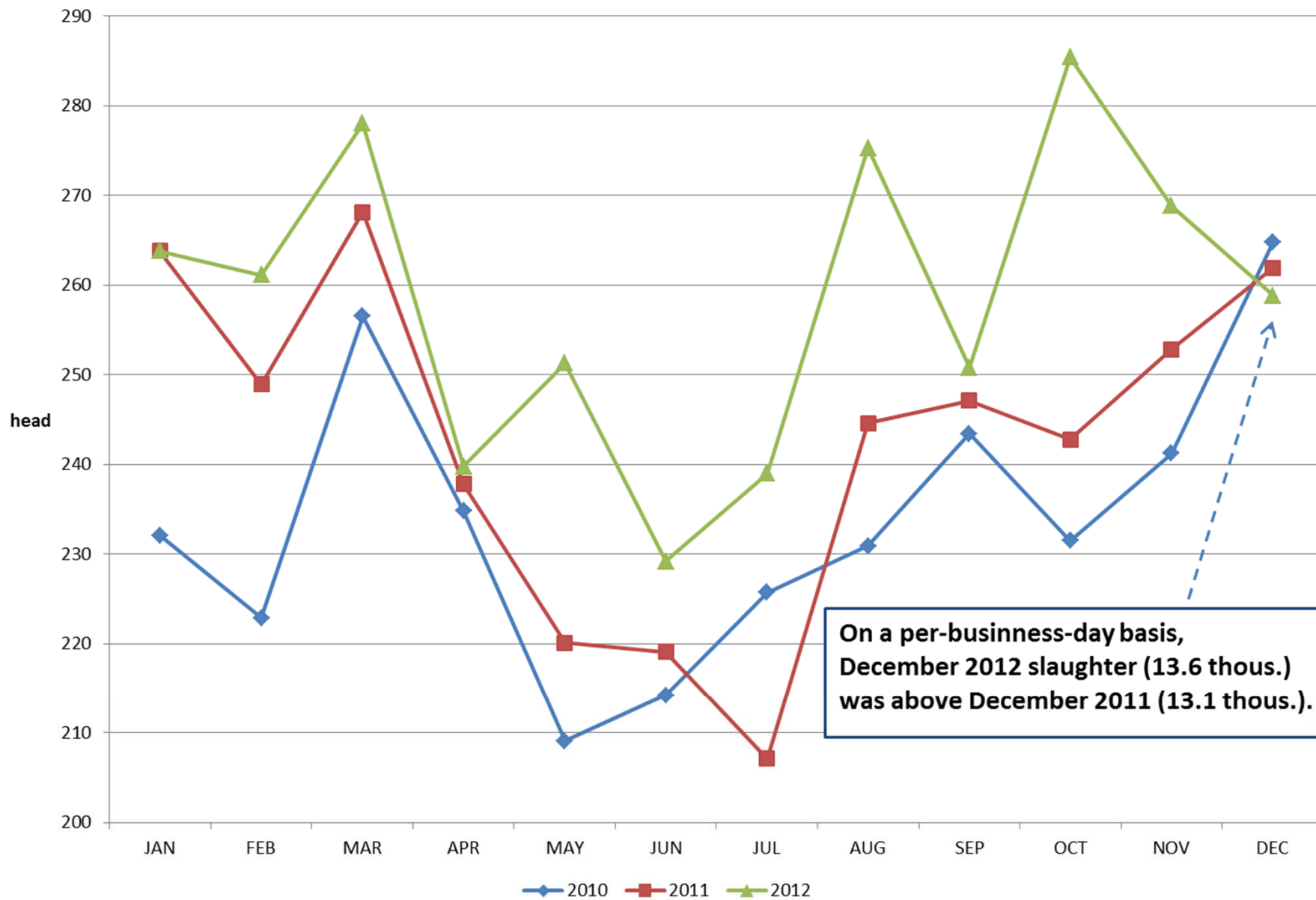
Feed Price Projections

- Corn (Marketing Year: Sept.-Aug.)
 - 2011/2012: \$6.22 per bushel (historical data)
 - 2012/2013: \$6.75 – \$7.65 per bushel
 - Expectations of a relatively large planted area and trend yield growth
 - 2013-2014: \$4.80 per bushel
- Soybean Meal (Marketing Year: Oct.-Sept.)
 - 2011/2012: \$394 per short ton (historical data)
 - 2012-2013: \$430 - \$460 per short ton
 - 2013-2014: \$300 per short ton
- Note: Feed price projections are per applicable marketing year. Milk price, supply, and use projections are per calendar year.
- The lower feed price projections for 2013/14 marketing suggest some relief for dairy farmers in the latter part of calendar year 2013.

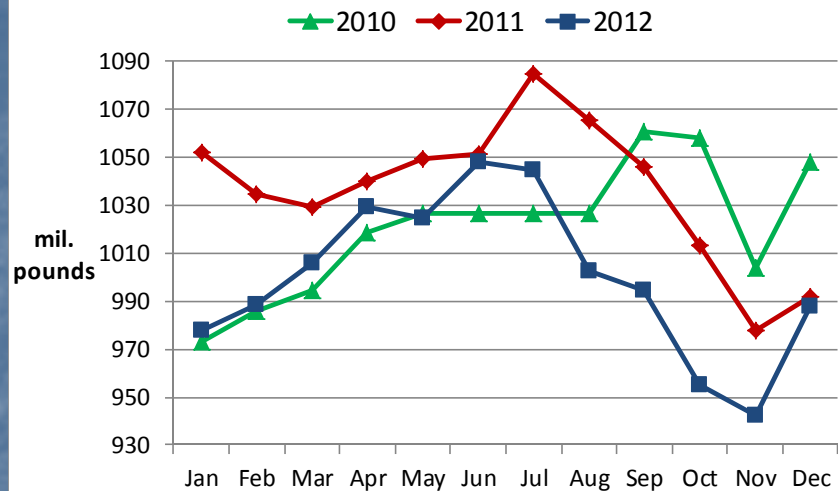
Milk Cow Replacement Heifers (500 pounds and over)



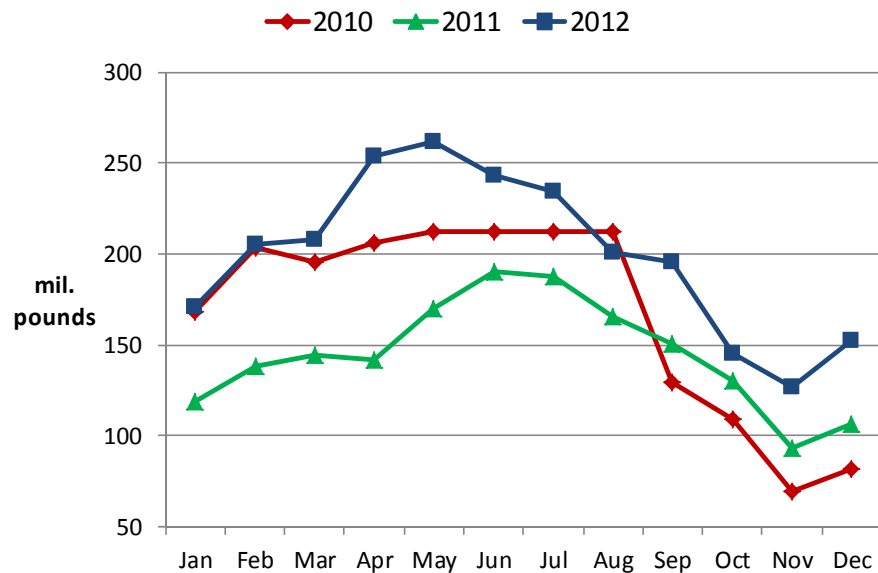
Dairy Cows Slaughtered Under Federal Inspection



