

Dairy Market Competition

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During 1970 there were 648,000 dairy farms operating in the United States, by 1988 the number was 216,000, and by 2018 there were 40,000 remaining. Milk production at that point was 217 Billion lbs., better than half of which (50.3 %) , was produced by 2.9 % of those farms.

Today, our national dairy herd consists of 9.4 million head of high producing milk cows, we begin 2023 with 29,000 dairies in operation, 2022 milk production totaled 227 Billion lbs., 18 % of that volume was exported in milk equivalent products valued at \$9.5 Billion. Exports are often referred to as milk solids or as milk equivalent products such as cheese, butter, or powders ie, whole milk powder (WMP), skim milk powder (SMP), nonfat dry milk (NDM), milk protein concentrate (MPC), whey protein concentrate (WPC), etc. In that form products are branded, shelf life is extended, quality is protected and, in this case, 40.8 Billion lbs. of milk was utilized to make those products.

The United States has competition in the marketplace, by times the strength of our dollar pushes price beyond the reach of other currencies, in that case we lose the sale. Lets have a look at some of our competition for those markets.

The European Union is the worlds largest milk producing region and consists of 31 countries, their milk production for year ending 2022 totaled 330 Billion lbs. However, milk volume there is presently down due to drought conditions, cow numbers are down by 564,000 head due to drought, high energy, fertilizer and feed costs.

New Zealand produces 48 Billion lbs. of milk annually, 90 % is exported, they are our biggest competitor in the southeast Asia region of the world. Their cows are grass fed, milk production is declining due to poor weather, a smaller feed base, and less cows in their national herd.

Australia produces 26 Billion lbs. of milk annually. Production is expected to decline by 1 % during 2023 due to farm labor shortages, high energy and feed costs. Farmers have cut back on cow numbers due to these high costs.

Argentina has an annual milk production of 20 Billion lbs. Dry conditions have kept milk production down for 2022. Although, it is expected to increase by 1 % as weather conditions return to normal. It should be noted that Argentina hasn't experienced as much of the higher costs of feed and energy as elsewhere in the world.

China is expected to produce 93.1 Billion lbs. of milk during 2023, their government has invested in the dairy business by supporting companies, and dairy production. They have imported 1.2 million head of dairy cattle from Australia and New Zealand in an effort to rapidly increase milk production. China has a large population to feed, over 1.4 Billion people, which represents better than 18% of world population. China tends to be one of the world's largest importers of dairy products.

The Dairy Industry plays an important role in the U.S. Economy, accounting for 3.5 % of Gross Domestic Product (GDP) and providing well over 3 Million jobs that support people and their families who rely on the Dairy Industry as a source of income.

Dairy farms in the United States operate in accordance with criteria set forth under federal law. Federal Milk Marketing Orders (FMMO's) were established in 1937, back then it was difficult to find a reliable supply of good quality milk, their objective was to:

- 1) Promote orderly conditions in fluid milk markets; 2) Improve the income situation of dairy farmers; 3) Supervise the terms of trade in milk markets to achieve equality of bargaining between milk producers and milk processors; and 4) assure consumers of good quality milk at reasonable pricing.

The marketplace of today is substantially different from back then, today's market has an ample supply of milk, in fact at times supply exceeds demand. A prolonged duration of oversupply causes price to fall, problem is the farmer then has two choices, either produce more milk to maintain his cashflow, or go out of business. We rely heavily on export markets for balance, as previously mentioned, this is where the value of currency comes into play.

The nature of market function is they either expand or contract, national policy addresses increased demand, but offers no method, other than survival of the most fit, to prevent a prolonged duration of market oversupply. Policy change has been strongly opposed by those interests who profit from depressed milk pricing, but as farms continue to disappear nationwide, we find America's rural community in a state of disrepair, rather than being the asset we historically recall.

Today, given the choice, U.S. Consumers will vote with their wallet in favor of domestic foods, they tend to prefer either local or regional products. They demonstrate an expectation of fair pricing for fresh, top quality products, which offer both accountability and traceability. Their preference is to support their neighbors, but you first have to earn their confidence.

In light of the frequency of natural disasters we have witnessed over recent years, it would seem that national policy should recognize the importance of food being produced regionally across our entire country. Key to our continued success as a nation is our collective response to three topics of concern; 1st) The need for nutrition, 2nd) Demand for energy, and 3rd) Environmental stewardship. We should remind ourselves before beginning to manage assets, protect resources, or becoming overly restrictive, the system still has to work.