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# OUTLOOK FOR THE U.S. DAIRY SECTOR IN 2015

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Shayle D. Shagam  
World Agricultural Outlook Board  
U.S. Department of Agriculture

Presented at the 2015 USDA Outlook Forum  
Washington D.C.  
February 20, 2015



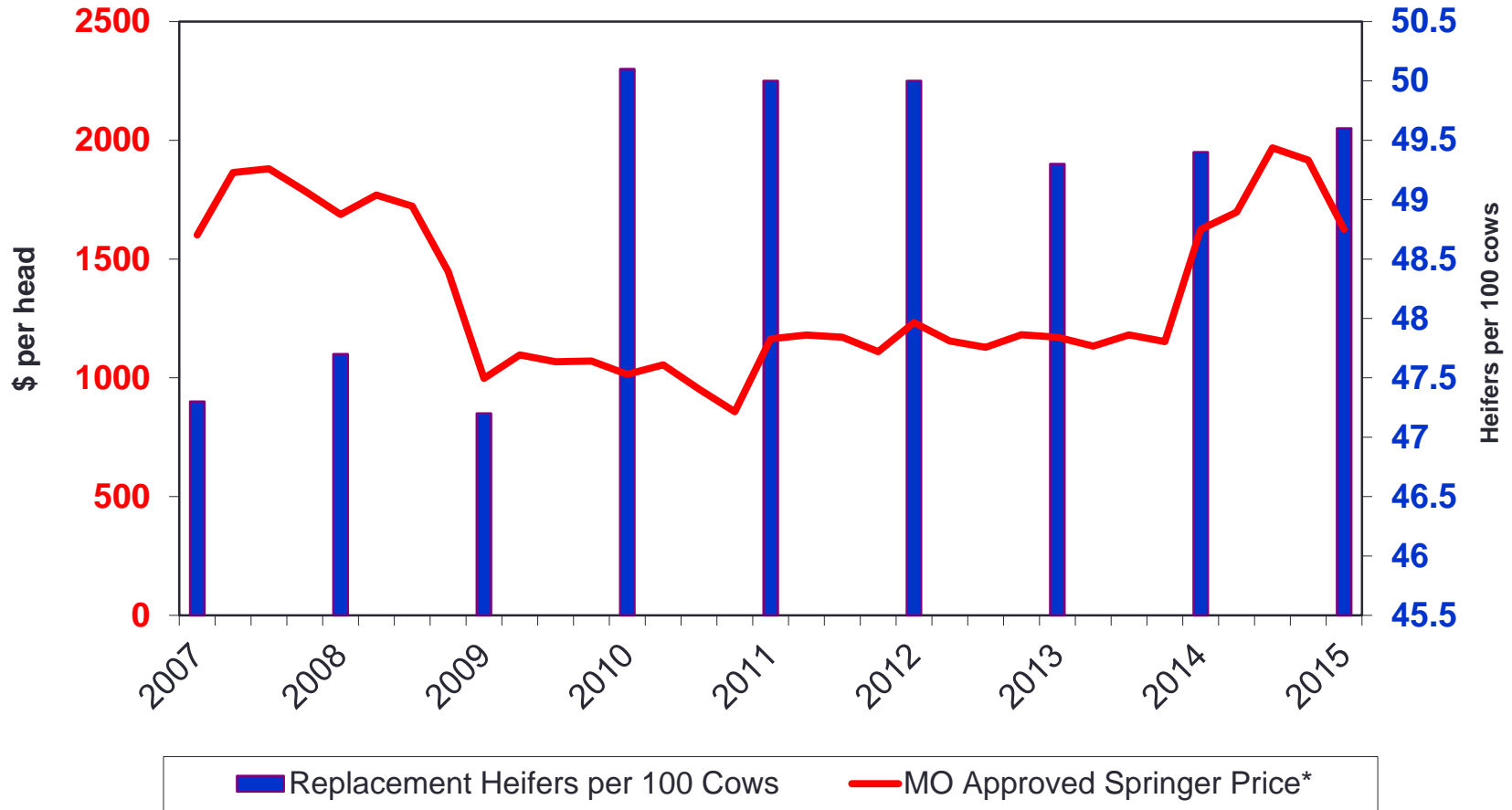
# 2014 Milk Production Higher...

- Returns have been favorable for sector to expand
  - Record milk prices in 2014, near record in 2013
  - Feed prices declined in 2014
  - Replacement heifers available
- Production in 2014: 206.1 billion pounds
  - Slow increase in cows
  - Above trend gains in milk per cow

## ...But Pressure in 2015

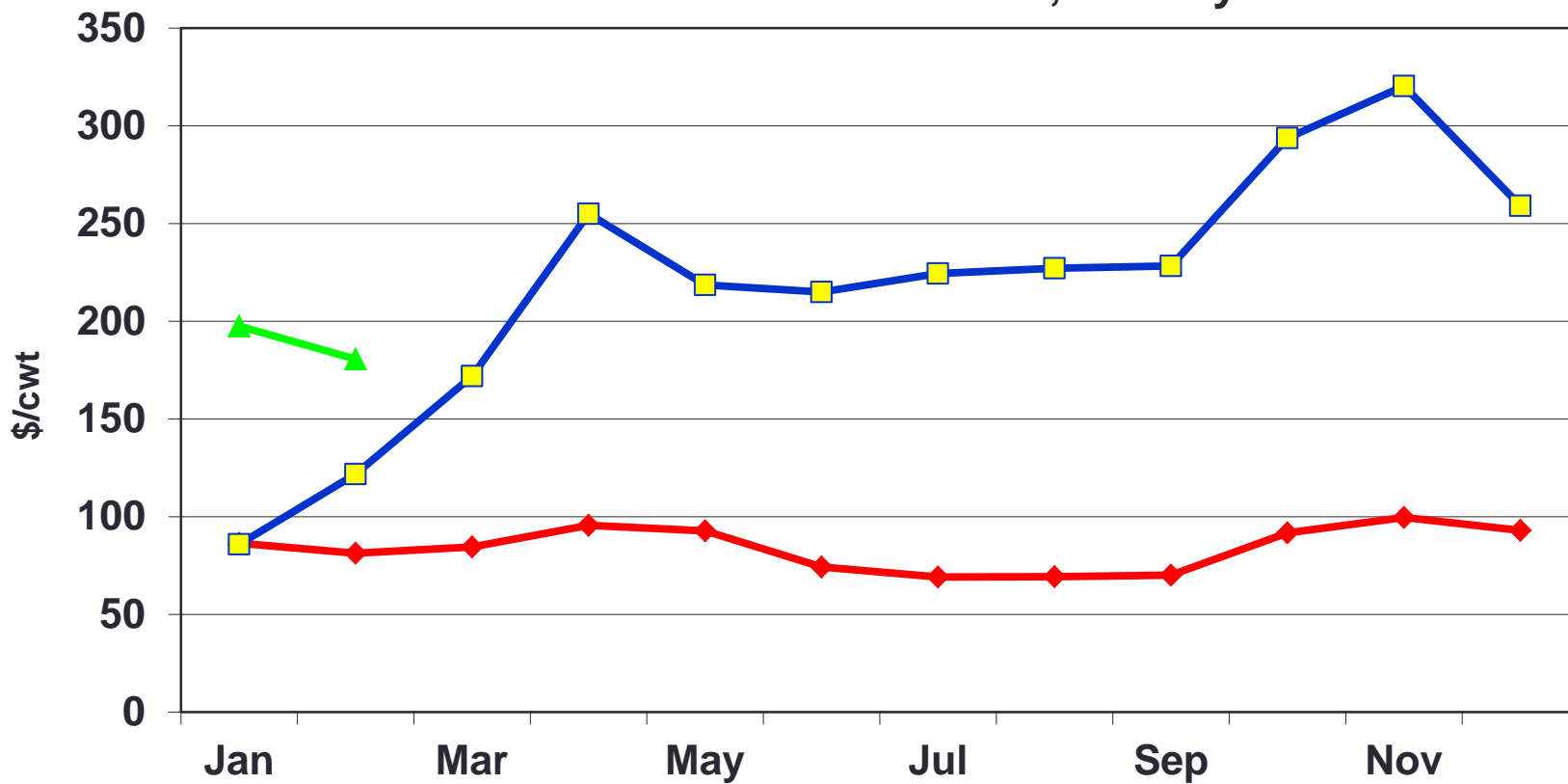
- 2015 returns will weaken
  - Milk prices lower
  - Feed prices will remain moderate, improved availability of alfalfa
- Production in 2015: 211.5 billion pounds
  - More cows
  - Slightly slower growth in milk per cow