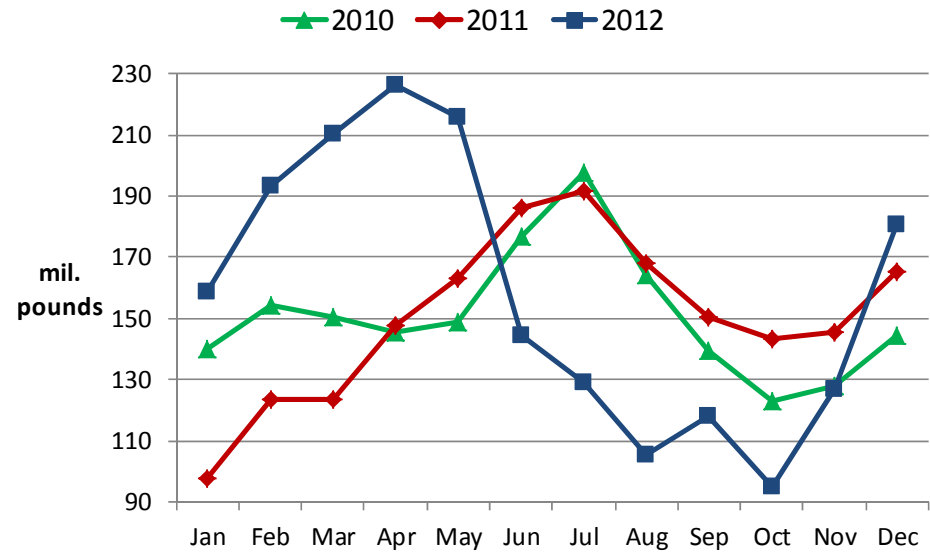
Total Natural Cheese Ending Stocks, Cold Storage



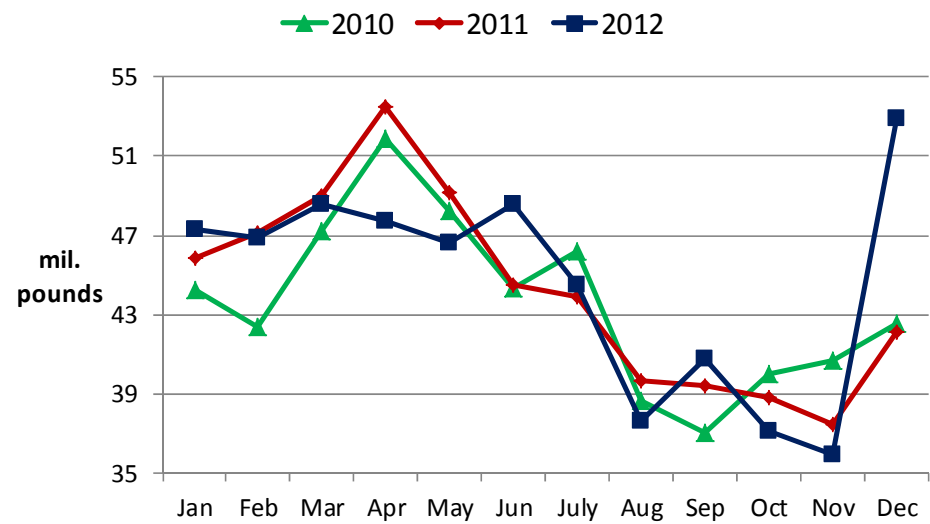
Butter Ending Stocks, Cold Storage



Manufacturer's Nonfat Dry Milk Ending Stocks



Manufacturer's Whey Ending Stocks, For Human Consumption



A Look Forward to 2013

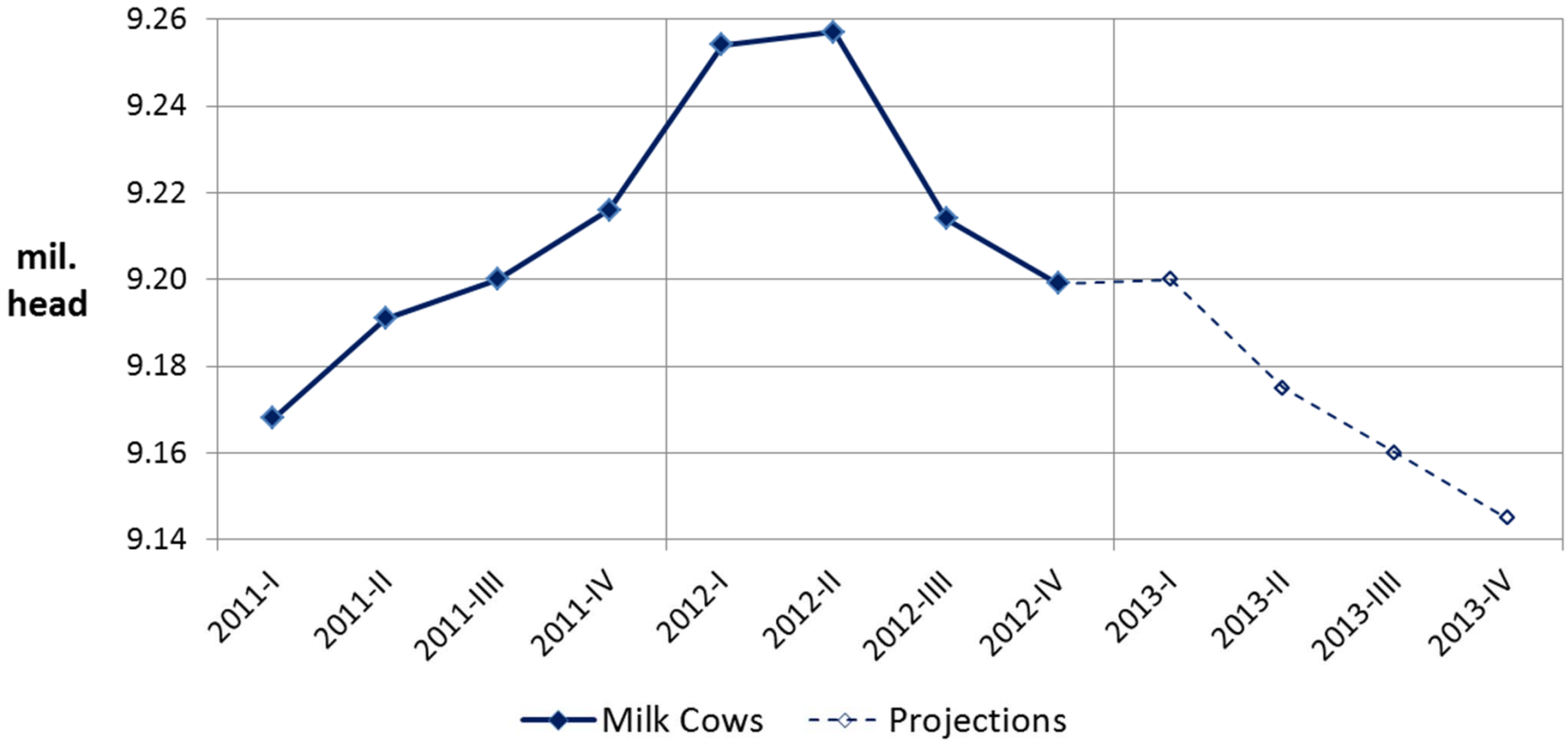
Milk Cows (mil. head)

Milk Cows
% chg prev. yr.

