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# Situation and Outlook for the U.S. Dairy Industry

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February 21, 2014

# Acknowledgments

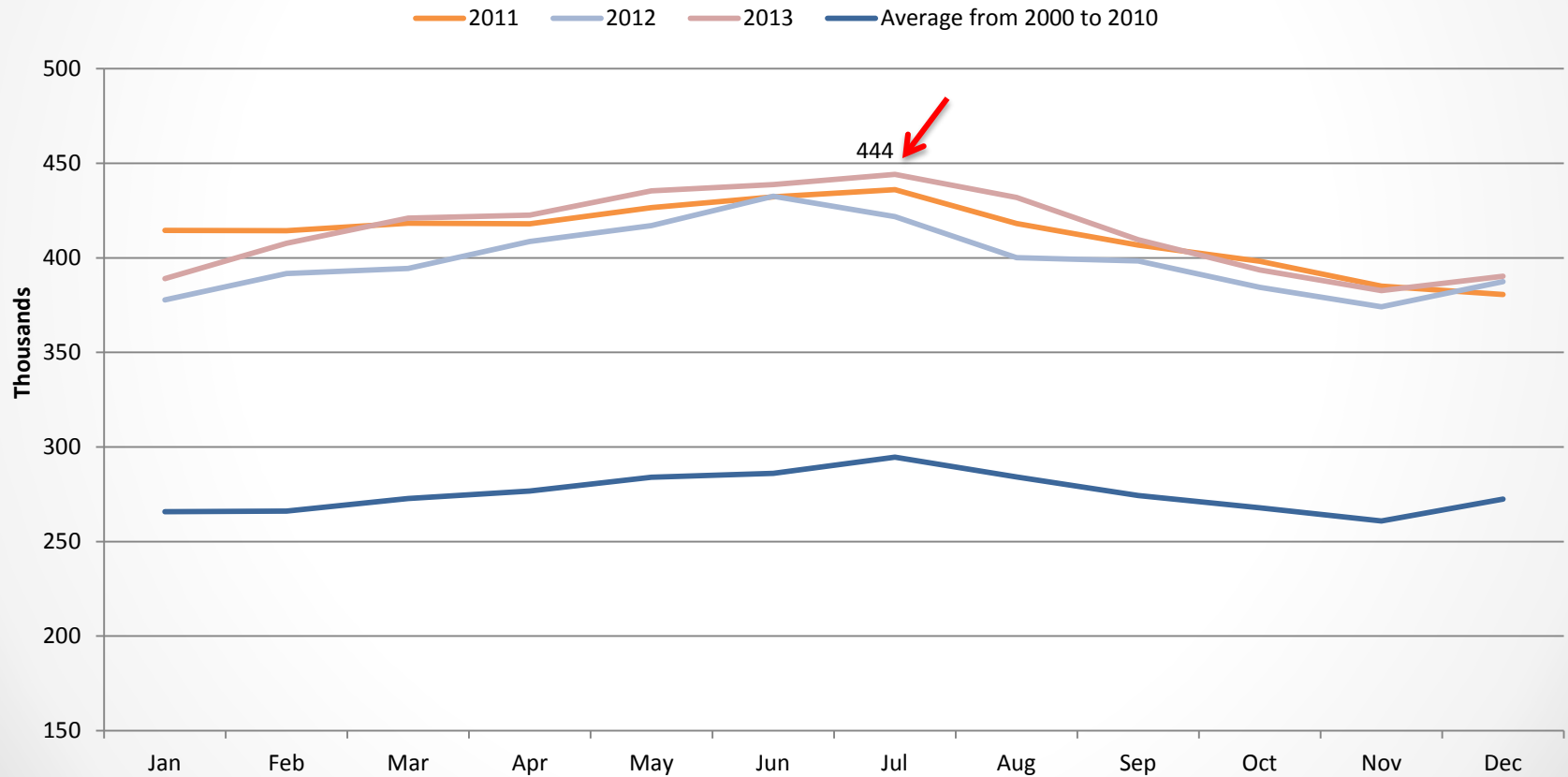
- Andrew Novakovic, Cornell University
- Brad Gehrke, US Dairy Export Council
- Dairy Programs colleagues
- ICEC colleagues
- Michael Woolsey, US Dairy Export Council

# 2013 Review

- Milk Production increased by 0.9 billion pounds
- Commercial Disappearance
  - Fat ME Basis: decreased by 0.7 billion pounds
  - Skim Solids ME Basis: decreased by 3.5 billion pounds
- Annual Ending Stocks
  - Fat ME Basis: decreased by 1.0 billion pounds
  - Skim Solids ME Basis: decreased by 0.7 billion pounds