# More Heifers Available but Replacement Prices Remain High



# Light Heifer Calf Prices Falling

## Holstein Heifer Calves 85-120 Lbs, Pennsylvania

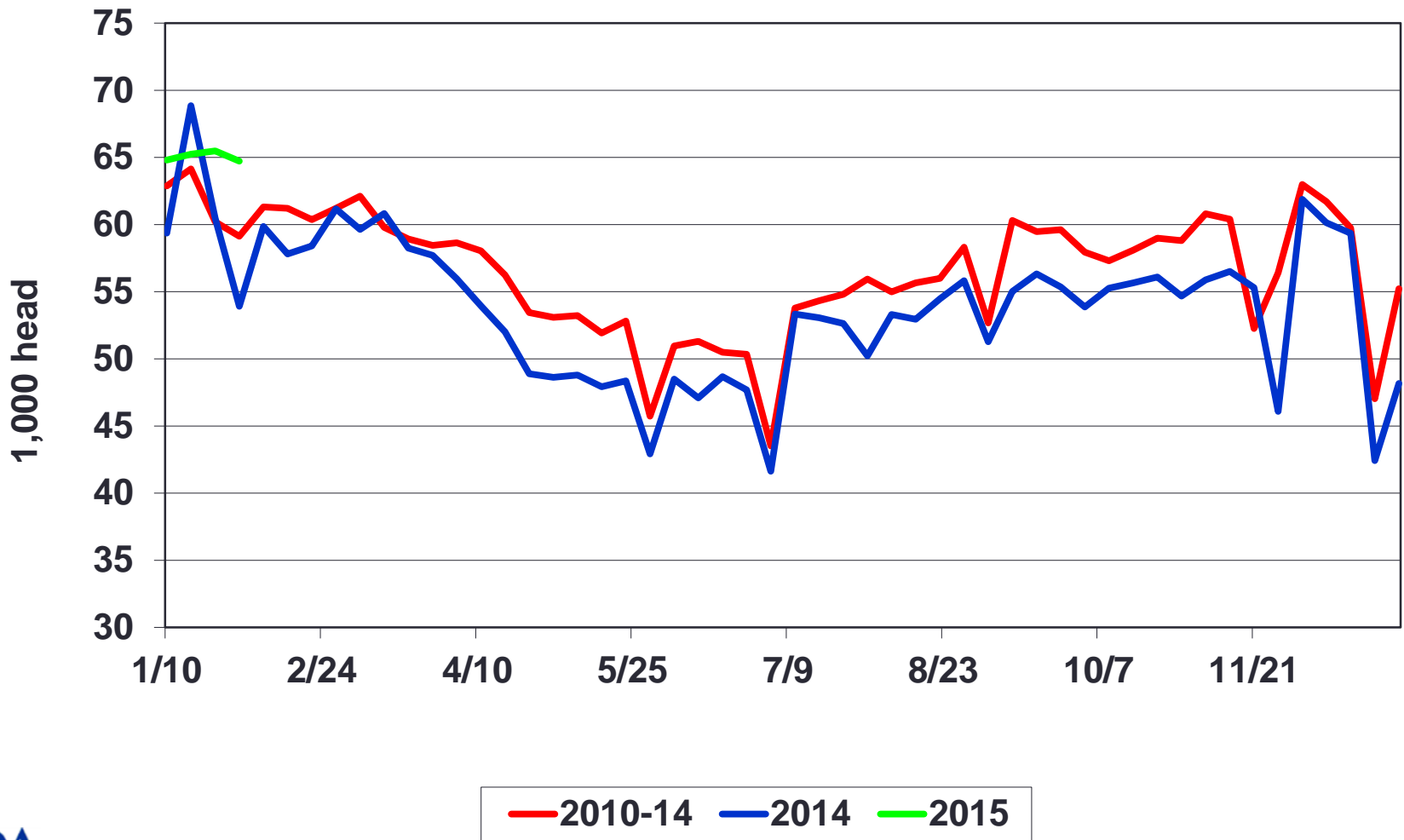


◆ 2013    ■ 2014    ▲ 2015\*

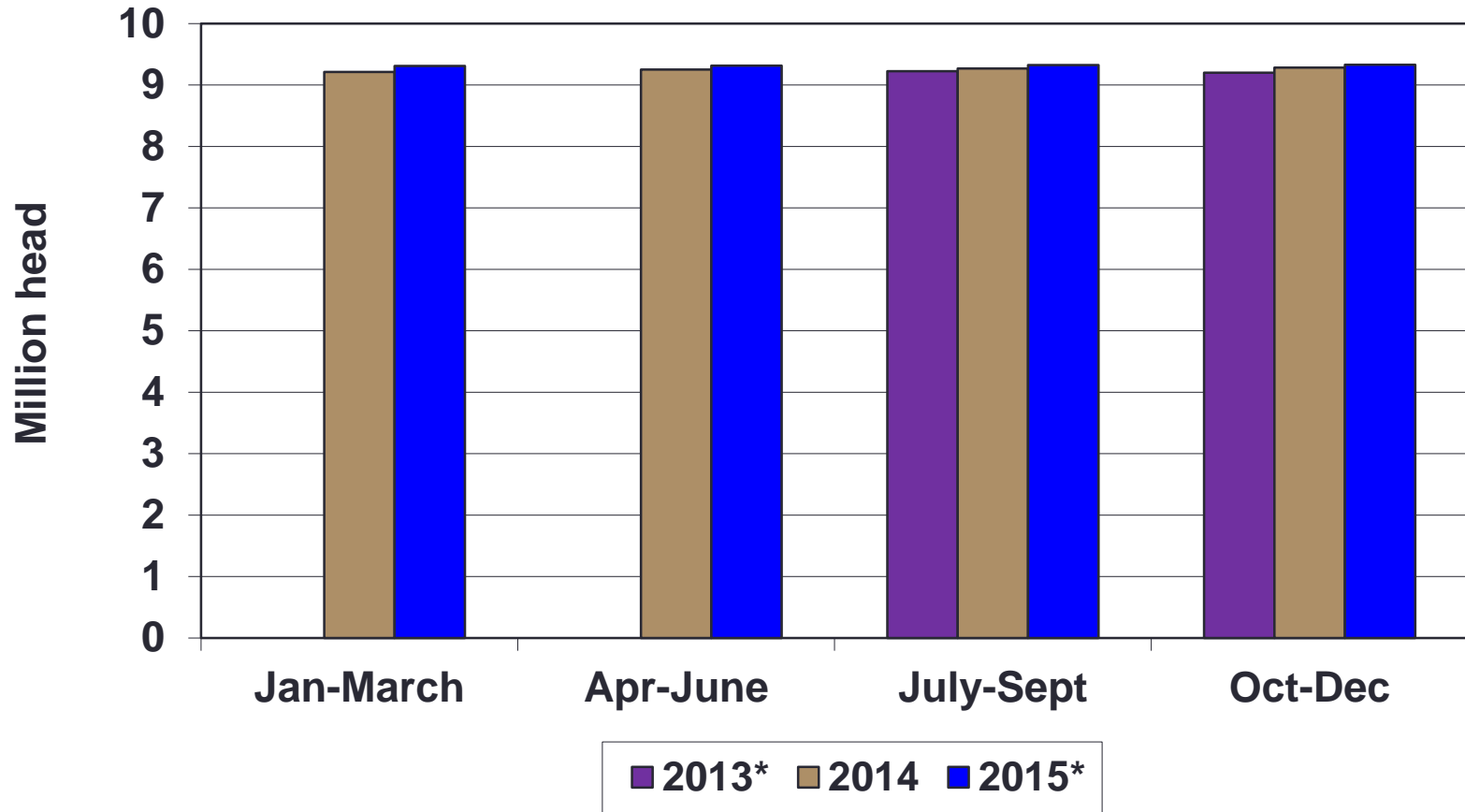
\* Through Early-February