2011
9.194
+ 0.8%

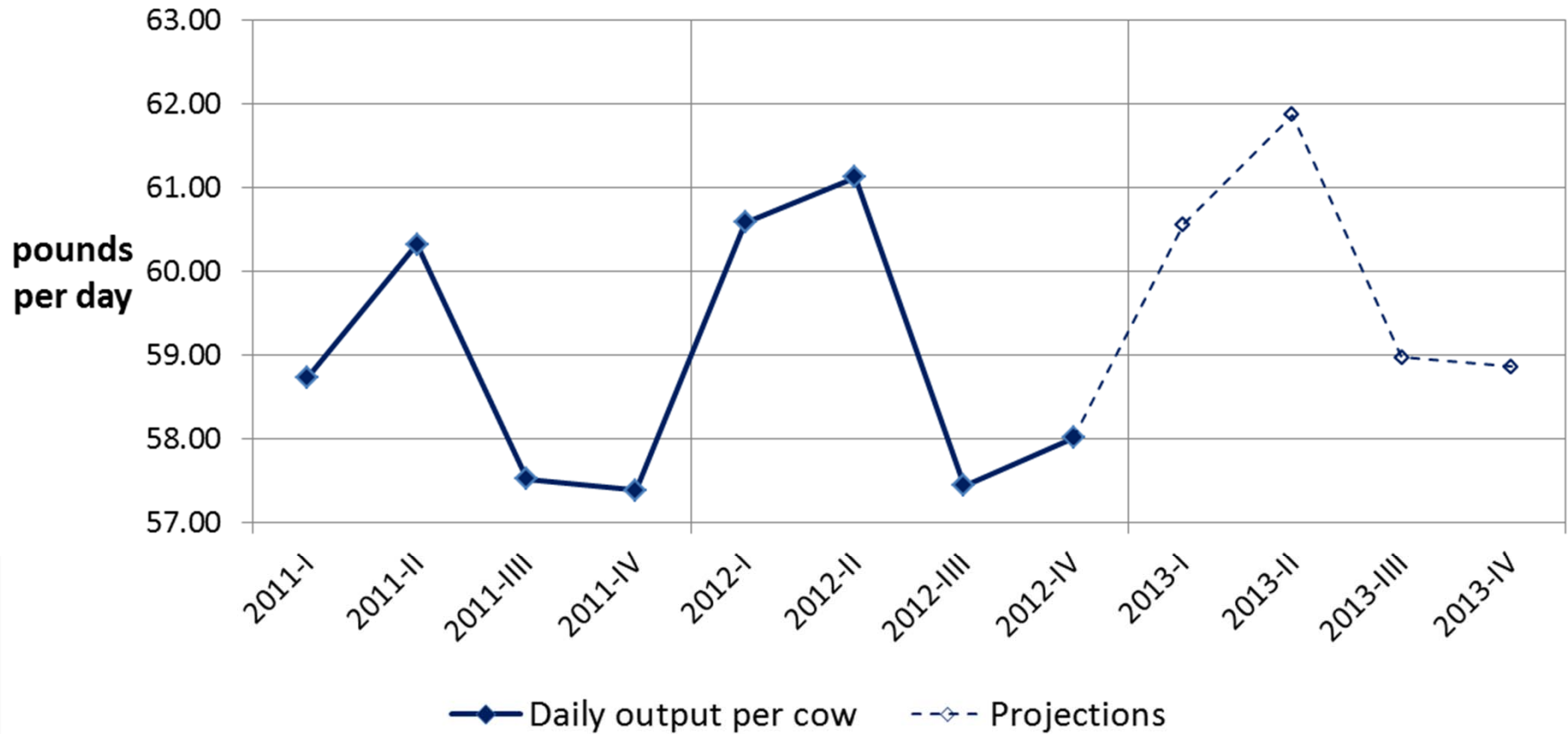
2012
9.231
+ 0.4%

2013
9.170
- 0.7%



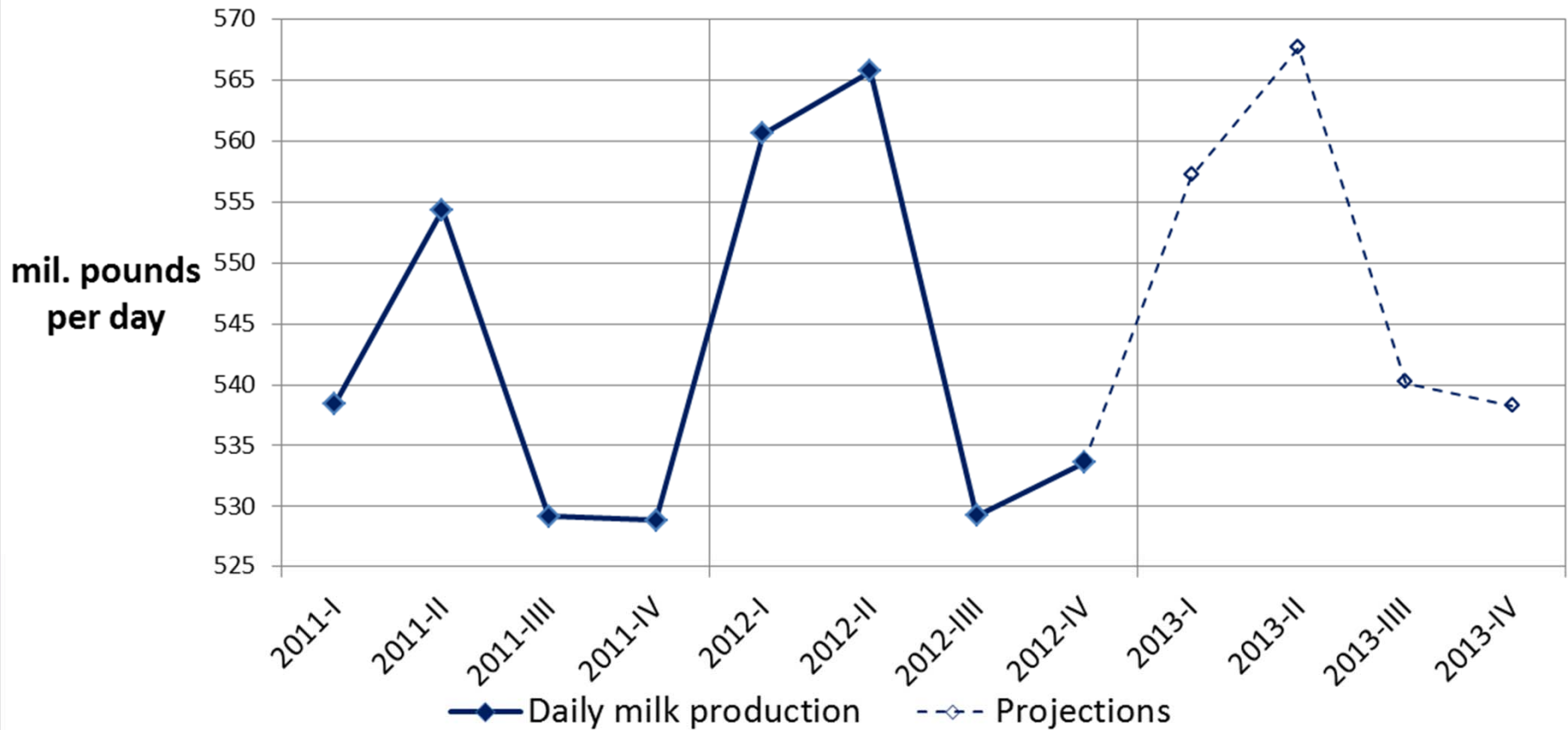
Daily Output per Cow (pounds)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Daily output per cow	58.5	59.3	60.1
% chg prev. yr.	+ 0.9%	+ 1.4%	+ 1.3%



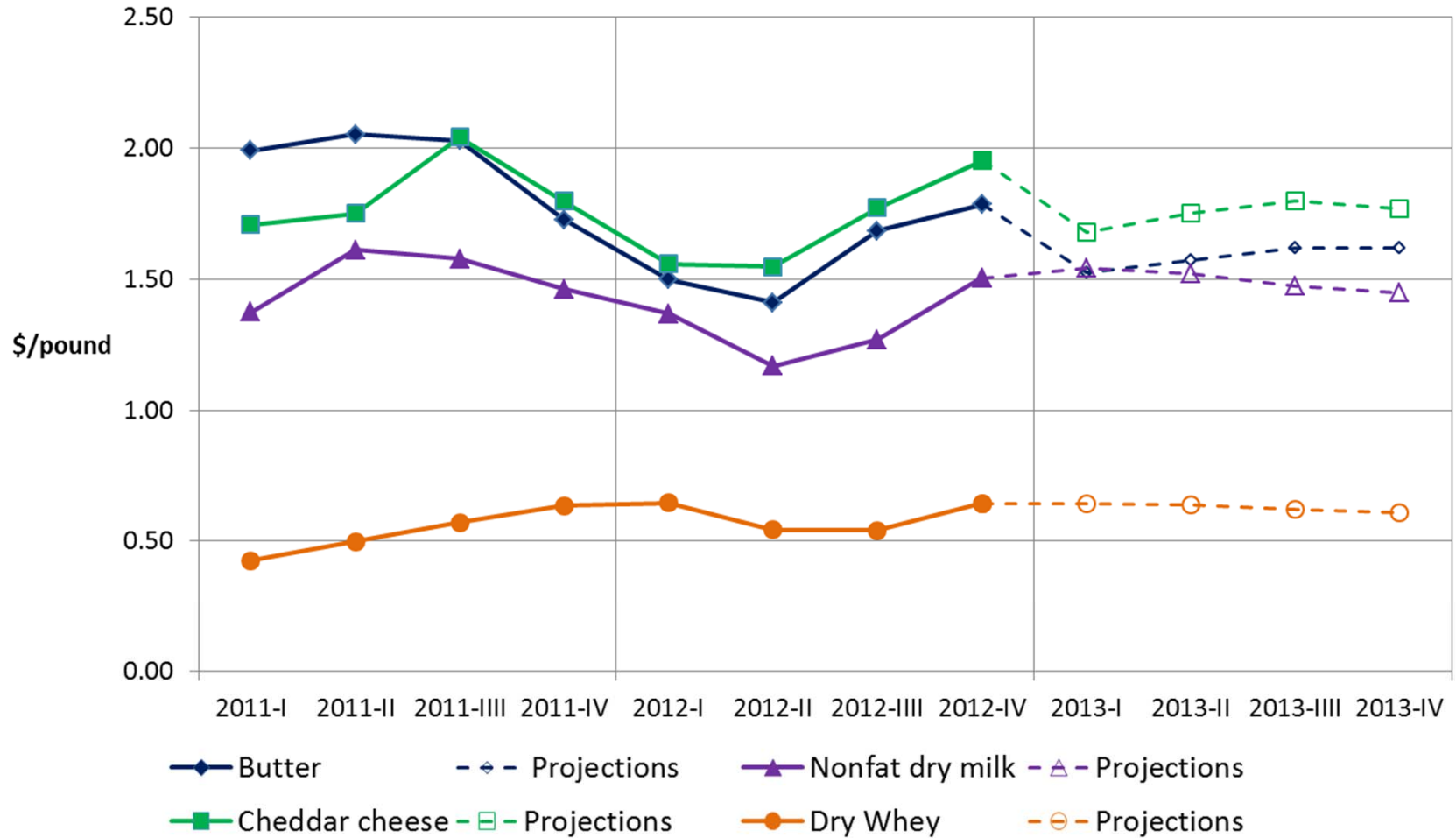
Daily Milk Production (mil. pounds)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Milk Production	537.7	547.3	550.8
% chg prev. yr.	+ 1.8%	+ 1.8%	+ 0.6%