# 2013 Stocks: Highest Since mid-1990s

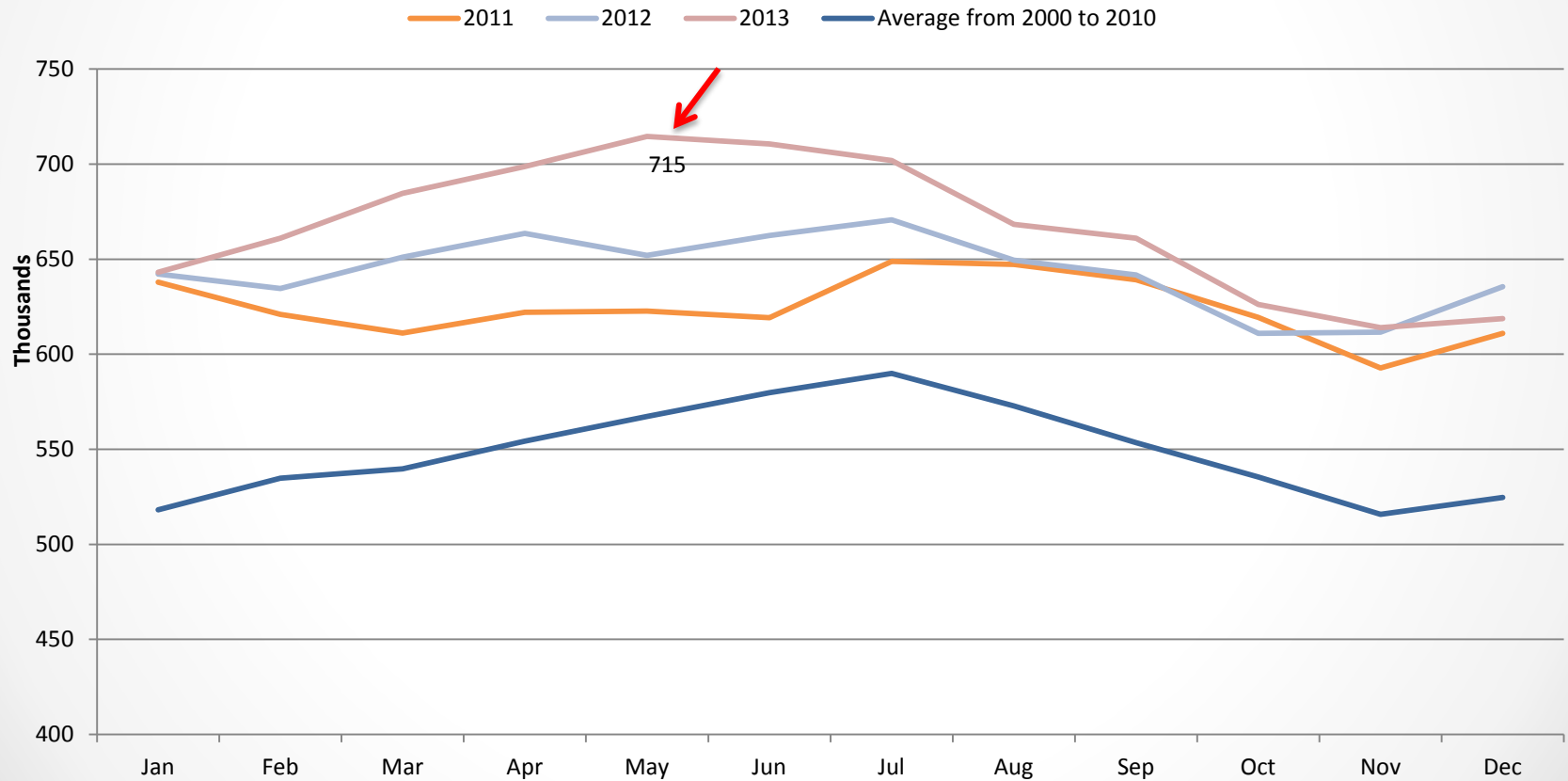
## Other Cheese



Source: USDA/NASS

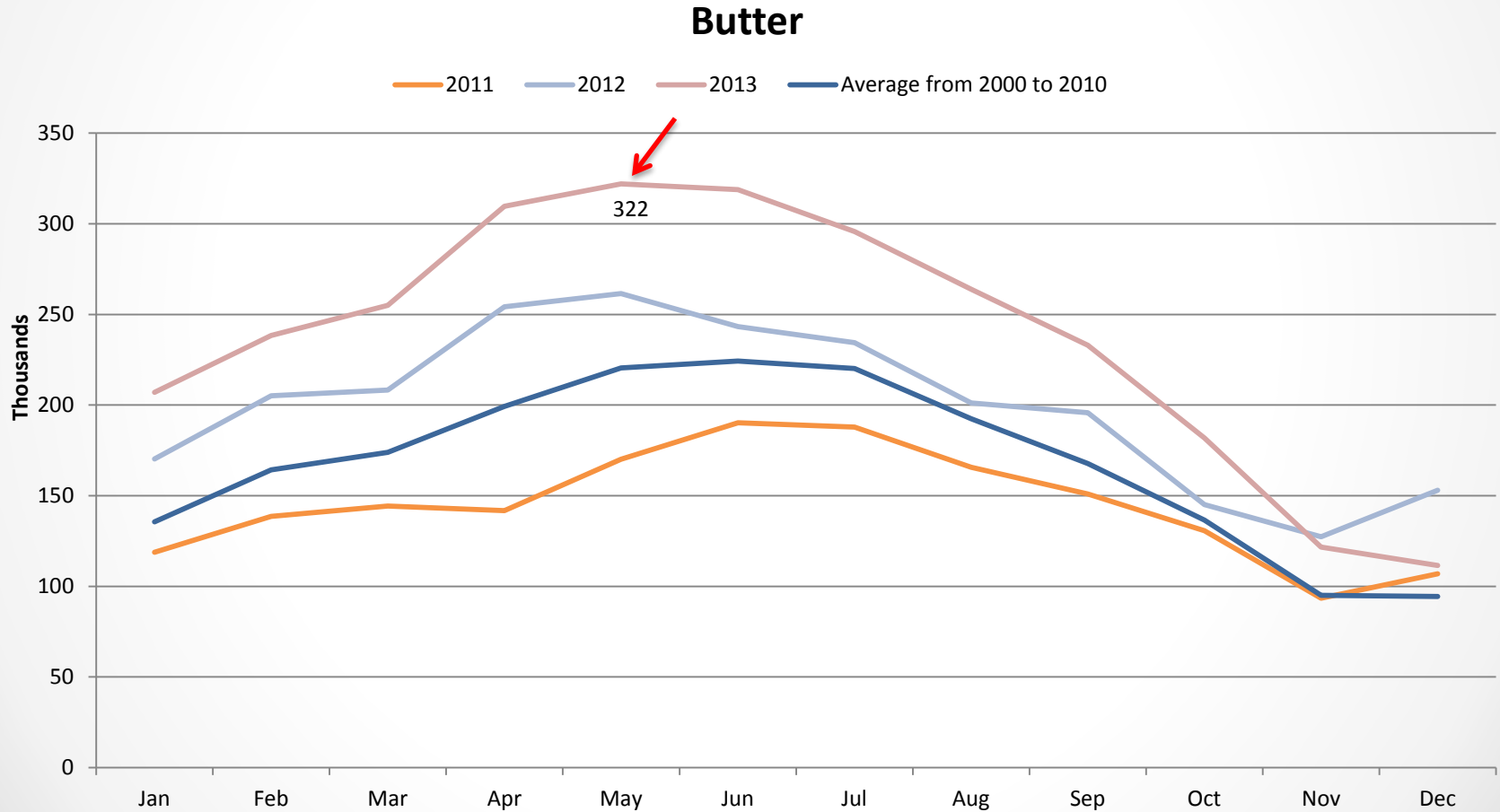
# 2013 Stocks: Highest Since mid-1990s

## American Cheese



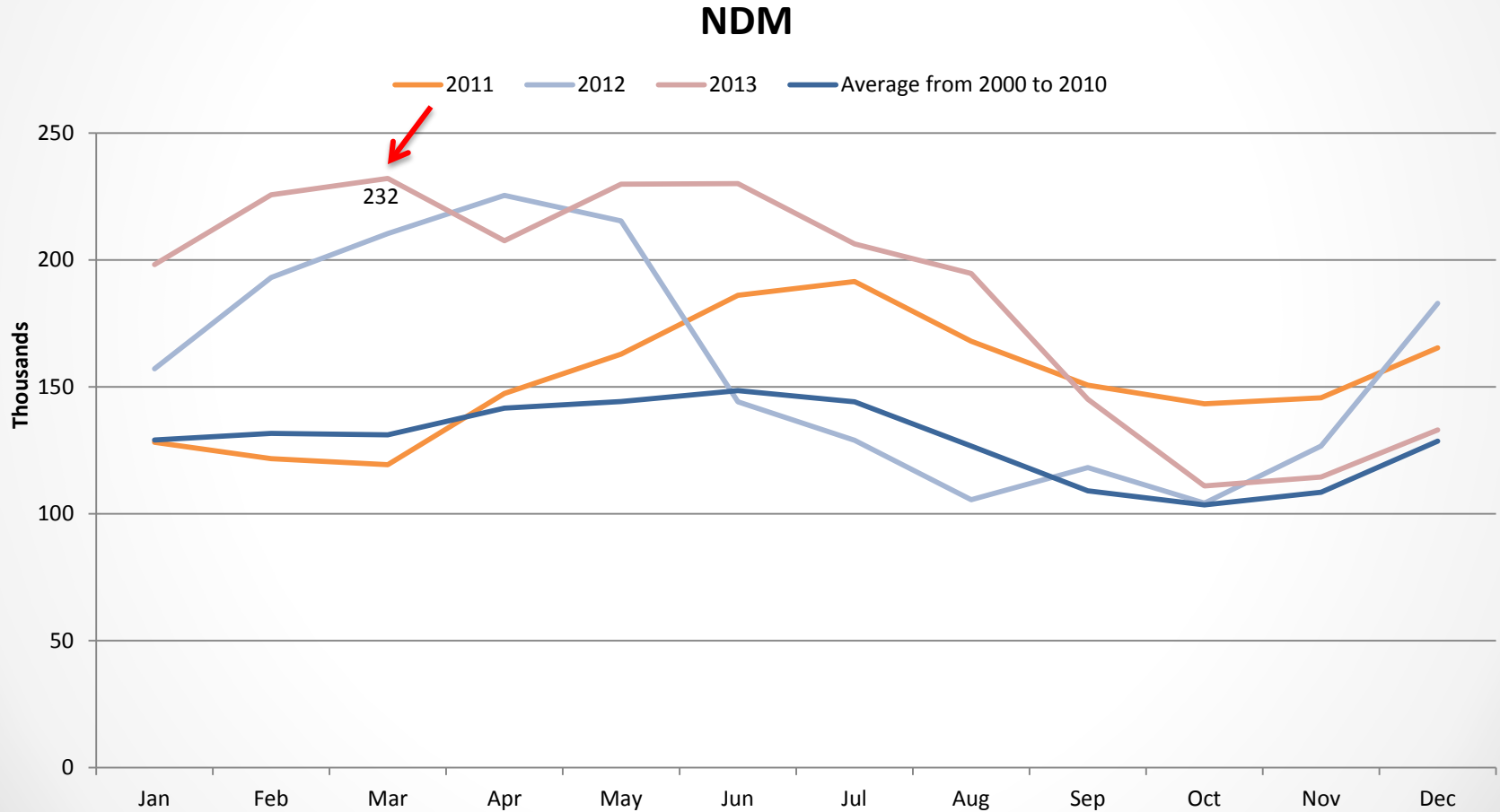