# Dairy Cow Slaughter Has Increased



# Quarterly Average U.S. Cow Herd

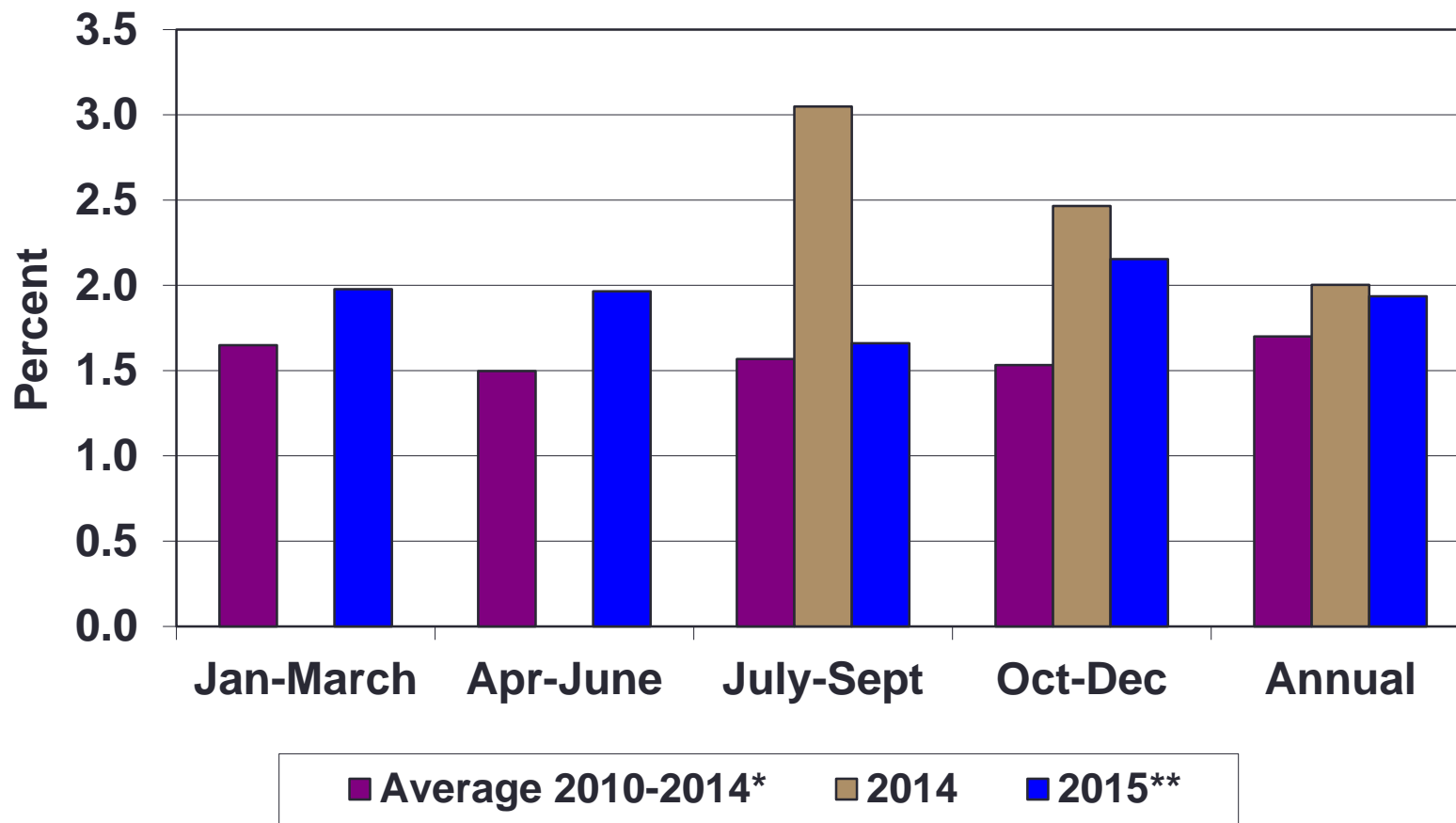


\*QI-QII not available due to Sequester

\*\*Forecast

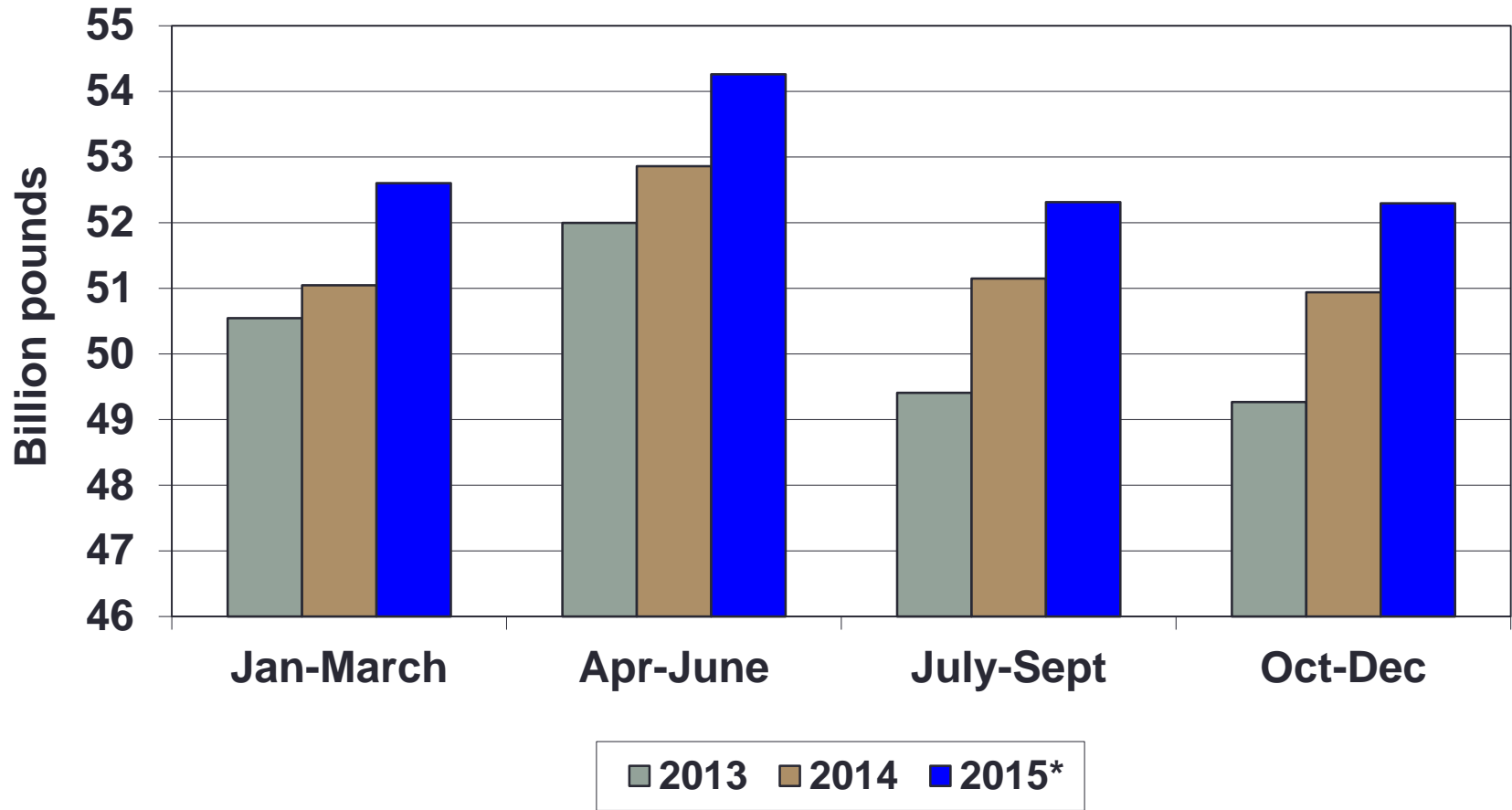


# Milk per Cow Growth Adjusted for Leap Year



\*Q1-QII: 2008-12 due to Sequester  
\*\*Forecast

