Situation and Outlook for the U.S. Dairy Industry

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USDA Agricultural Marketing Service
Dairy Programs

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2012
A Record-Breaking Year for the Dairy Industry
New record, 2012
55.3 degrees Fahrenheit

Average
52.1 degrees Fahrenheit

National Climatic Data Center, National Oceanic and Atmospheric Administration
New record
March 2012
50.4 degrees Fahrenheit

National Climatic Data Center, National Oceanic and Atmospheric Administration
All-Milk Price

- 2011 record high: $20.10
- 2012: $18.50 (not a record)
Milk Cows Slaughtered

3.6 million head
(year of Dairy Termination Program)

2012: 3.1 million head
2012 Milk Production Passes 200 Billion Pound Mark

2012 record high
200.3 billion pounds
1.8% above 2011
on daily basis
Dairy Cow Percentage Enrollment in Dairy Herd Improvement (DHI) Test Plans as of January 1 by Breed

<table>
<thead>
<tr>
<th>Breed</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holstein</td>
<td>89.1</td>
<td>87.6</td>
<td>86.8</td>
<td>86.0</td>
<td>84.7</td>
</tr>
<tr>
<td>Mixed</td>
<td>5.1</td>
<td>6.6</td>
<td>7.5</td>
<td>8.2</td>
<td>8.6</td>
</tr>
<tr>
<td>Jersey</td>
<td>5.1</td>
<td>5.2</td>
<td>5.1</td>
<td>5.2</td>
<td>6.2</td>
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<tr>
<td>Other</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

December 2012: 3.86 percent
Annual Commercial Exports and Imports on Milk Equivalent Basis

Net exporter on skim solids basis throughout period

2012 record: 33.5 bil. pounds
16.7% of milk prod.

14.3 bil. pounds
8.3% of milk prod.

2012, not a record: 8.8 bil. pounds
4.4% of milk prod.

3.2 bil. pounds
1.6% of milk prod.

Net Importer on fat basis

Net exporter on fat basis

Exports, fat basis
Exports, skim solids basis
Imports, fat basis
Imports, skim solids basis
Relationship of Cheese Prices and Exports

Convergence of Oceania export prices and U.S. Domestic prices


- U.S. cheese exports
- U.S. Cheddar domestic price
- Oceania Cheddar export price
- Oceania minus U.S. price
Closer Look at 2010 Through 2012
Monthly All-Milk Price, 2010-2012

- April 2010: $14.60
- May and June 2012: $16.20
- Record high August 2011: $22.10
- November 2012: $22.00
Milk Production and Milk-Feed Ratio

- Milk-feed ratios above 2 for 2010 and 1st qtr, 2011.
- Daily milk production increases moderately, 1.8 percent, in 2011.
- Unseasonably warm, surge in milk production
- Record high monthly all-milk price $22.10 per cwt August 2011
- Peak of drought, milk prod. down
- Surprising milk production increase
- Record low milk-feed ratio, 1.38
Margins on average were smaller in 2009 than in 2012.
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%.

U.S. Drought Monitor
February 12, 2013
Valid 7 a.m. EST

http://droughtmonitor.unl.edu/
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.
Dairy Cows Slaughtered Under Federal Inspection

On a per-business-day basis, December 2012 slaughter (13.6 thous.) was above December 2011 (13.1 thous.).
Manufacturer's Nonfat Dry Milk Ending Stocks

Manufacturer's Whey Ending Stocks, For Human Consumption
A Look Forward to 2013
## Commercial Exports (bil. lbs)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fat Basis</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%chg prev. yr.</td>
<td>9.4</td>
<td>8.8</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td>+10.3%</td>
<td>-6.8%</td>
<td>+2.6%</td>
</tr>
<tr>
<td><strong>Skim Solids basis</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>%chg prev. yr.</td>
<td>32.5</td>
<td>33.5</td>
<td>33.7</td>
</tr>
<tr>
<td></td>
<td>+7.0%</td>
<td>+2.9%</td>
<td>+0.7%</td>
</tr>
</tbody>
</table>

![Graph showing commercial exports over time](chart.png)
## Imports (bil. lbs)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fat Basis</strong></td>
<td>3.5</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>% chg prev. yr.</td>
<td>-13.5%</td>
<td>+12.4%</td>
<td>+0.8%</td>
</tr>
<tr>
<td><strong>Skim Solids basis</strong></td>
<td>5.3</td>
<td>5.7</td>
<td>5.4</td>
</tr>
<tr>
<td>% chg prev. yr.</td>
<td>+9.0%</td>
<td>+7.9%</td>
<td>-5.7%</td>
</tr>
</tbody>
</table>

### Line Graph

- **Fat Basis**
- **Projections**
- **Skim Solids Basis**
- **Projections**
Average Net Cash Income per Dairy Farm Operation

14.5 percent decrease from 2012
Long-Term Baseline Projections
Milk Production

1.6% CAGR after 2013

Milk production
latest projections
baseline
Thank you