Source: USDA/NASS

# 2013 Stocks: Highest Since mid-1990s



Source: USDA/NASS

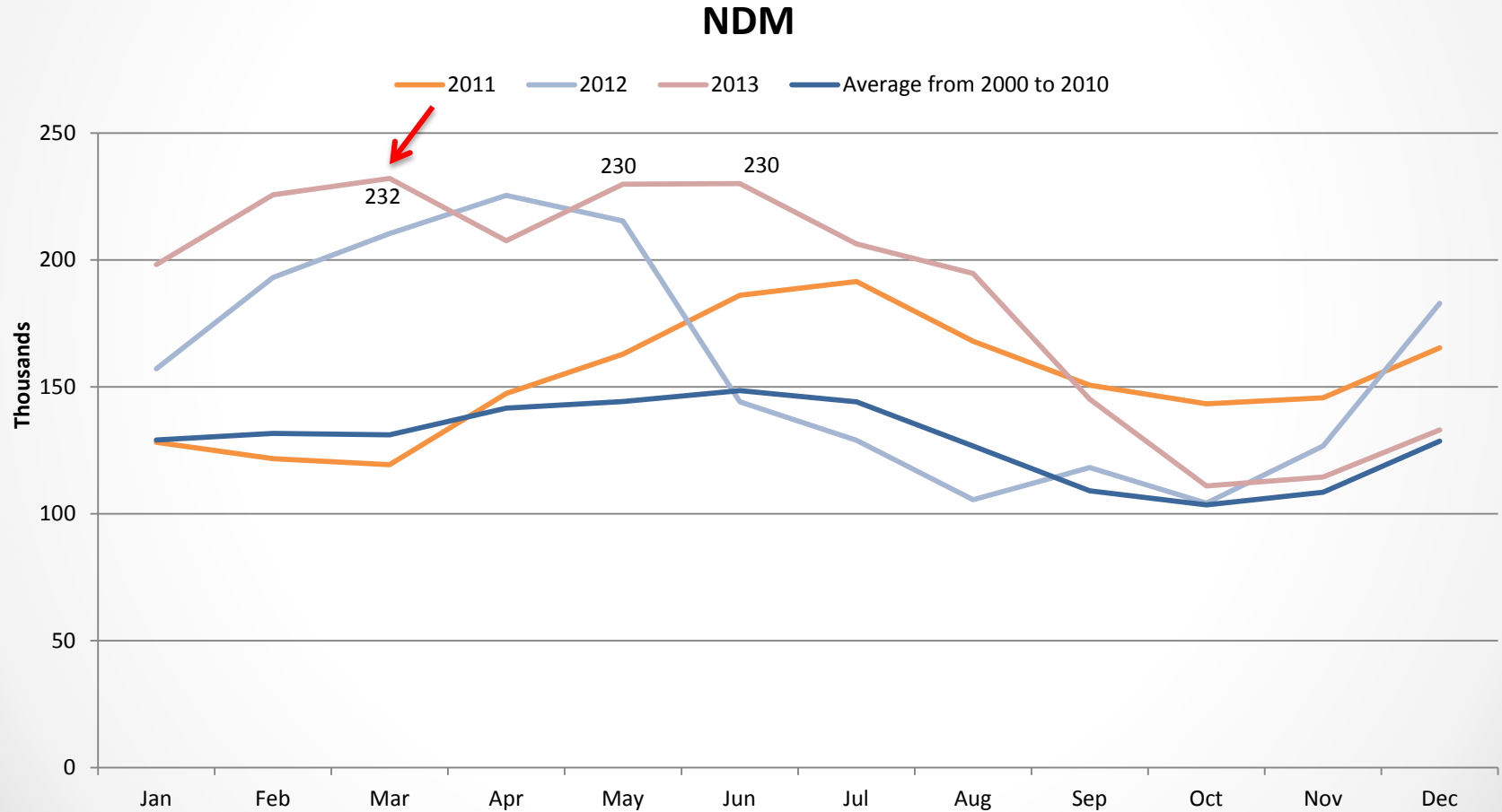
# 2013 Stocks: Highest Since mid-1990s



Source: USDA/NASS



# 2013 Stocks: Highest Since mid-1990s

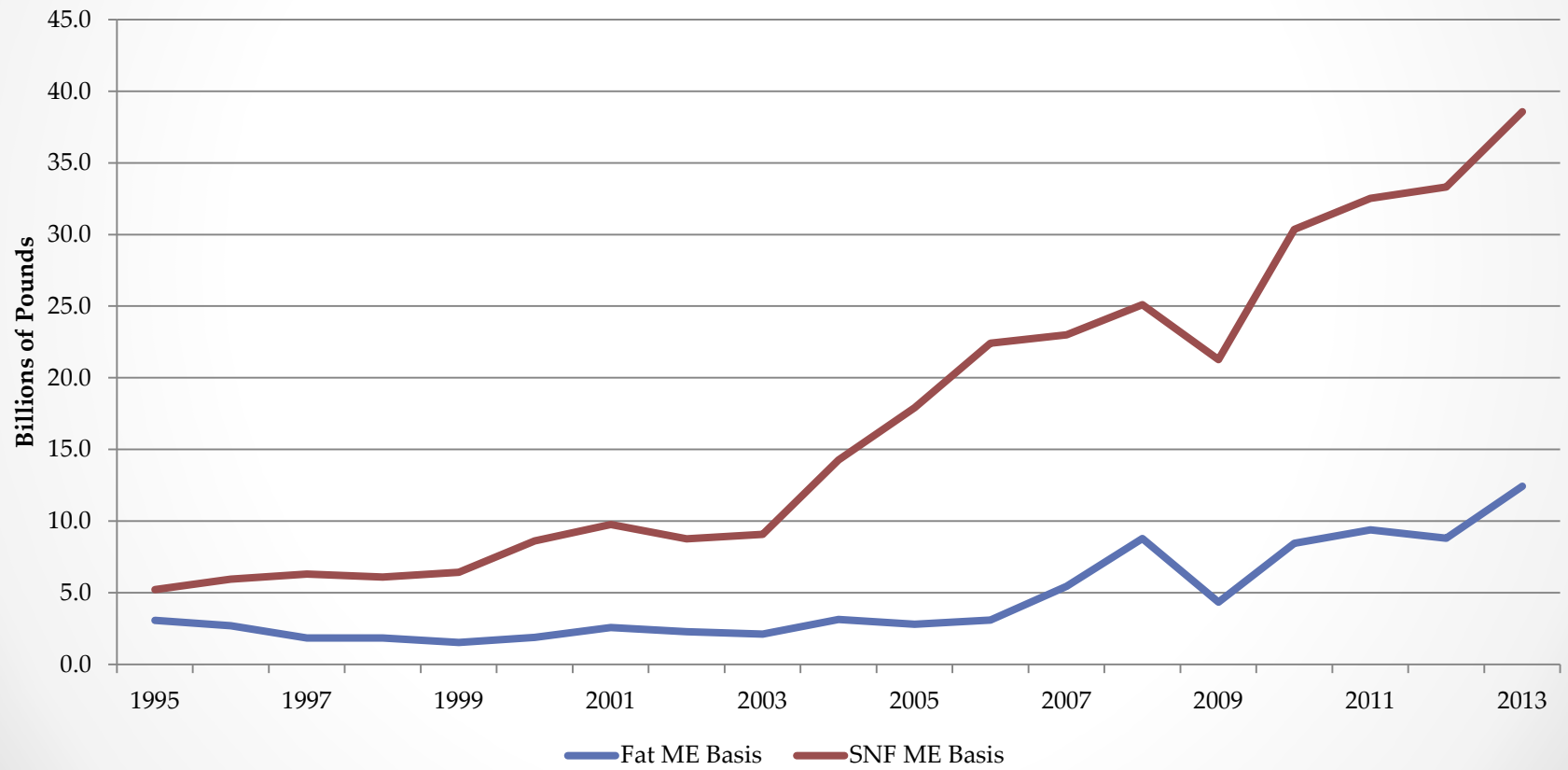


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- Exports
  - Fat ME Basis
    - Exported 12.4 billion pounds
    - An increase of 3.6 billion pounds
  - Skim Solids ME Basis:
    - Exported 38.6 billion pounds
    - An increase of 5.3 billion pounds