# Quarterly U.S. Milk Production



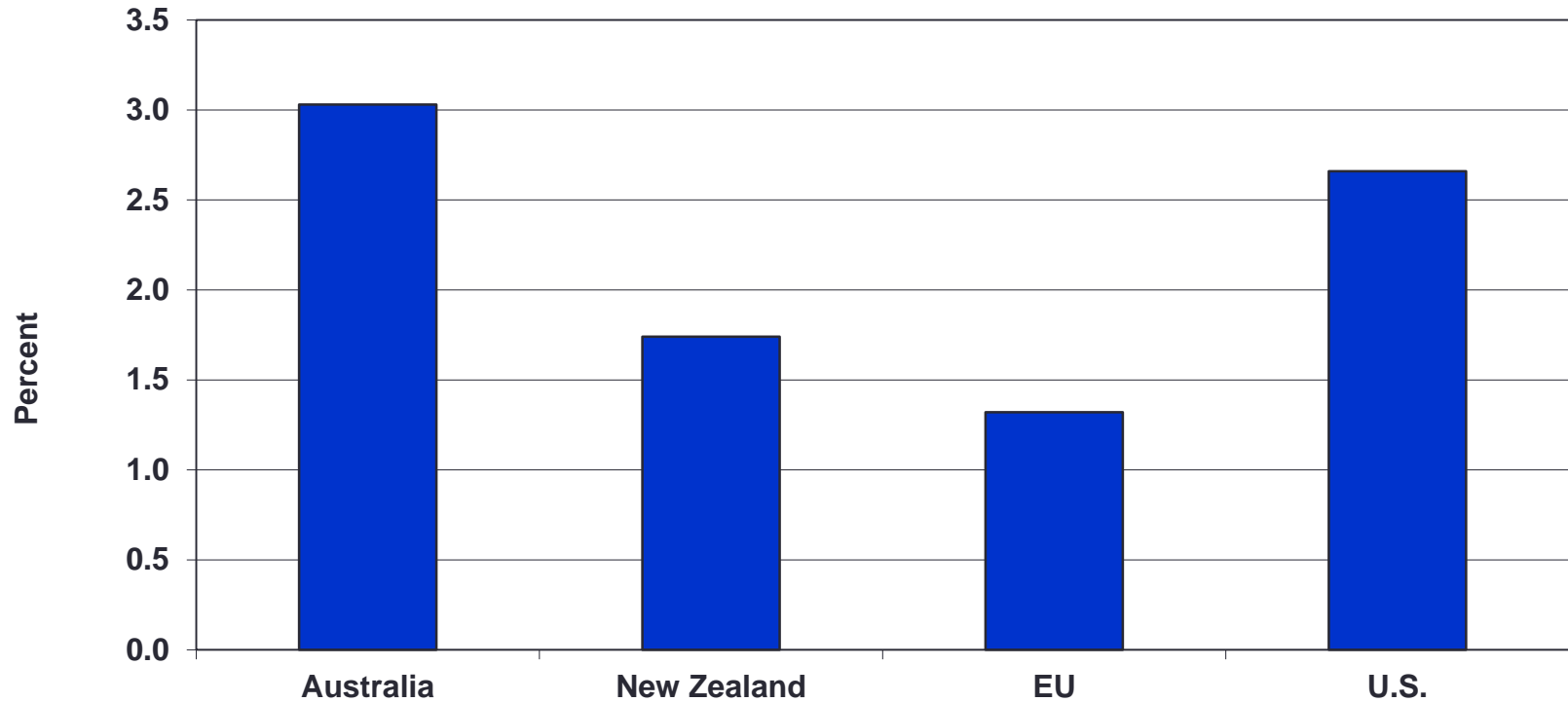
# International Demand Helped Move Dairy Products in early 2014

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  - Skim solids basis exports were 10 percent higher

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# Growth in 2014 Major Exporter Milk Production