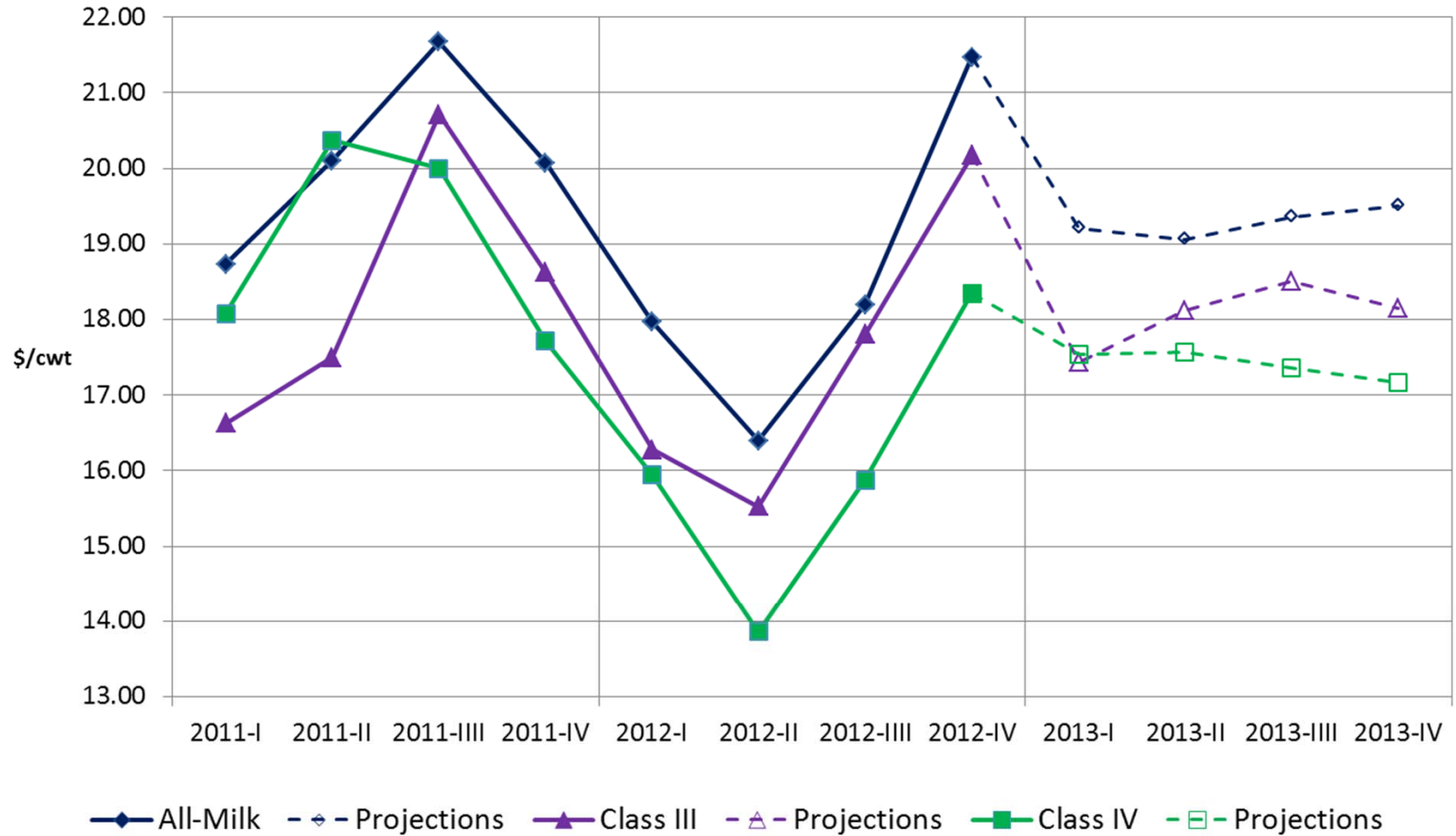
Dairy Products Prices (\$/pound)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Cheddar Cheese	1.8246	1.7076	1.715-1.785
Butter	1.9498	1.5943	1.535-1.635
Nonfat Dry Milk	1.5058	1.3279	1.465-1.525
Dry Whey	0.5325	0.5935	0.615-0.645



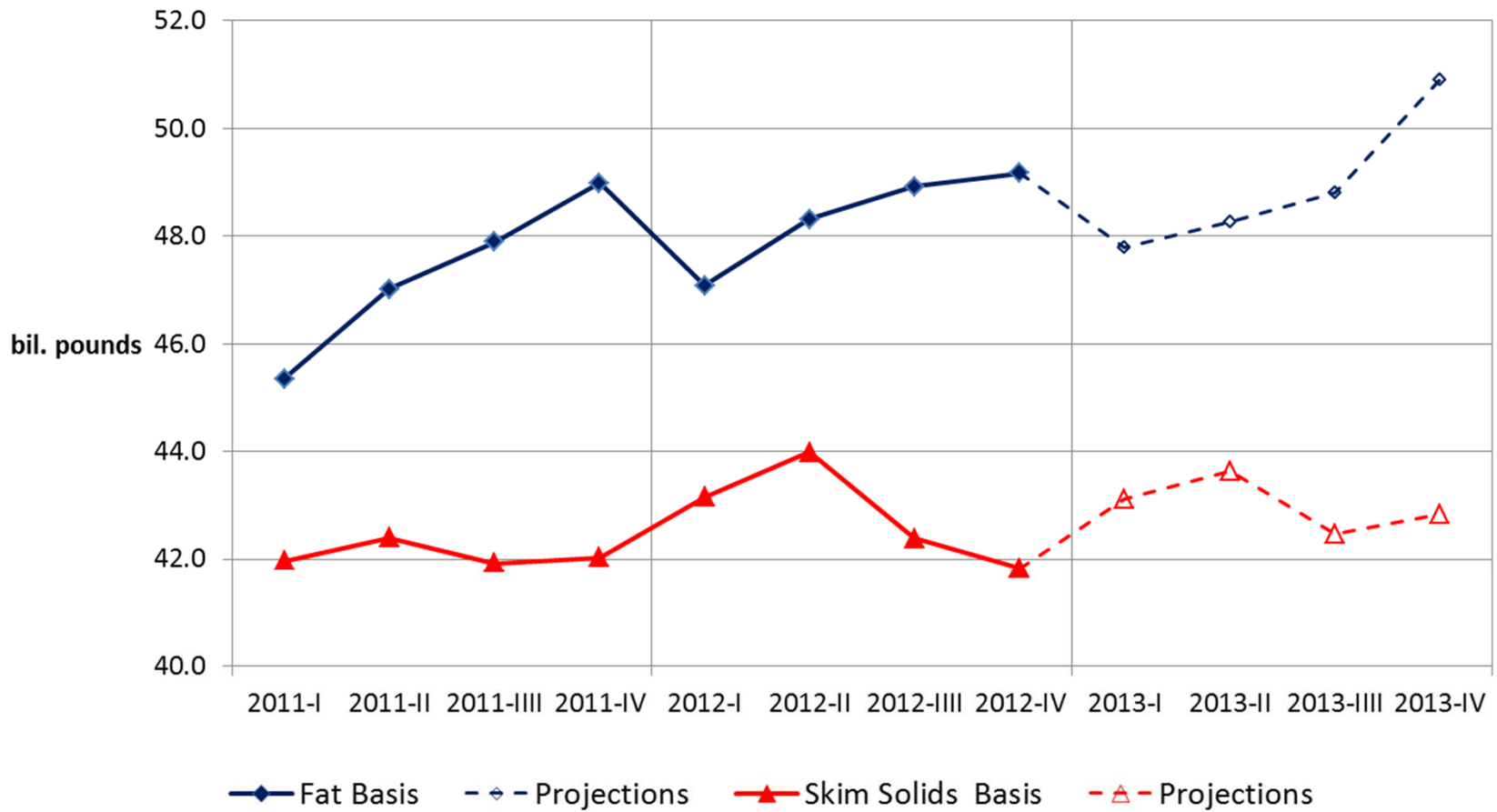
Milk Prices (\$/cwt)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
All Milk	20.14	18.51	18.90-19.60
Class III	18.37	17.44	17.70-18.40
Class IV	19.04	16.01	17.00-17.80