# 2013: More on Exports

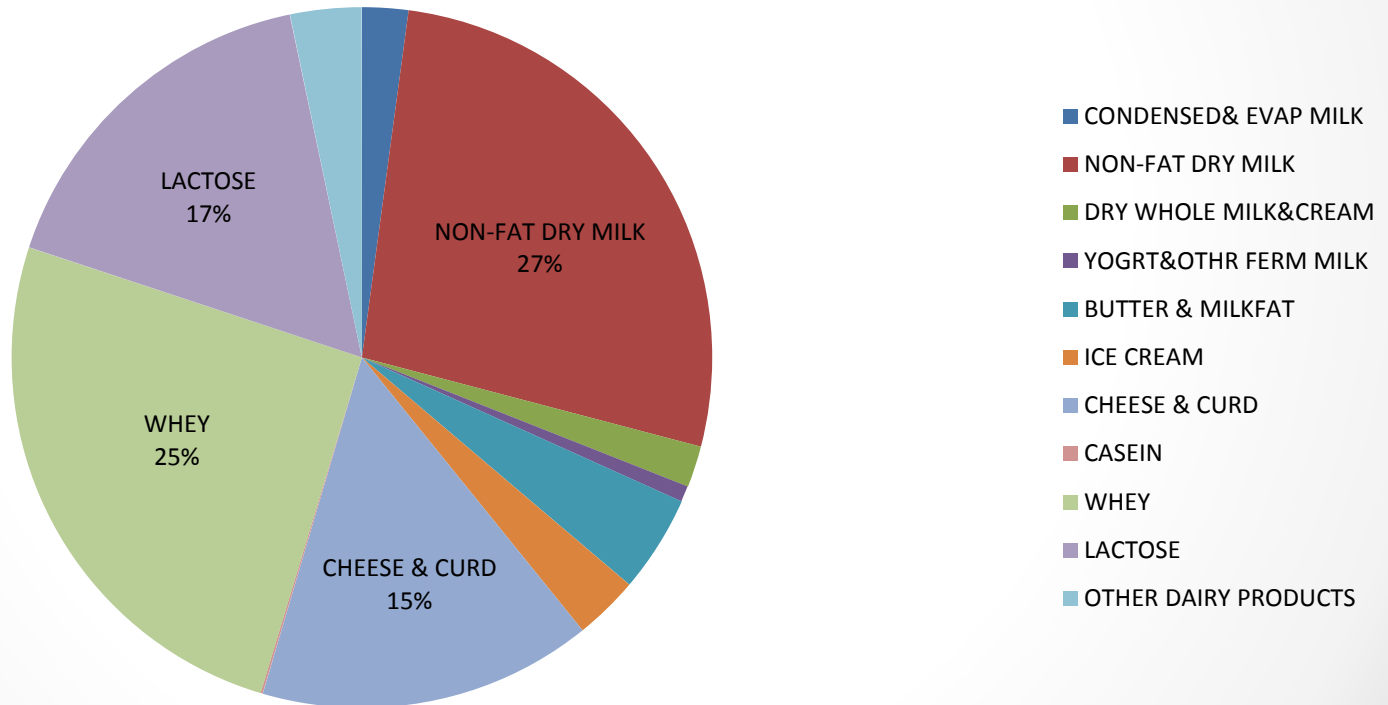
## Commercial Exports



Source: USDA/FAS

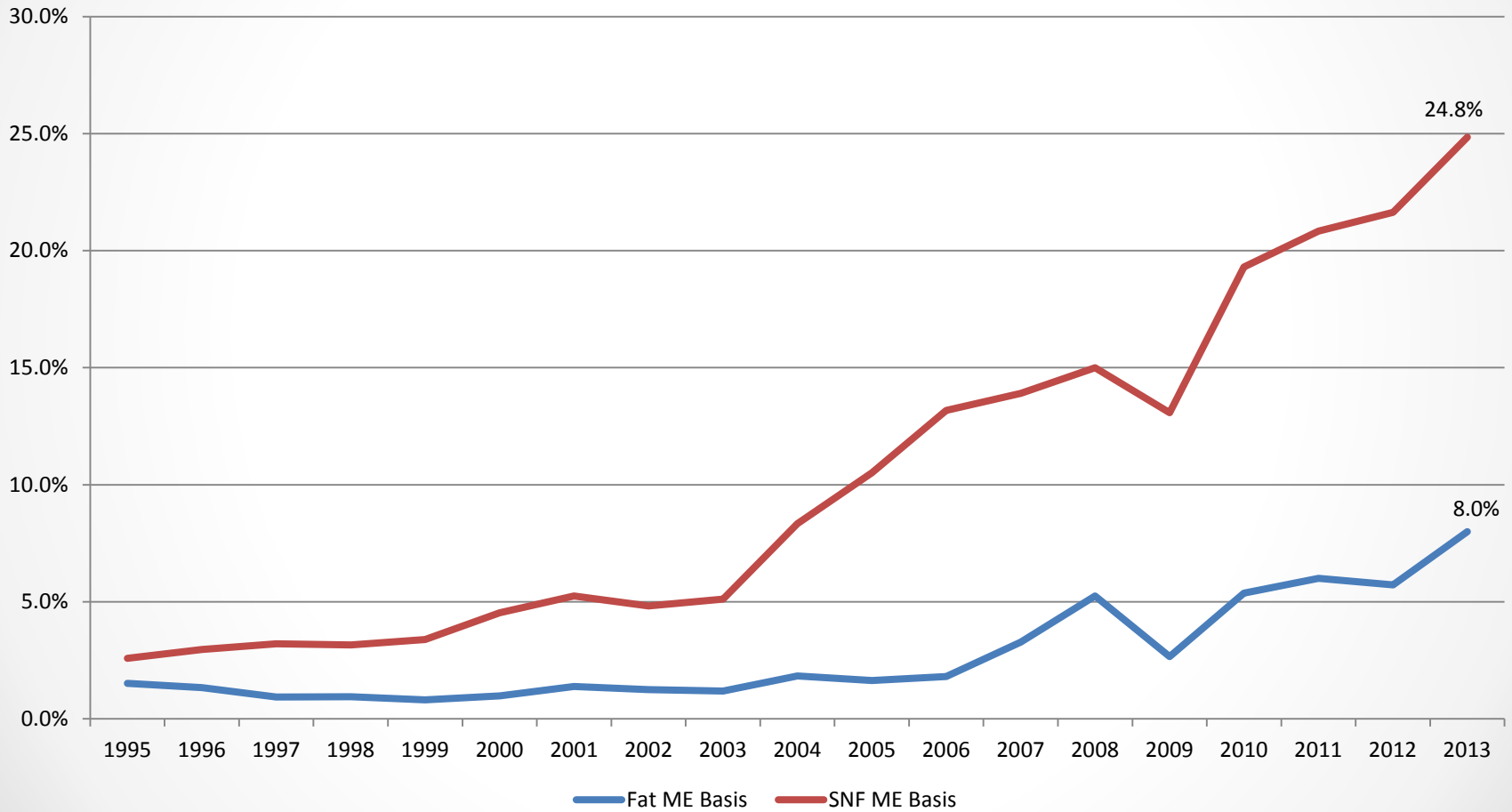
# Exports Breakdown

2013 Quantity



Source: USDA/FAS

# Exports as a Percentage of Milk Production



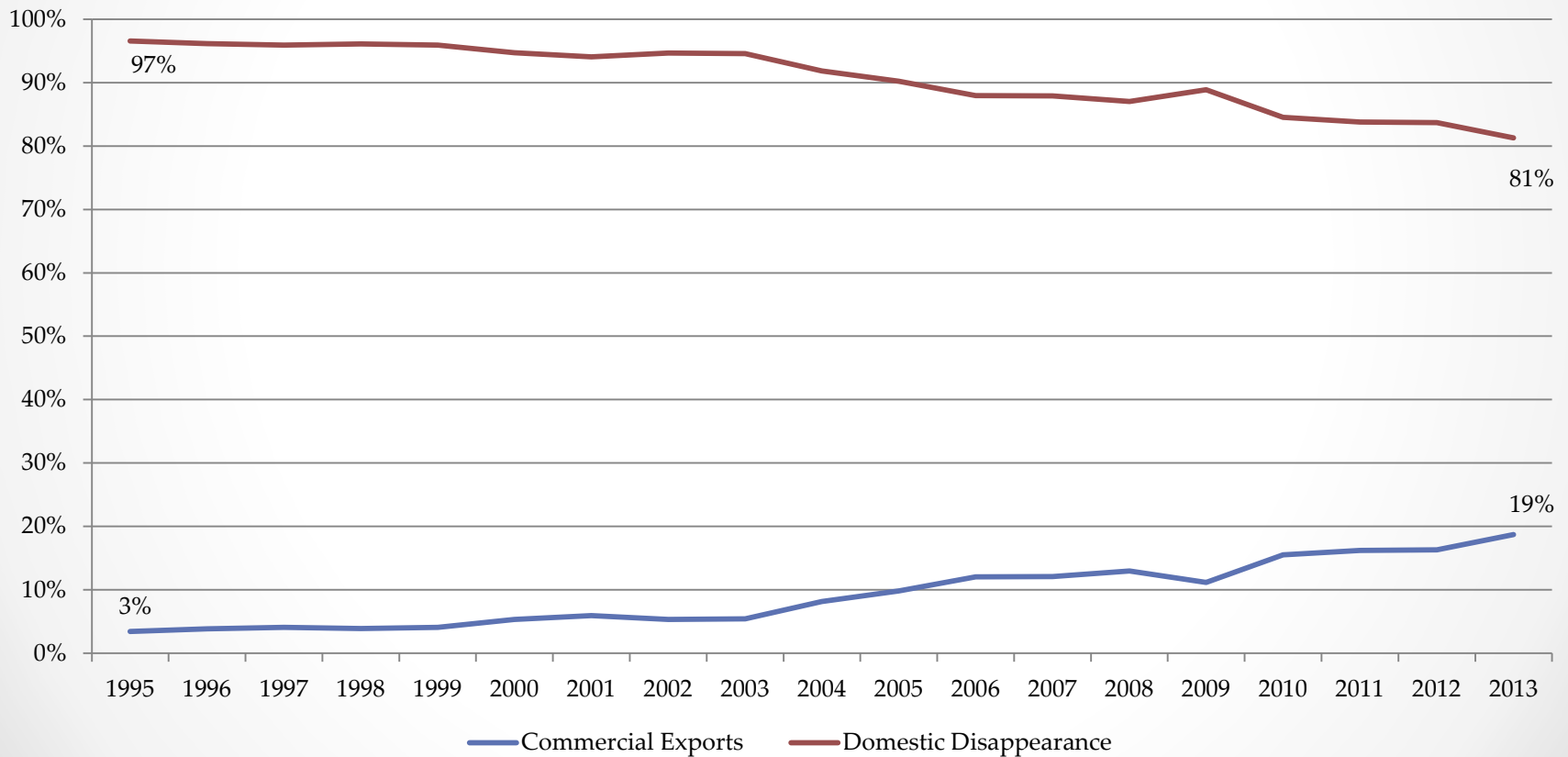