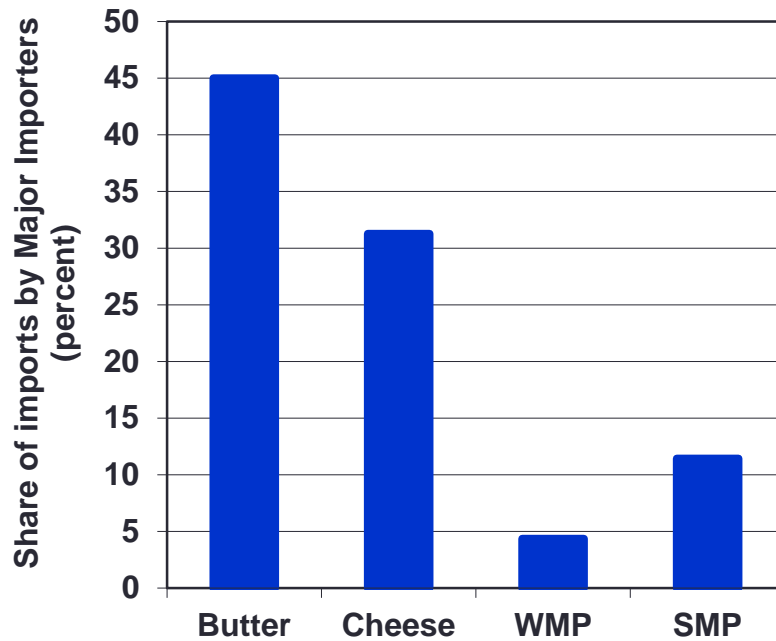


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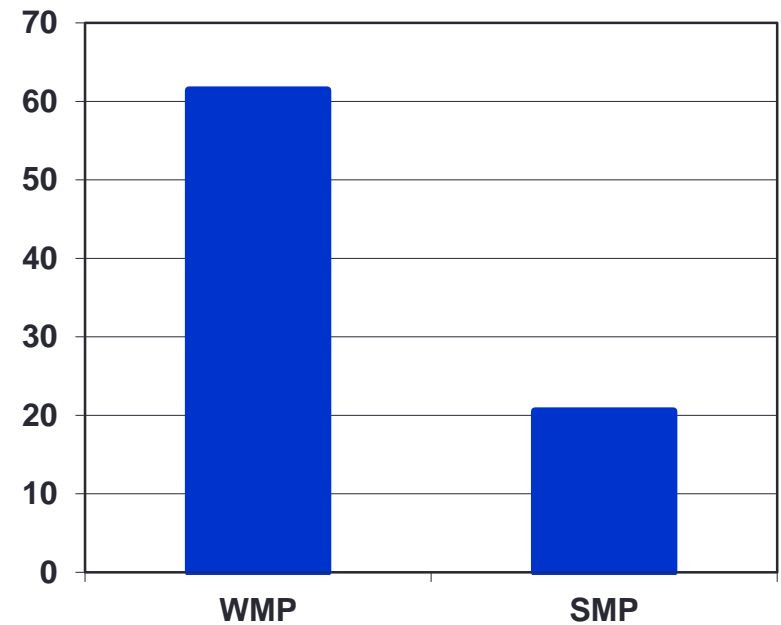
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  - China reduced powder purchases

# Russia and China were Major Product Importers in 2013

Russia



China

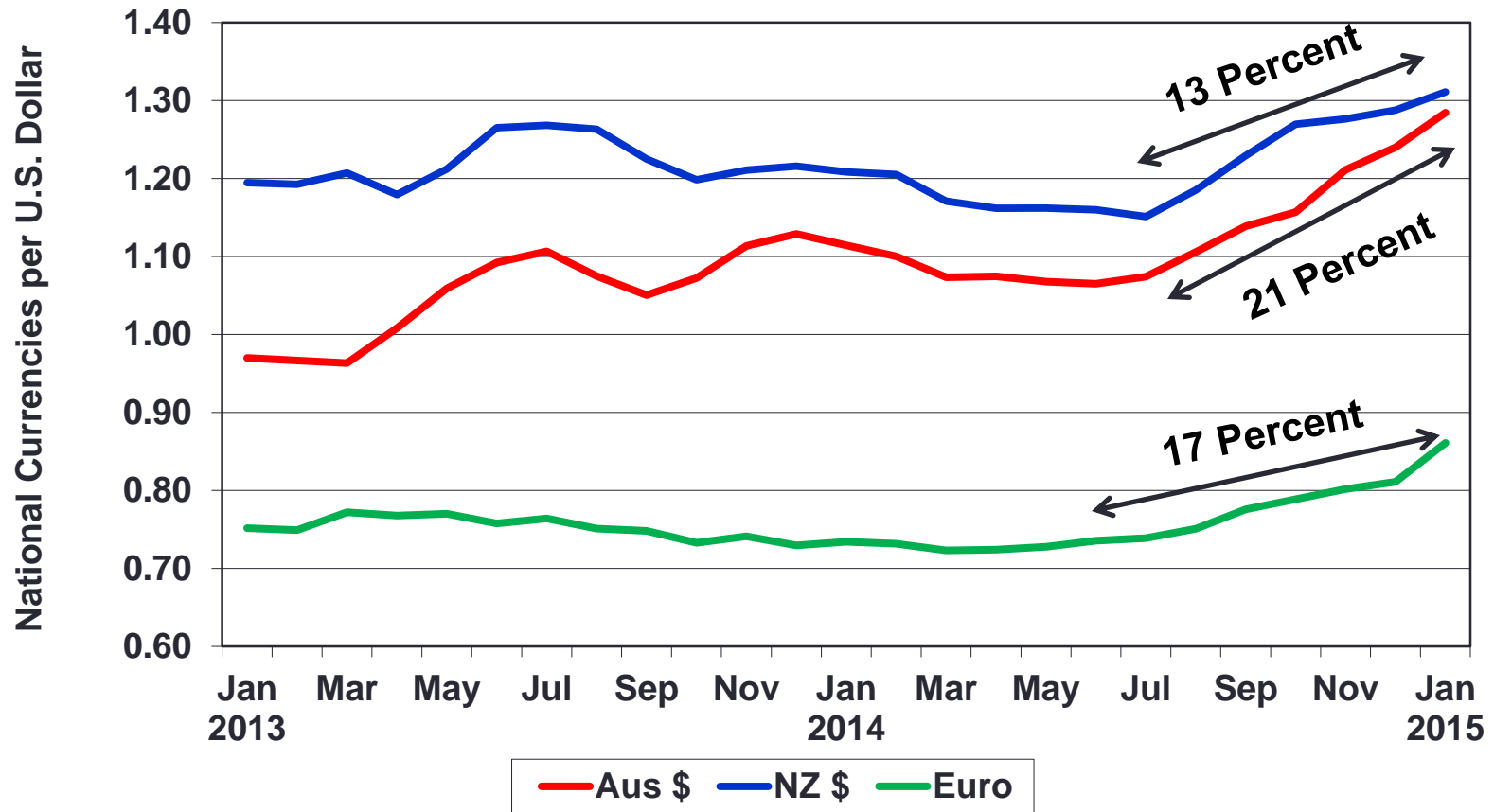


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# U.S. Dollar Stronger Against Competitor Currencies