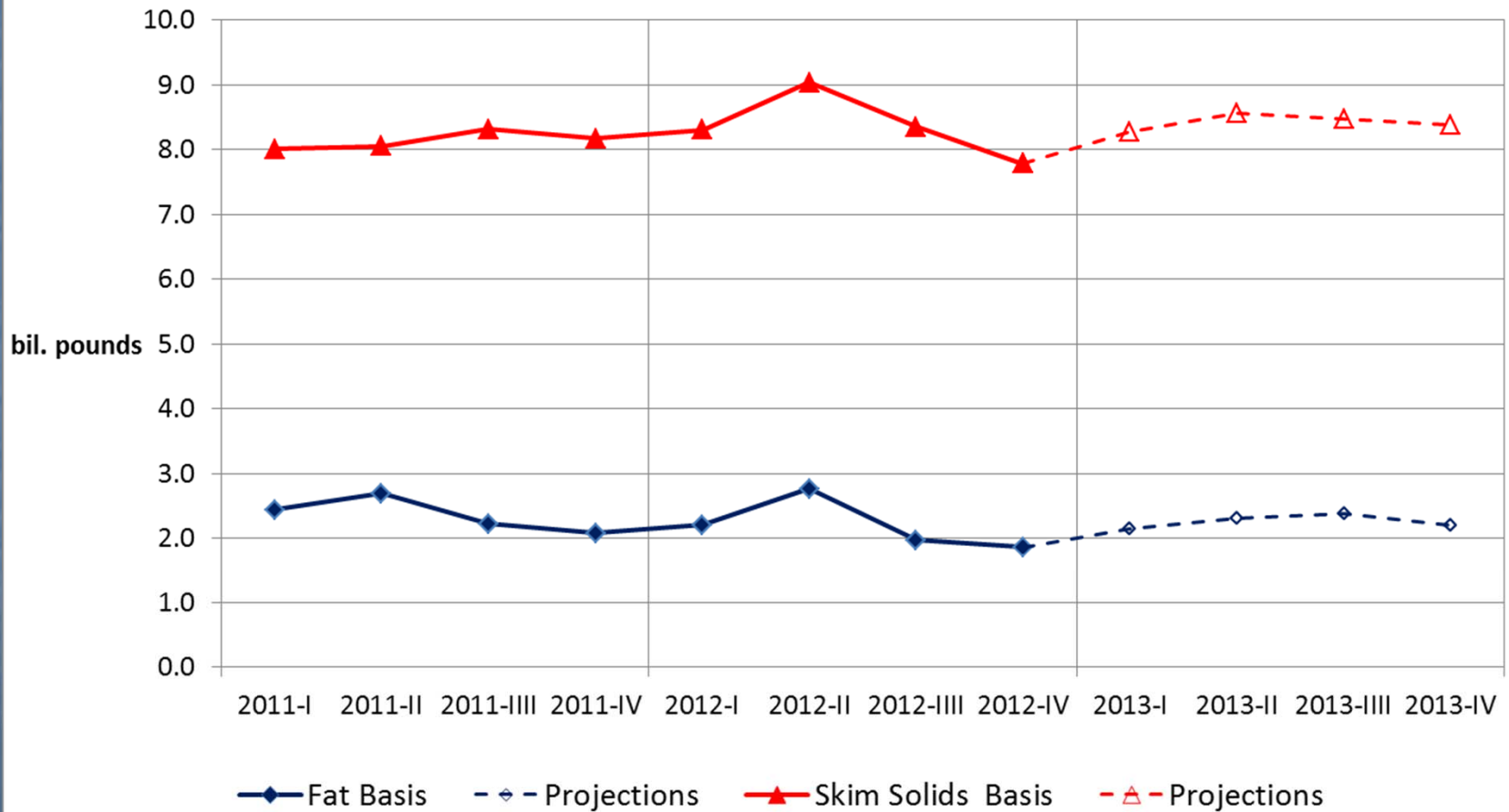
Domestic Commercial Use (bil. lbs)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fat Basis	189.2	193.5	195.7
% chg prev. yr.	+ 0.9%	+ 2.2%	+ 1.2%
Skim Solids basis	168.3	171.4	172.1
% chg prev. yr.	+ 1.6%	+ 1.8%	+ 0.4%



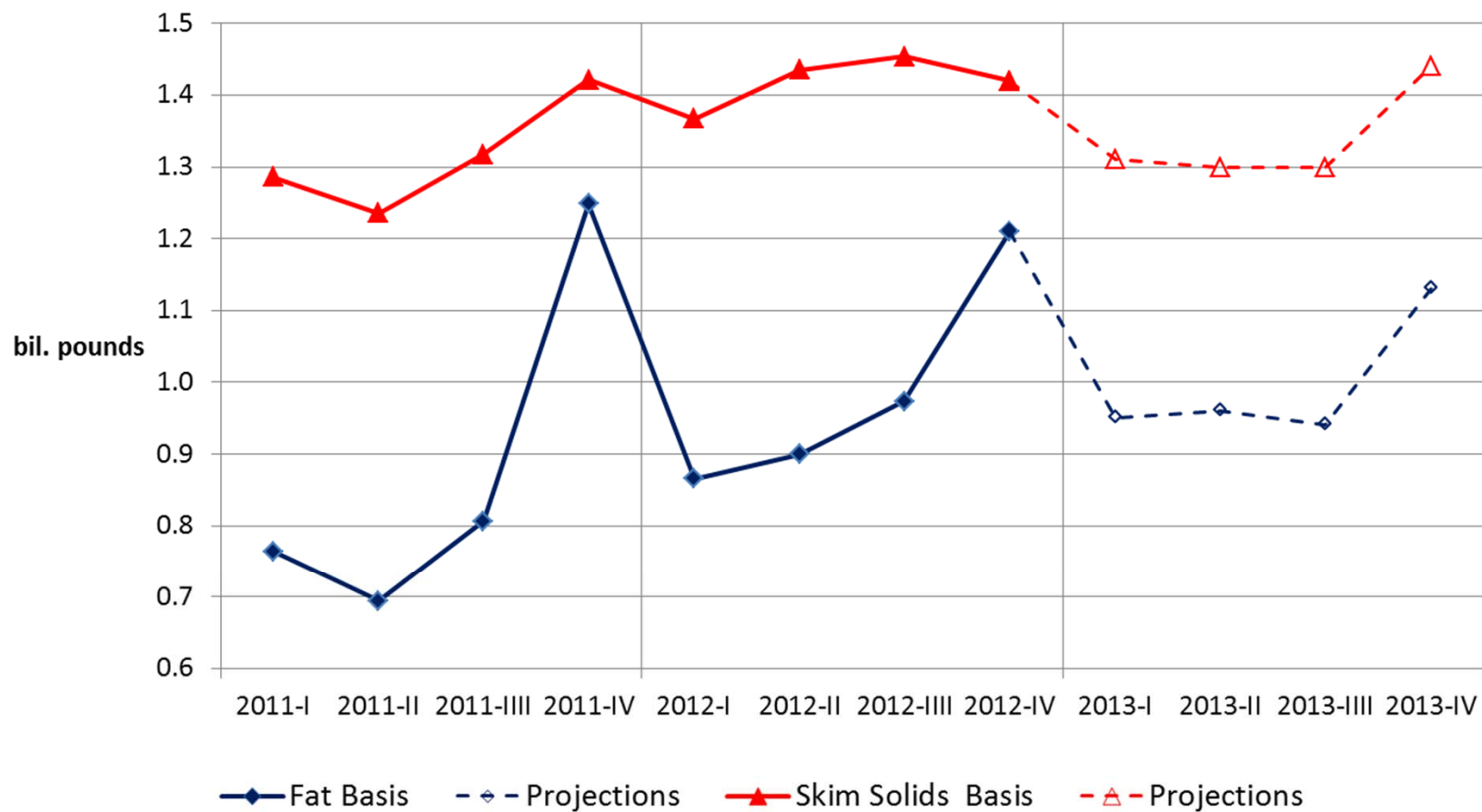
Commercial Exports (bil. lbs)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fat Basis	9.4	8.8	9.0
% chg prev. yr.	+ 10.3%	- 6.8%	+ 2.6%
Skim Solids basis	32.5	33.5	33.7
% chg prev. yr.	+ 7.0%	+ 2.9%	+ 0.7%