Source: USDA/FAS/NASS

# Exports as a Percentage of Product Production

- Butter exports were 10% of butter production
- NDM exports were 57% of NDM production
  - Production of NDM was 16% lower
  - Production of skim milk powder was 66% higher
  - Combined total NDM and SMP production was 2% lower
- Cheese exports were 6% of Cheese Production

# Exports as a Percentage of Commercial Use

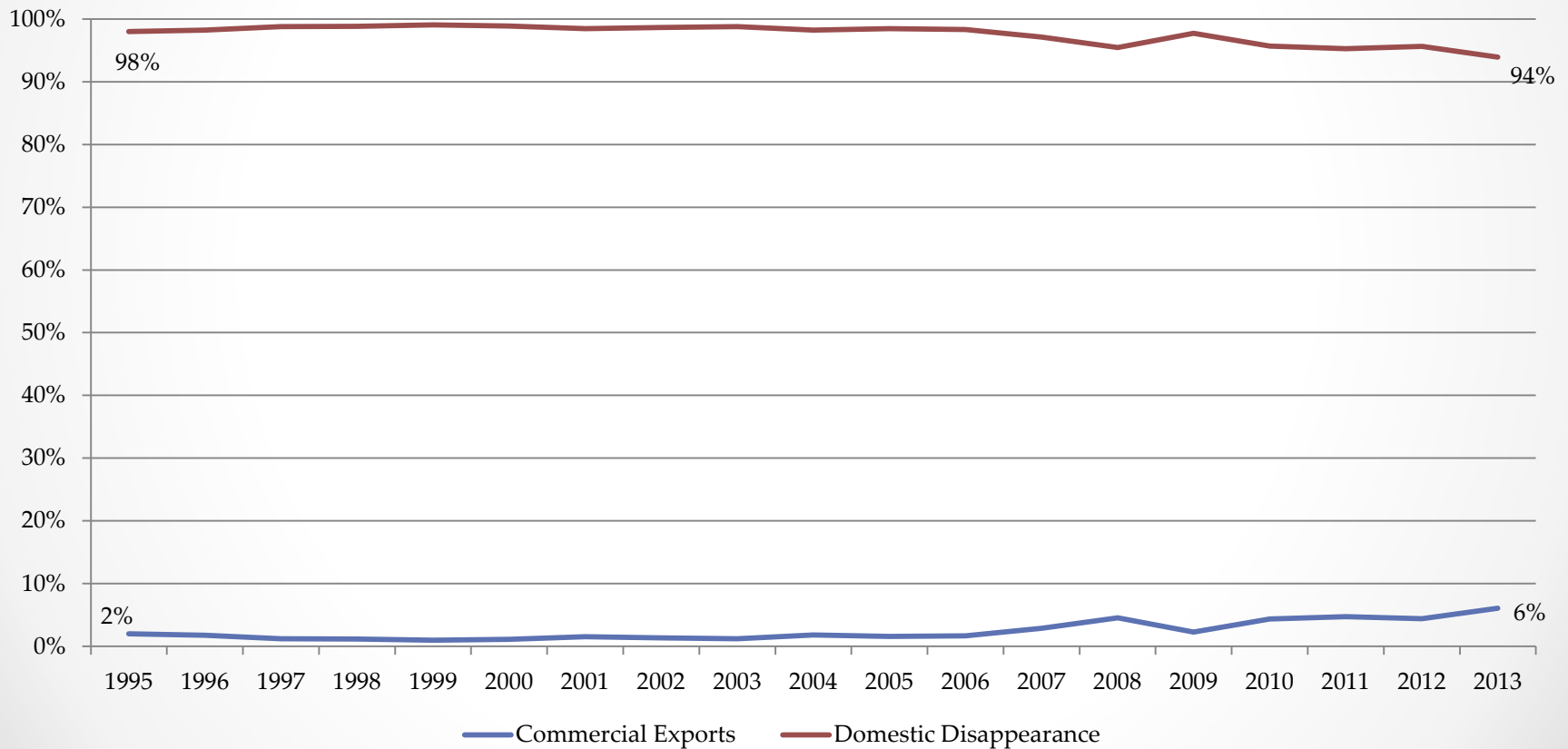
Percent of Total Commercial Disappearance, SNF ME