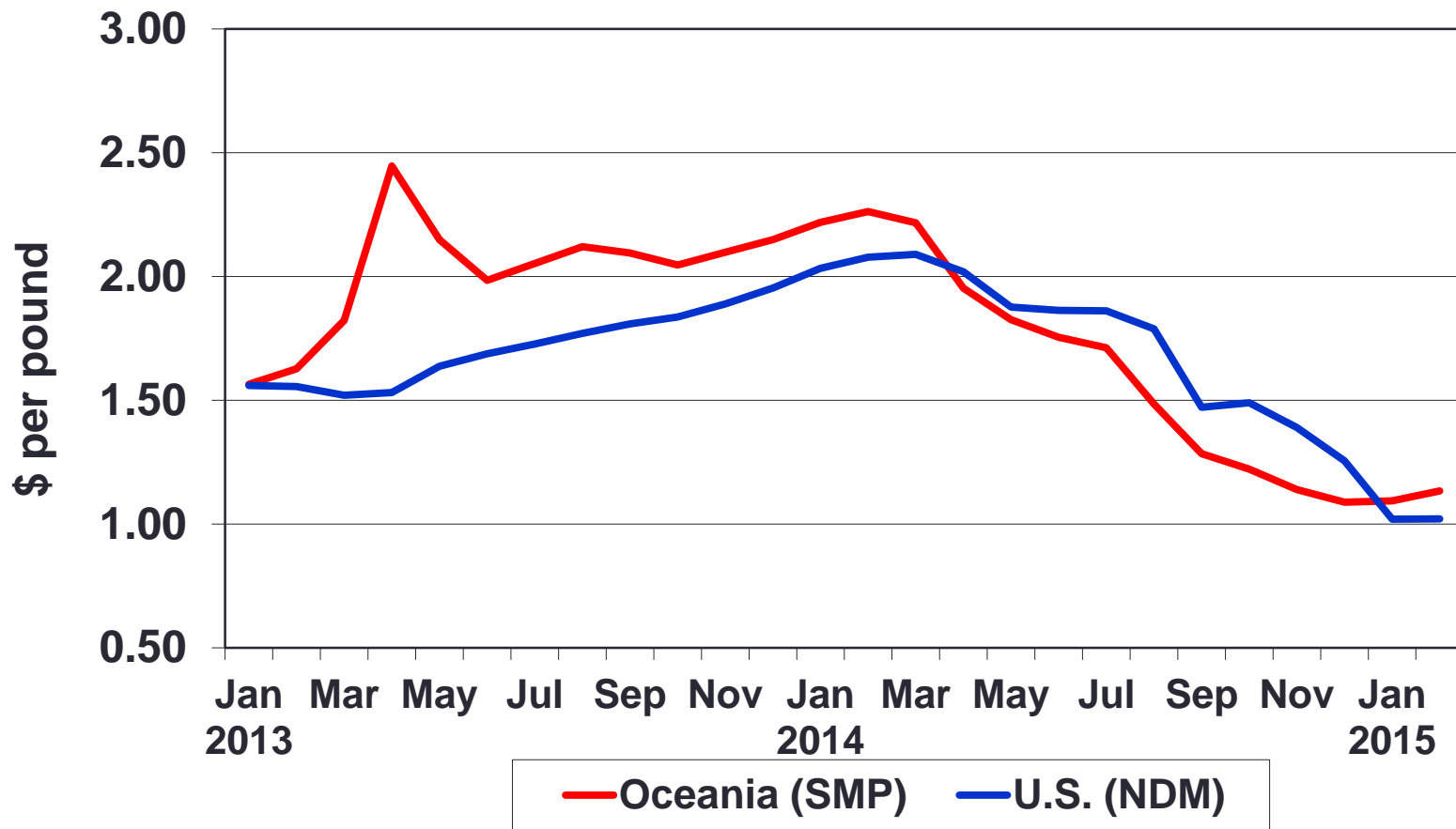


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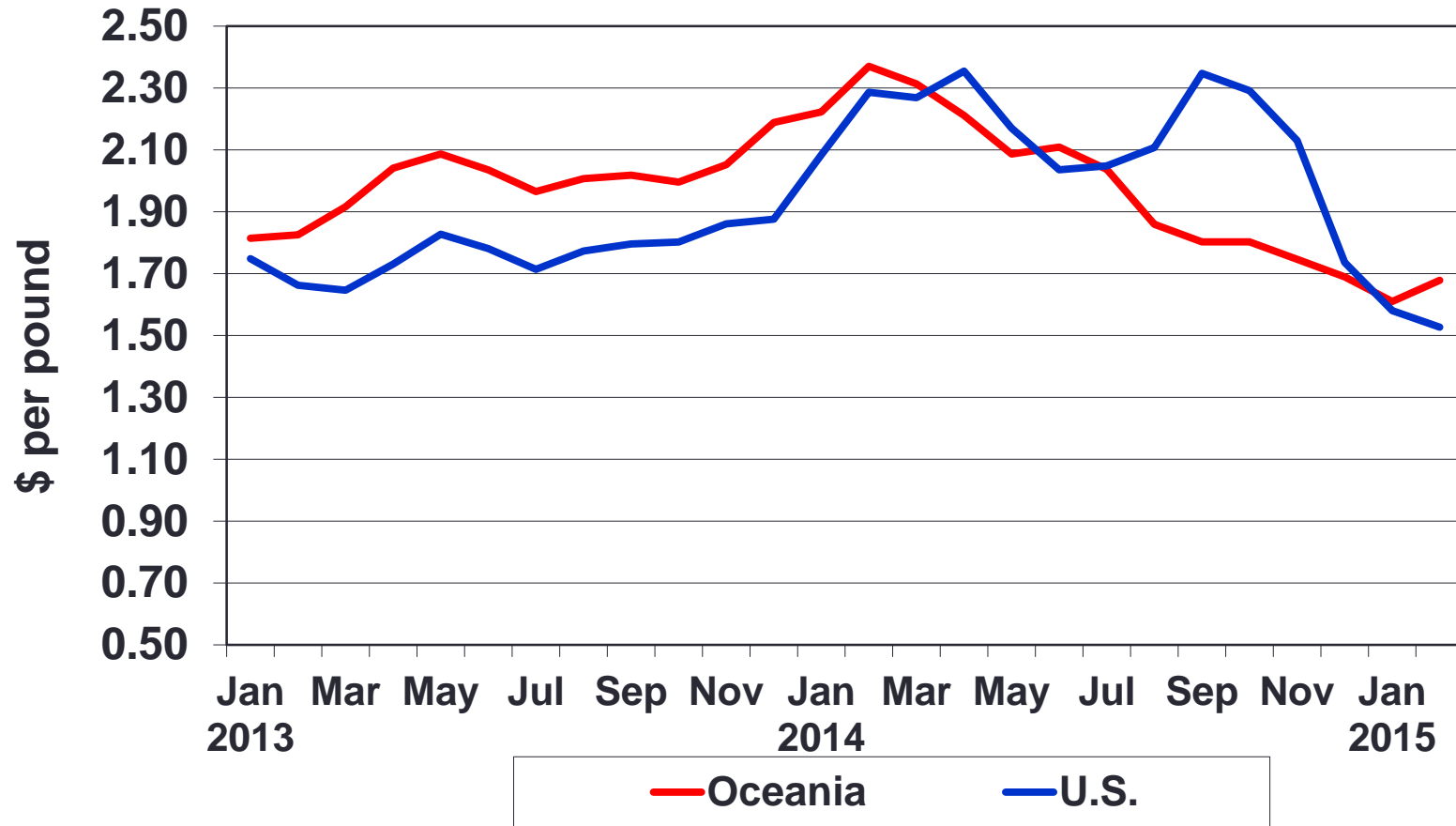
# Nonfat/Skim Milk Prices

