The “new” U.S. Dairy Industry

- From domestic to World markets
- Increased concentration of domestic supply
- Lactoencephaly (i.e., brain fixation on Class I)
- Making the wrong products
- World transportation vs. domestic transportation

Where have we been?
Where are we going?

U.S. Milk Supply
Average increase of 320 lbs/cow per year; Constant rise in absolute but NOT relative amounts

Thus...

- If the domestic demand keeps increasing at ~ 1.5%/year (average population increase without per capita consumption change).
- If the average cow productivity keeps increasing at an average of 320 lbs/cow per year (i.e., <1.5%/year).
- If the U.S. at least maintains its current export volume, and
- If the U.S. does not increase its volume of dairy imports

THEN the number of dairy cows in the U.S. will have to be increasing in the next decade.

? Where will they go?
The Feed Side

NASS Price of Corn

NASS Price of Soybeans

AMS Price of 48% Soybean Meal

Updated 12/31/13

Updated 12/31/13
Profitability
The future...

The World...

The World
Yankee view!
15.6% of Annual Milk Solids Production

Source: Joel Karlin, 2014

2014 Virginia State Feed Association & Nutritional Management "Cow" College

Updated 3/9/14
The U.S. is now exporting a greater proportion of its milk production (15.6%) than of its corn production (11%).
Making the right product!
What would happen if we were making the right products!

Domestic Fluid Milk ???

Class I (fluid milk)… a loosing proposition…

Like selling desktop PCs…
Externalities
Dangerous Forecasts…

Already dead wrong for the first 2 months of 2014…

Neither the USDA nor the Futures Markets are good at forecasting…
Where are the Perfect Locations?

Location Factors

- Five factors consistently determined **most** important
- Availability of adequate fresh water supplies
- Availability of land on which to incorporate animal waste
- Average mailbox price of milk
- Quality of fresh water supply
- Complexity of state and local laws governing waste handling and odor management.
Location Factors

- Five factors consistently determined least important
- Number of hoof trimmers in the local area
- Presence of established niche markets in the local area
- Proximity of an airport with commercial, scheduled service
- Proximity to cultural centers
- Proximity to recreational areas

Future of Dairying

1. Increased dependency on exports
2. Increased need for just-in-time production
3. Sufficient production density in a given geography to achieve transportation and processing efficiency
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1. Increased dependency on exports
2. Increased need for just-in-time production
3. Sufficient production density in a given geography to achieve transportation and processing efficiency
4. Declining importance of Class I market
5. Economies of scale at farm level are (mostly) gone; the next ‘savings’ will be through integration
6. Heat stress will progressively put pressure towards moving production in the northern, cooler states