Source: USDA/FAS/ERS

# Exports as a Percentage of Commercial Use

Percent of Total Commercial Disappearance, Fat ME



Source: USDA/FAS/ERS



# Anecdotal Evidence

- World demand expected to grow faster than world supply
- China expected to diversify where imports come from for greater food security
- New Partnerships
  - DFA and Inner Mongolia Yili Industrial Group co of China
  - Allows access to markets
- New platforms being embraced like Global Dairy Trade Auction (GDT)
  - Dairy America (currently trading)
  - Land O'Lakes (joins in March)
  - Producing powder without a known buyer or contract
- Setting up shops in new markets like China
  - Land O'Lakes
  - Leprino Foods
- WMP powder plants
  - DFA (Fallon, Nevada)
    - Built for export market
  - Darigold (Lynden, Washington)
  - Michigan Milk Producers Association (Ovid, Michigan)
- USDEC expects US to capture 5%-7% of WMP market in next few years

# 2014 Outlook

- Milk Production

- Projected modest increase of 4.5 billion pounds
- Projected number of cows slightly increase by 34 thousand head
- Projected output per cow increase by 408 pounds
- Favorable milk prices and feed cost indicate an expansionary period
  - Corn prices projected at \$4.20 to \$4.80 for crop 2013/2014 year . Further declines projected for 2014/2015 crop year
  - Soybean meal prices projected at \$425 to \$465 for crop 2013/2014 year. Further declines projected for 2014/2015 crop year
  - Actual Alfalfa prices so far are 15% lower than last year

- Domestic Use

- Projected modest increase around 3.6 billion pounds on both a fat and skim solids ME basis

# 2014 Outlook

- Exports

- Projected to be historically strong
- Slight decrease projected from 2013
  - On a fat ME basis exports projected to decrease around 0.9 billion pounds
  - On a skim solids ME basis exports projected to decrease around 0.4 billion pounds
  - Early 2014 expected to show strong exports for US
  - Later in 2014, increased production from Oceania and the EU expected to put downward pressure on US exports

- Annual Ending Stocks

- Projected to increase in 2014
  - 0.8 billion pounds increase in 2014 ending stocks on a fat ME basis
  - 0.4 billion pounds increase in 2014 ending stocks on a skim solids ME basis

# 2014 Outlook

- Prices
  - Strong product prices seen in beginning of 2014
    - CME shown record prices for cheese blocks and barrels
  - Prices projected to remain strong in first quarter of 2014
  - Later in 2014, prices projected to slowly decline as Oceania and EU production puts pressure on US exports
  - Most 2014 average prices projected to be higher than 2013 average prices
    - Butter price projected between \$1.550 and \$1.650
    - NDM price projected between \$1.785 and \$1.845
    - Cheese price projected between \$1.815 and \$1.885
    - Whey price projected between \$0.56 and \$0.59
    - Class III price projected between \$18.53 and \$19.05
    - Class IV price projected between \$19.80 and \$20.60
    - All milk price projected between \$20.85 and \$21.55

# Long-Term Projections

- Milk Production
  - Milk production projected to increase between 1.65% to 2.45% year-over-year
  - Number of cows increase projected to increase in 2016 and 2017 and then decrease from 2018 until 2023
  - Output per cow projected to increase from 2015 to 2023 at a moderate rate of about 2% per year
- Domestic Use
  - Projected to moderately increase at a lesser rate than exports
- Annual Ending Stocks
  - Projected to hold at a steady rate throughout the baseline

# Long-Term Projections

- Exports
  - Fat ME Basis
    - Project strong growth from 2015 to 2017 at an average rate of 7%
    - Projected moderate growth rate from 2018 to 2023 at an average rate of 3%
  - Skim Solids ME Basis
    - Projected moderate growth rate from 2016 to 2023 at an average growth rate of about 2%
- Prices
  - All-milk price projected to increase in nominal terms at an average rate of 0.8% per year
  - Butter and NDM projected to increase in nominal terms at an average rate of 0.8% per year
  - Cheese projected to increase in nominal terms at an average rate of 1.1% per year
  - Whey projected to increase in nominal terms at an average rate of 0.7% per year

# Additional Information

- World Agricultural Supply and Demand Estimates  
<http://www.usda.gov/oce/commodity/wasde/index.htm>
- Milk Marketing Order Statistics  
<http://www.ams.usda.gov/AMSV1.0/DairyMarketStatistics>
- Dairy Market News  
<http://www.marketnews.usda.gov/portal/dairy>
- 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>

Questions?