## Monthly Average of Weeks



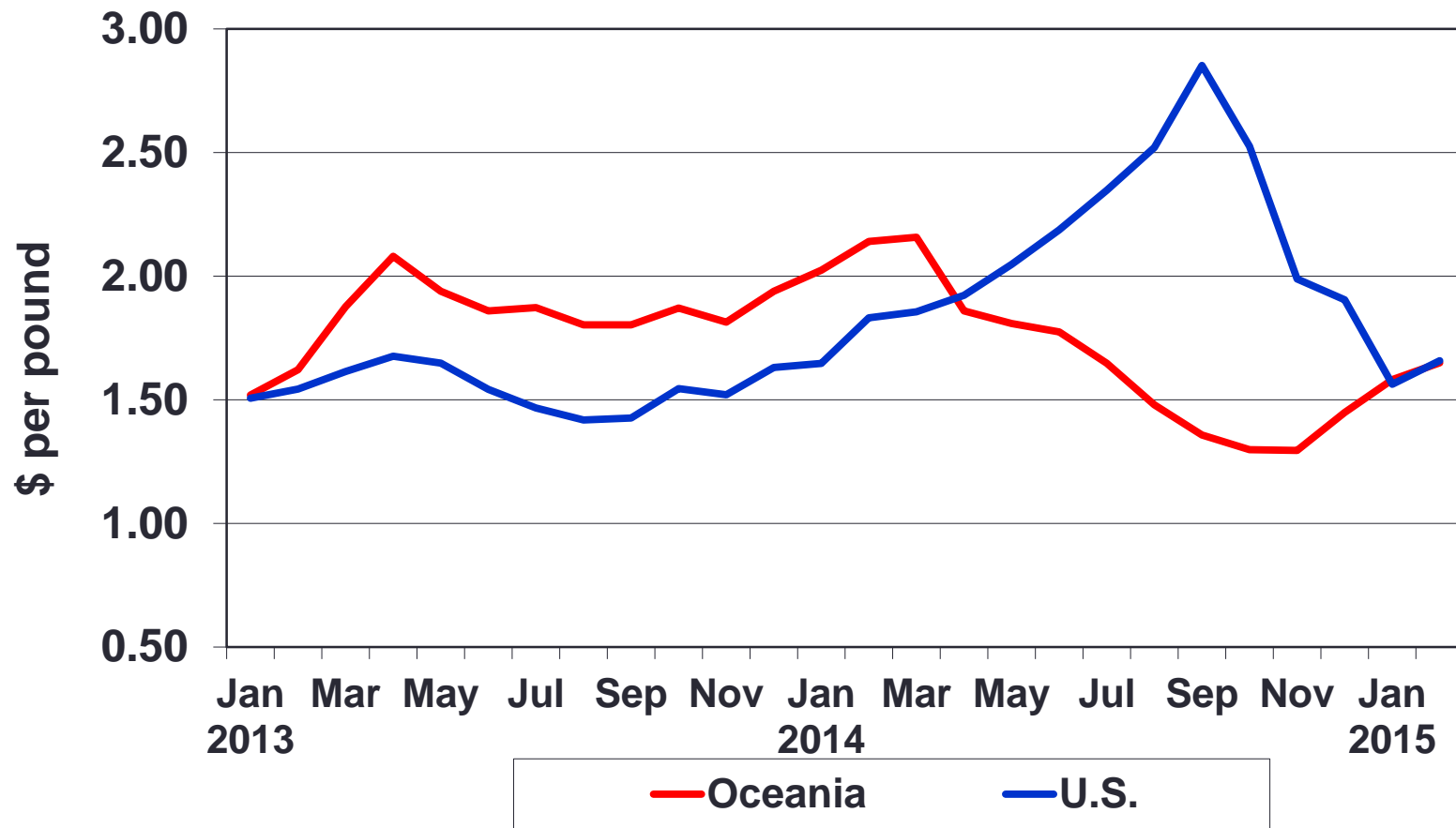
# Cheddar Cheese Prices

## Monthly Average of Weeks



# Butter Prices

## Monthly Average of Weeks



# International Demand Helped Move Dairy Products in early 2014

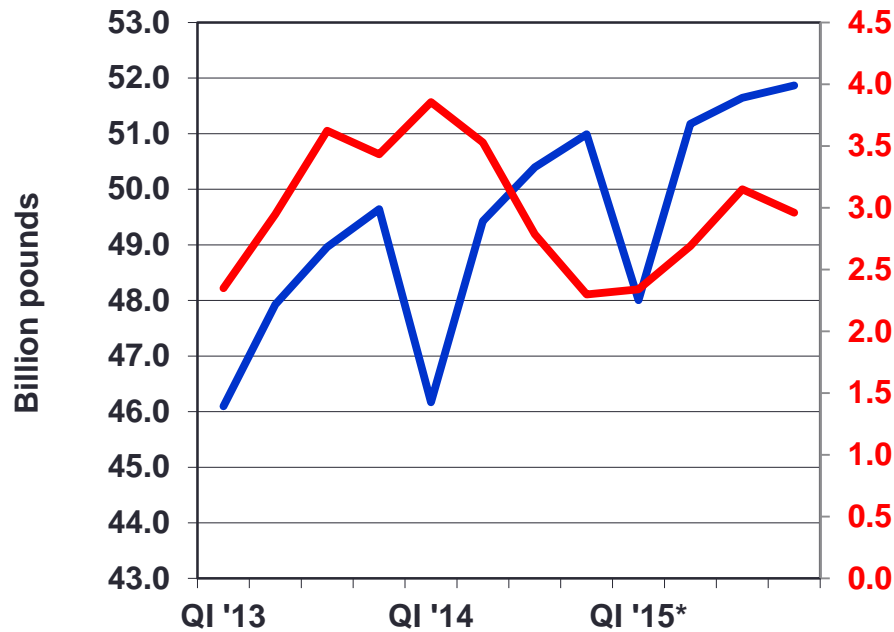
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  - China reduced powder purchases
  - U.S. dollar strengthened in later part of 2014
- U.S. prices became uncompetitive vis-à-vis competing exporters
  - U.S. fat basis exports down 28 percent year-over, July-December
  - Skim solids basis exports down 6 percent

# Commercial Use in 2015 will be Largely Driven by Growth in Domestic Demand

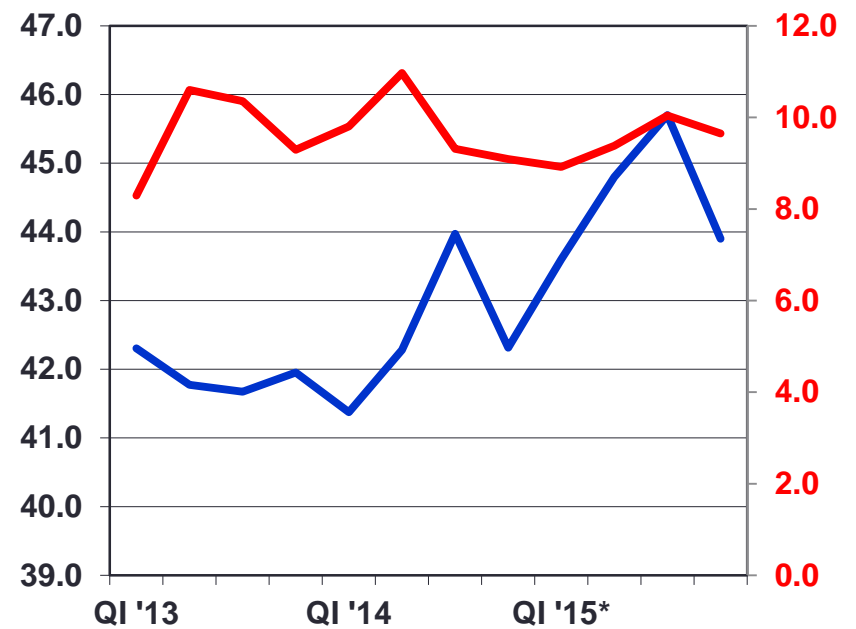
- Domestic use will increase through the year
  - Continued growth in the economy and declining unemployment
  - Lower dairy product prices
- Exports likely to be below year-earlier for 2015
  - Below year-earlier first half
    - Weak import demand
    - Strong dollar
  - However, support for year-over increases in second-half
    - Increased demand with Russia ban ending
    - Lower U.S. product prices could boost competitiveness