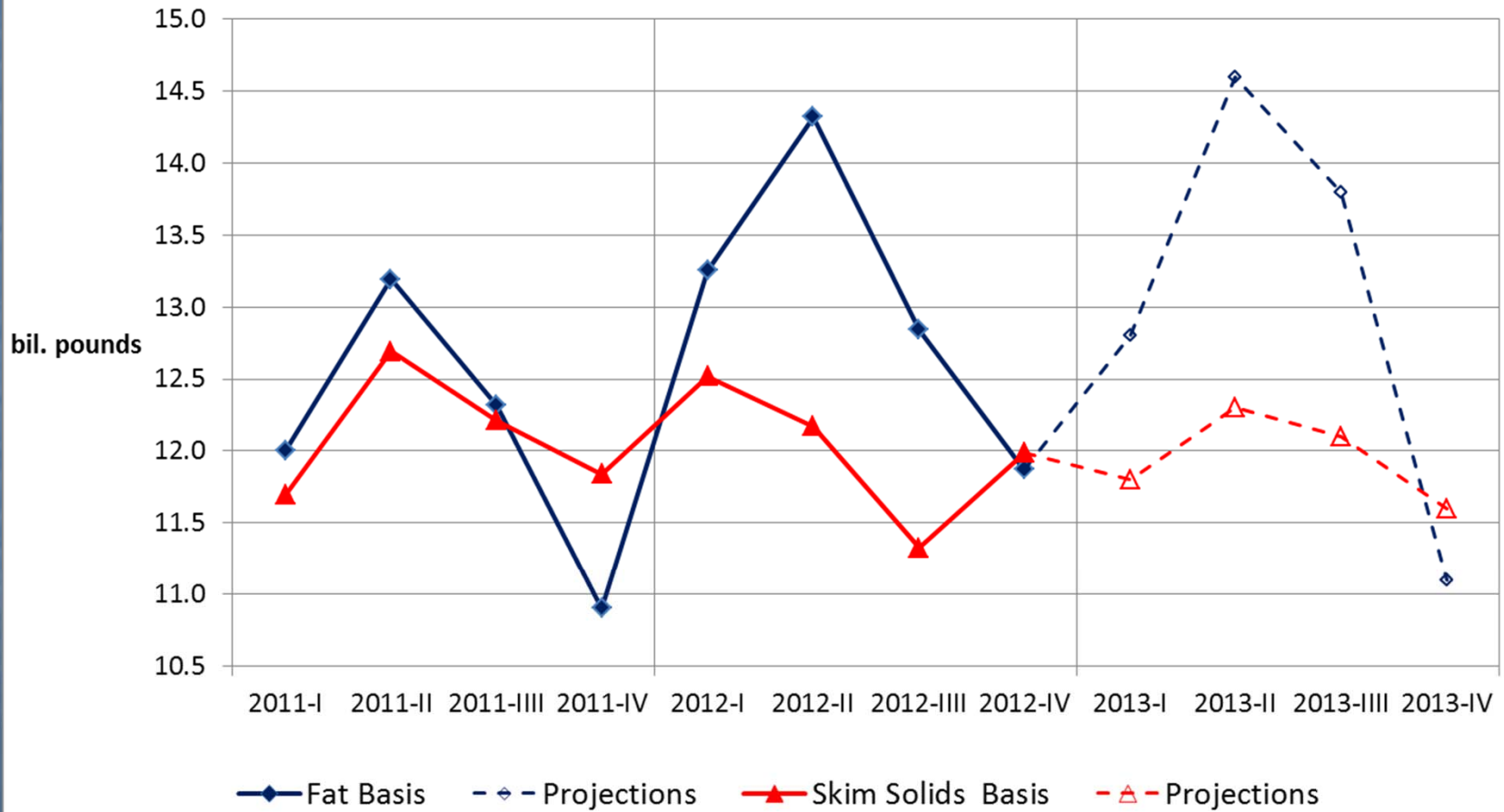
Imports (bil. lbs)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fat Basis	3.5	4.0	4.0
% chg prev. yr.	- 13.5%	+ 12.4%	+ 0.8%
Skim Solids basis	5.3	5.7	5.4
% chg prev. yr.	+ 9.0%	+ 7.9%	- 5.7%

