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Drink One More Glass of Milk and Save a Dairy

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If only it were that easy. For many years the dairy industry has struggled with an imbalanced market- more production than domestic consumption- and generally that was a world-wide dilemma. Because milk in fluid form is highly perishable, different then corn or soy that can be stored for years, it has to be manufactured into a more stable product. Cheese, butter and powders gave a much longer shelf-life and were put into storage by the ton.

With the advent of higher exports of these products, the market found a way to clear product from storage and the industry supported about one percent increases in production each year. However, when world economies slowed, and political solutions were implemented, stored products grew, and the markets headed down to clear this over production.

For U.S. producers, the next blow was trade conflicts and tariffs. Major export loses to China and Mexico hurt producer margins even with fairly stable domestic utilization.

Recently, John Geuss summarized the domestic issue in his MilkPrice blog saying:

> The percentage growth in cheese consumption is about equal to the percentage decline in fluid milk. However, cheese is a bigger category. Using a weighted average of the cheese growth and the fluid milk decline indicates an average increase in the combined demand. Class IV milk for butter is growing by around one percent. Class II milk for products like yogurt and ice cream are stable. Overall, this would provide a needed increase of about one-half percent in the milk supply.
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> That increase would be roughly in line with current percentage increases in milk production levels, but the overproduction of the past must still be dealt with. In 2018, milk production was well above consumption with the excess milk ending up in excessive cheese inventories. Those inventories have continued to grow at about four percent in 2019. Because 2018 was excessive, the current increase in the milk supply is still too big for the current needs. Most current predictions are for better milk prices in 2019. For this to occur, the cheese inventories must be brought in line with consumption and exports/imports.

In Iowa, we have recently seen a reduction of 3,000 cows in our state dairy herd from 220,000 to 217,000 cows. Milk production in Iowa during April 2019 totaled 436 million pounds, down one percent from the previous April according to the latest USDA, National Agricultural Statistics Service – Milk

Production report. Monthly production per cow averaged 2,010 pounds, even with last April. In addition to the loss of cows, Iowa also lost 111 licensed dairies from December 2017 to January of 2019.

The May World Agricultural Supply and Demand Estimates (WASDE) 2019 milk production forecast was reduced from the previous month on declining milk cow inventories and slow growth in milk per cow. Fat basis exports were raised from the previous month on strong cheese sales to key trading partners. The skim-solids basis export forecast is also raised on higher expected cheese and lactose sales. The fat basis import forecast is unchanged from last month while the skim-solids basis import forecast is reduced on lower imports of milk protein products. Cheese and NDM price forecasts were raised from the previous month resulting in both Class III and Class IV prices being raised. The 2019 all milk price is forecast at $18.05 per cwt. The 2020 all milk price is forecast at $18.80 per cwt.

While enjoying an extra glass of milk everyday may not save a dairy, combined with resolving trade and tariff conflicts, it would certainly help to balance the market and return some stability to the dairy industry.

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