# Domestic Demand will Absorb Supplies

## Fat Basis



## Skim Solids Basis



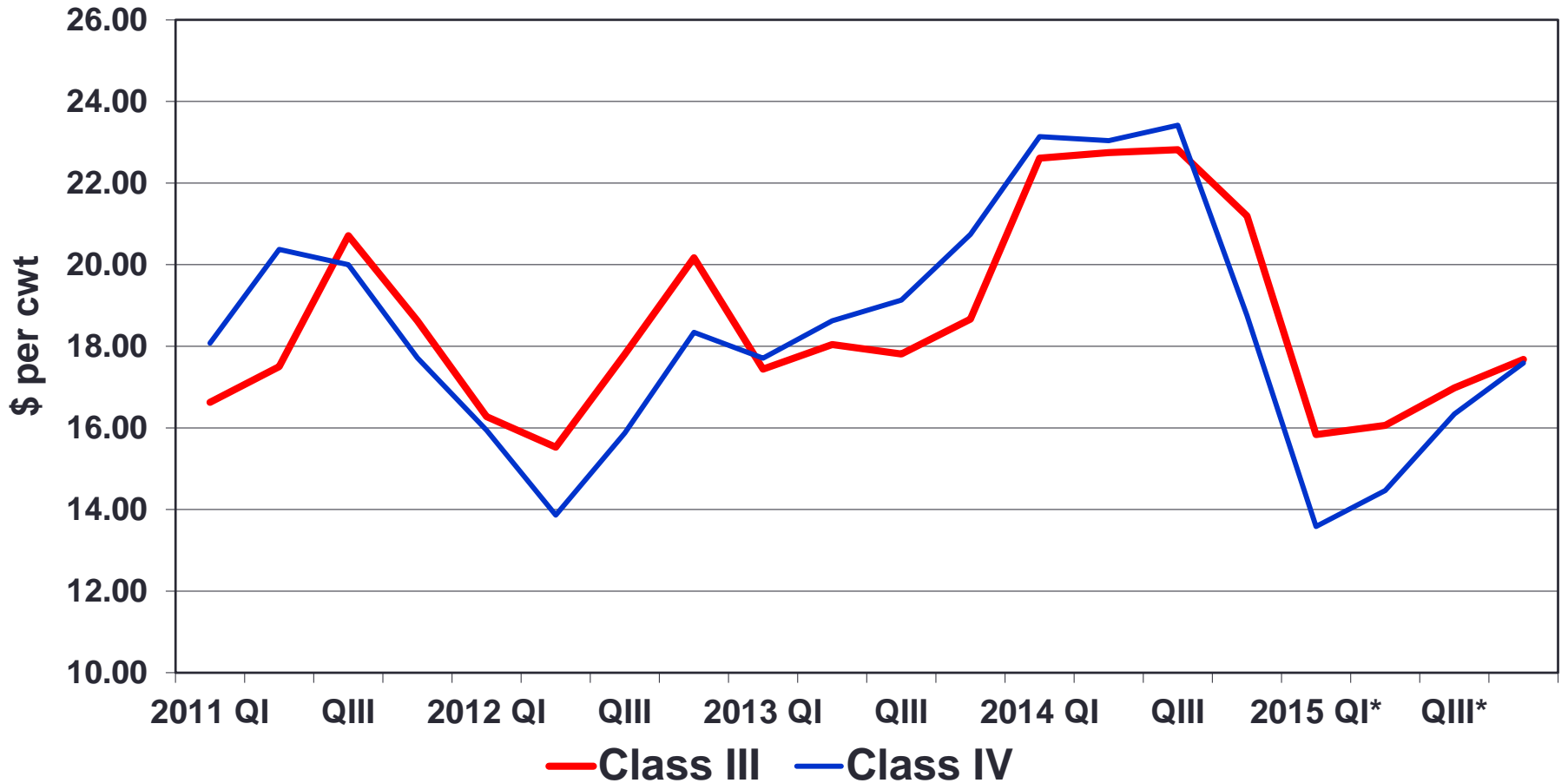
\*Forecast



## 2015 Dairy Prices Lower to Balance Increased Production

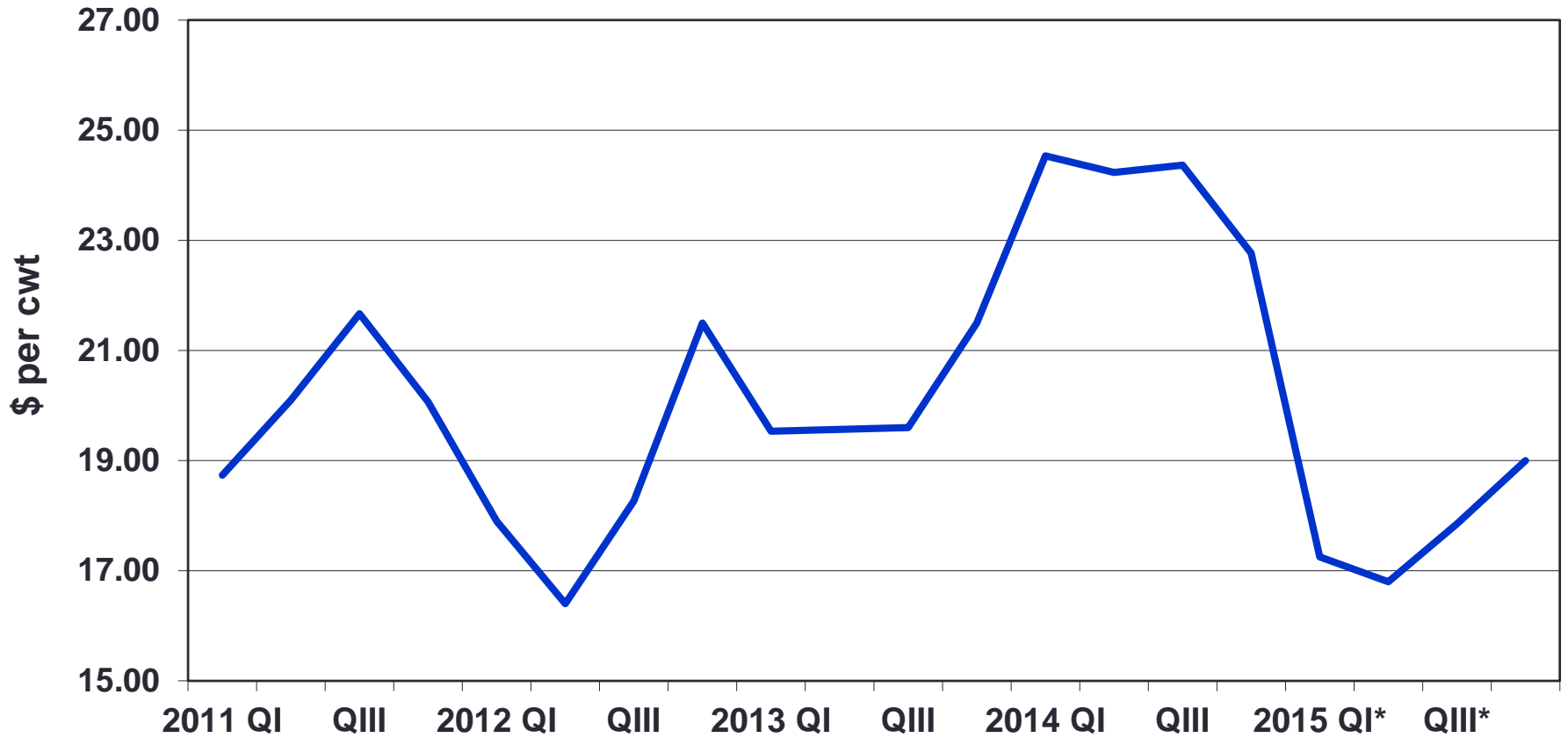
- Class III price to average \$16.30-17.00 per cwt
  - Cheese price weaker: \$1.595-\$1.665 per pound
  - Whey price lower: \$0.560-\$0.590 per pound
- Class IV price to average \$15.10-\$15.90 per cwt
  - Butter price lower: \$1.655-\$1.755 per pound
  - Nonfat dry milk price down: \$1.185-\$1.245 per pound
- All milk price to average \$17.40-\$18.10 per cwt

# Quarterly Class Prices



\*Forecast

# Quarterly Average All Milk Prices



\*Forecast

# Additional Information on the Outlook for 2015 is Available on the Following Websites:

- World Agricultural Supply and Demand Estimates
  - <http://www.usda.gov/oce/commodity/wasde/index.htm>
- Livestock, Dairy, and Poultry Situation and Outlook
  - <http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>
- Dairy: World Markets and Trade
  - <http://www.fas.usda.gov/data/dairy-world-markets-and-trade>