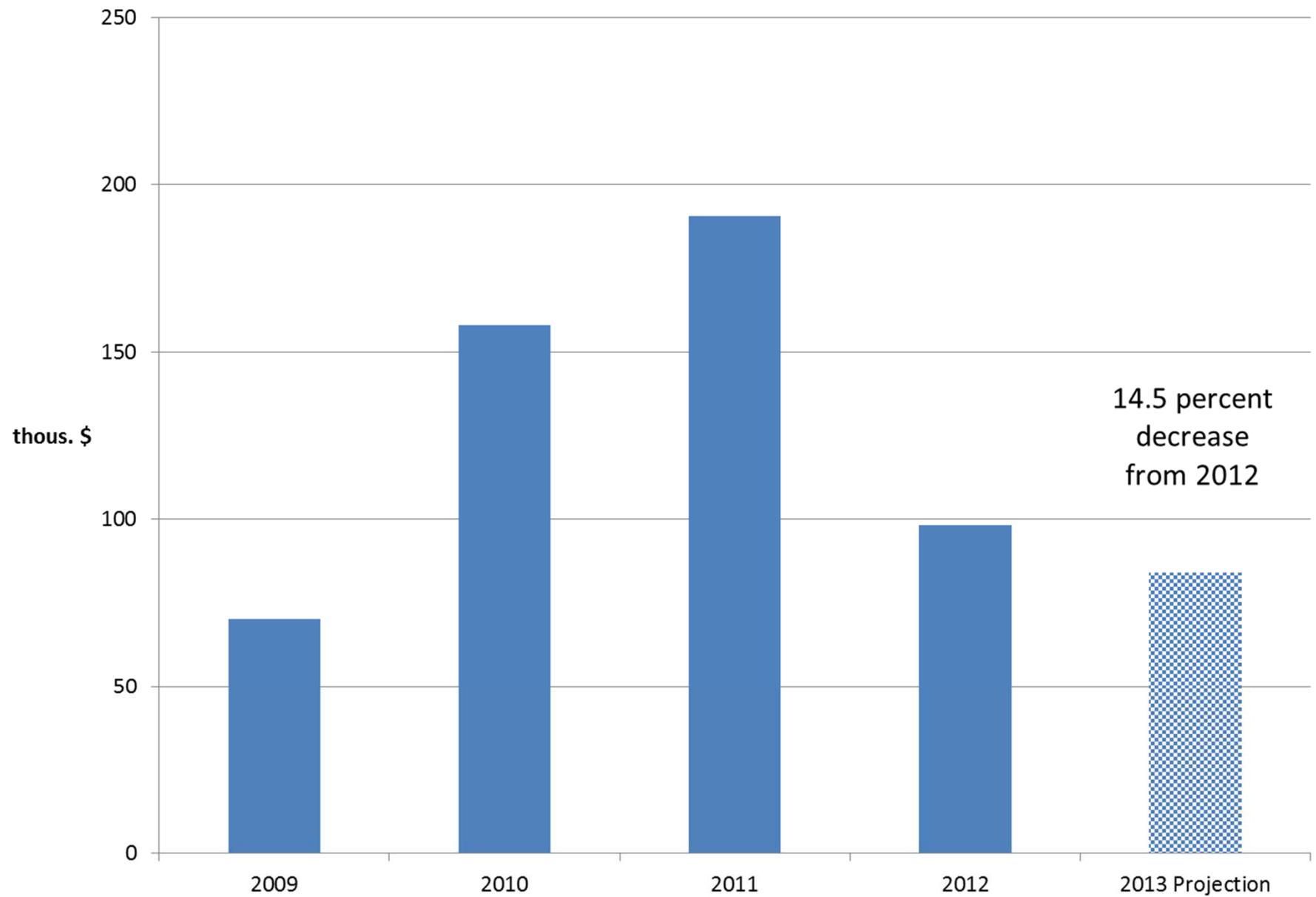


Ending Commercial Stocks (bil. lbs)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fat Basis	10.9	11.9	11.1
% chg prev. yr.	+ 0.8%	+ 8.9%	- 6.5%
Skim Solids basis	11.8	12.0	11.6
% chg prev. yr.	- 2.7%	+ 1.2%	- 3.2%

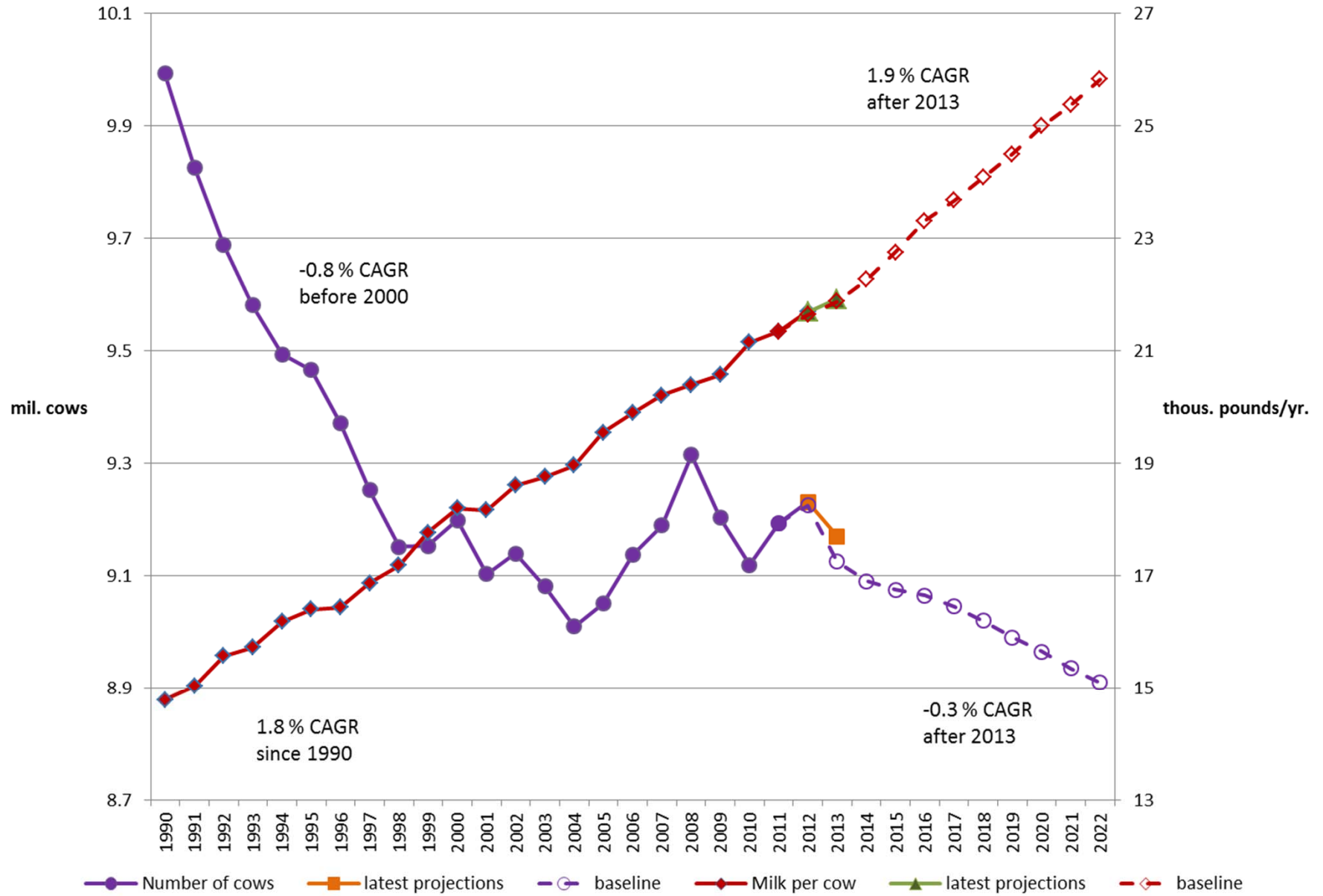


Average Net Cash Income per Dairy Farm Operation

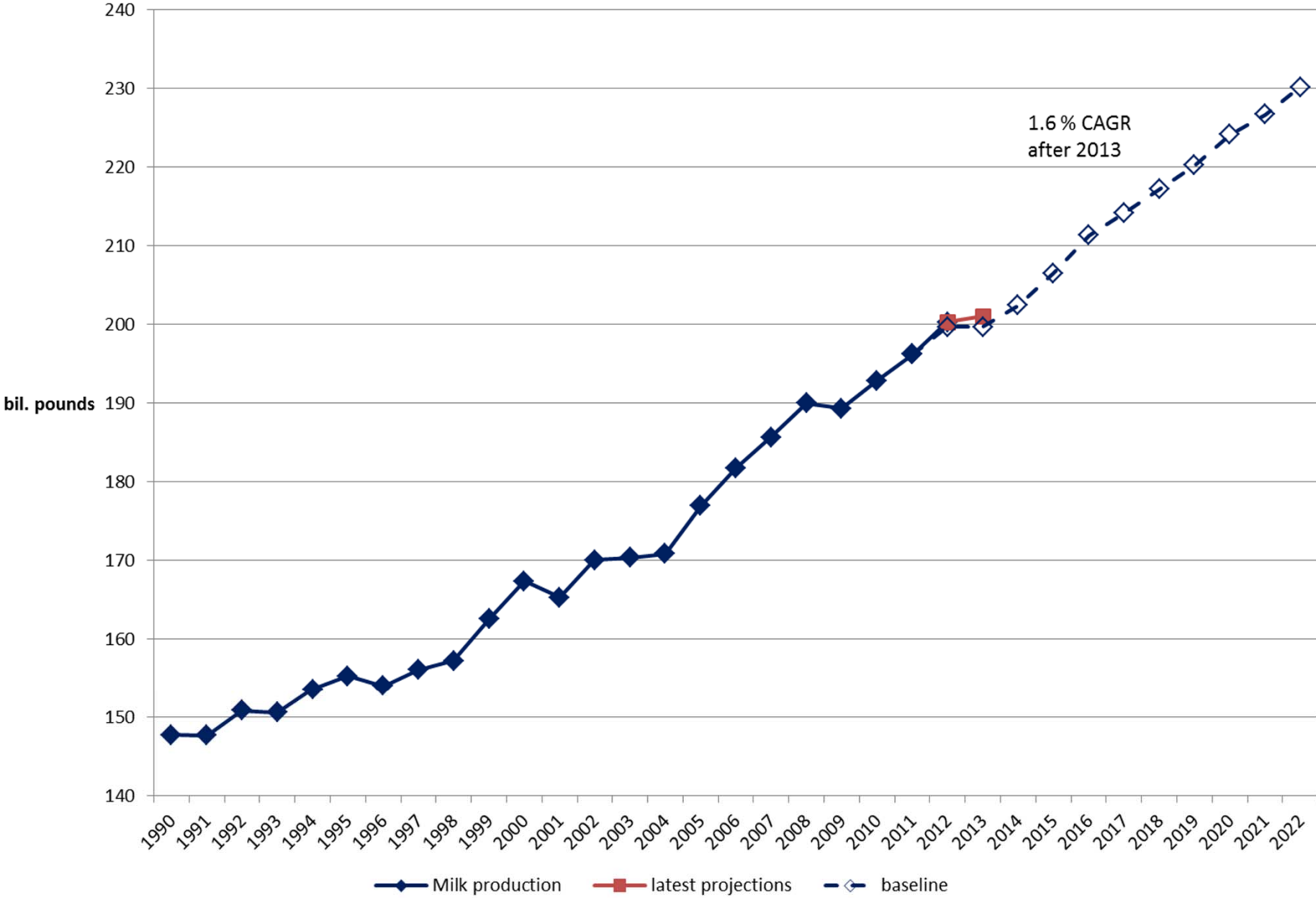


Long-Term Baseline Projections

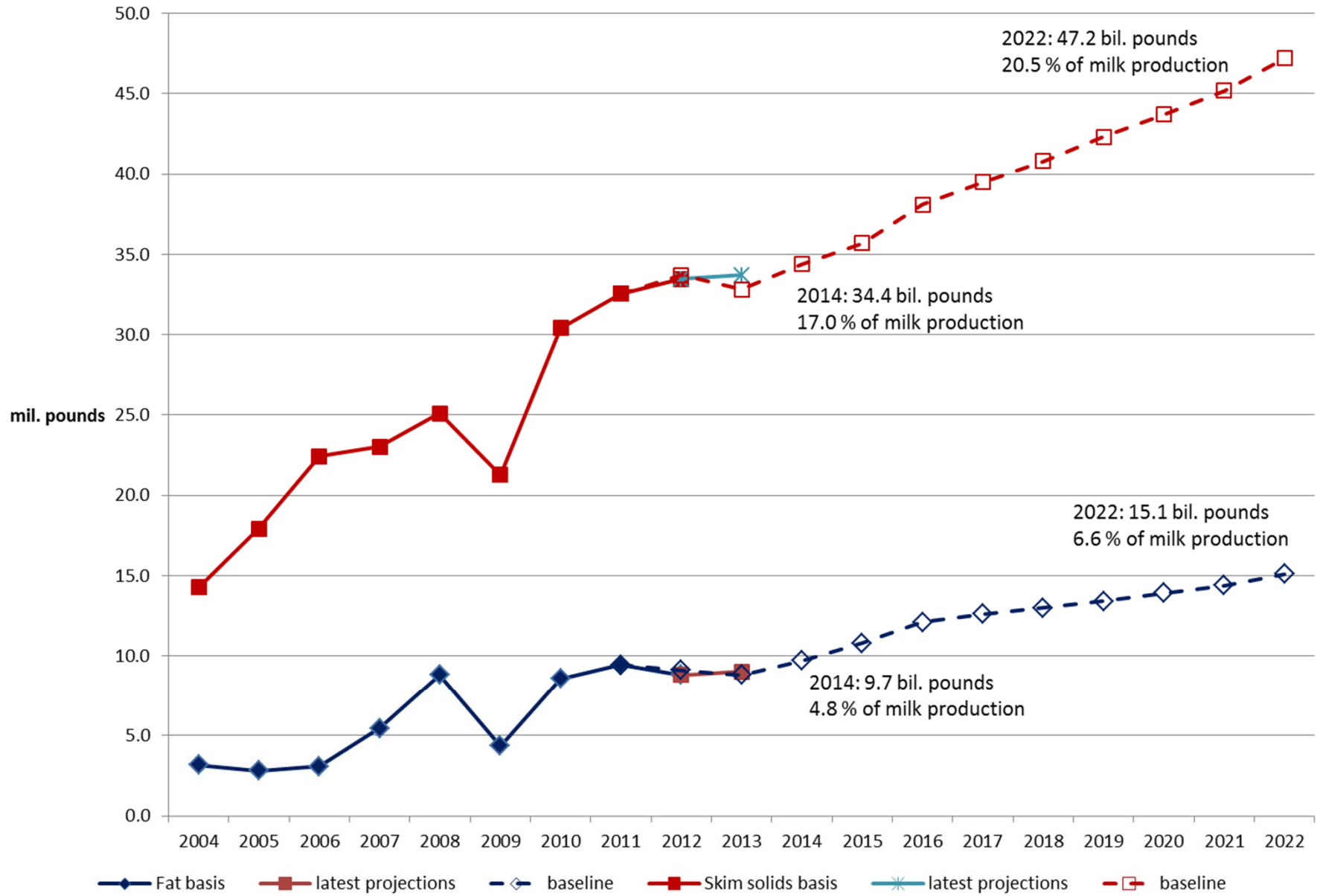
Number of Cows and Milk Production Per Cow



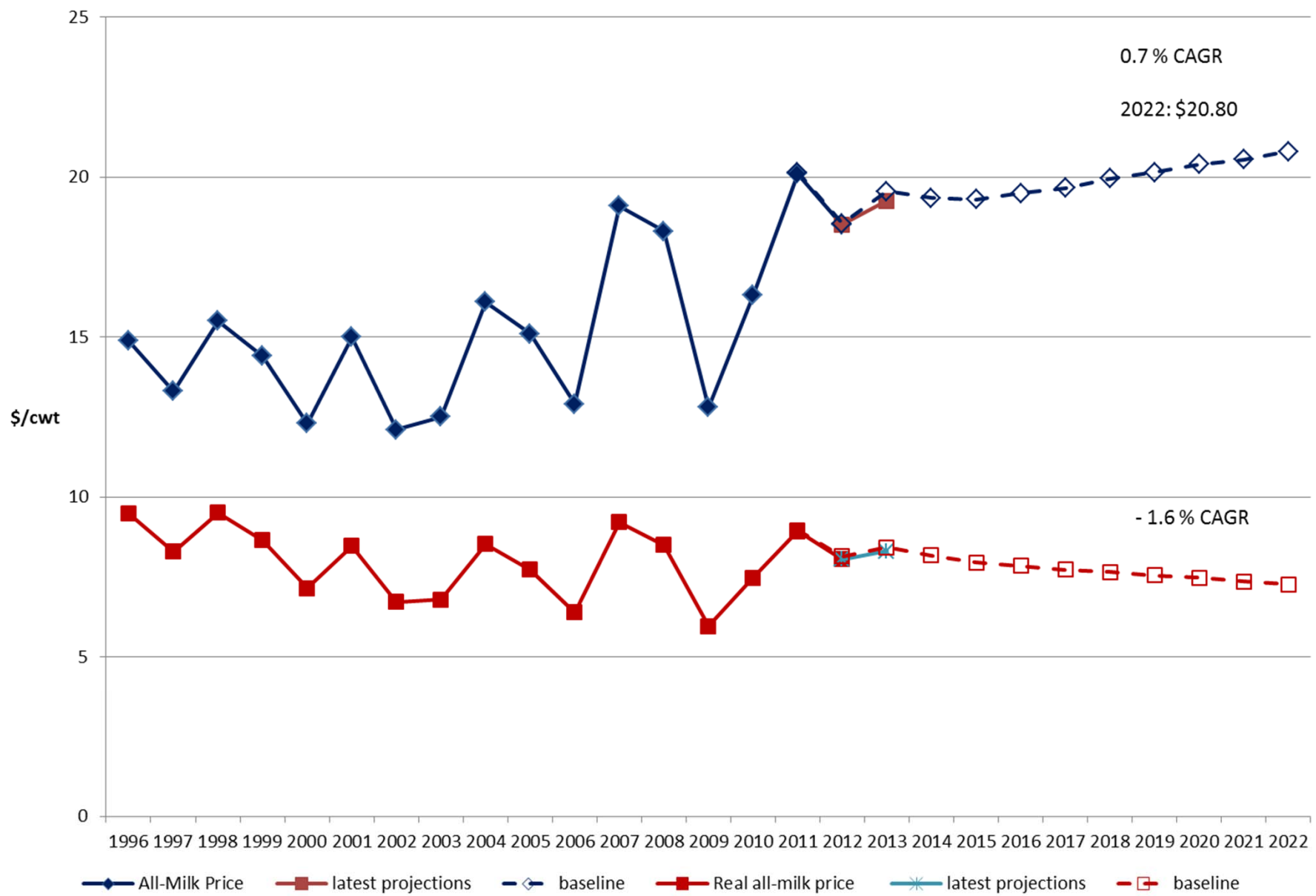
Milk Production



Commercial Exports



All-Milk Price



Thank you