LMIC
Livestock Marketing Information Center

Dairy Outlook

2014 Midwest & Great Plains Outlook Conference

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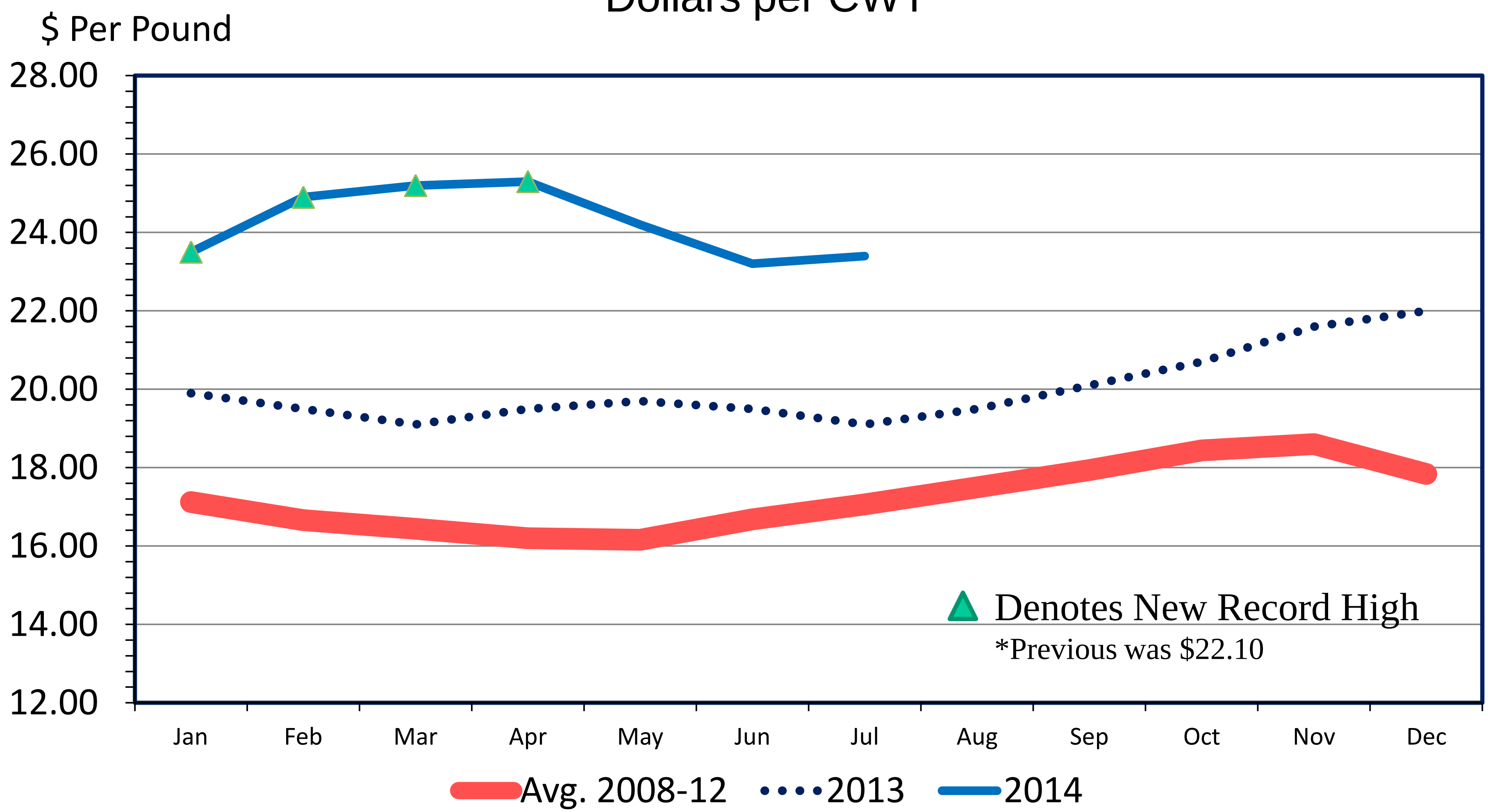
KEY TO DAIRY 2014

- Prices are record high in the first half.
- Profitability has been very good and will remain.
- Dairy demand remains strong worldwide
- Lower Feed Costs

- Rapid herd expansion: Inventory?
- Drought –minimal impact or restrained growth?
- Export markets face more competition: Oceania production, EU Quota, Russia?

ALL MILK PRICE
Dollars per CWT



Data Source: USDA-AMS, Dairy Market News, Compiled & Analysis by LMIC

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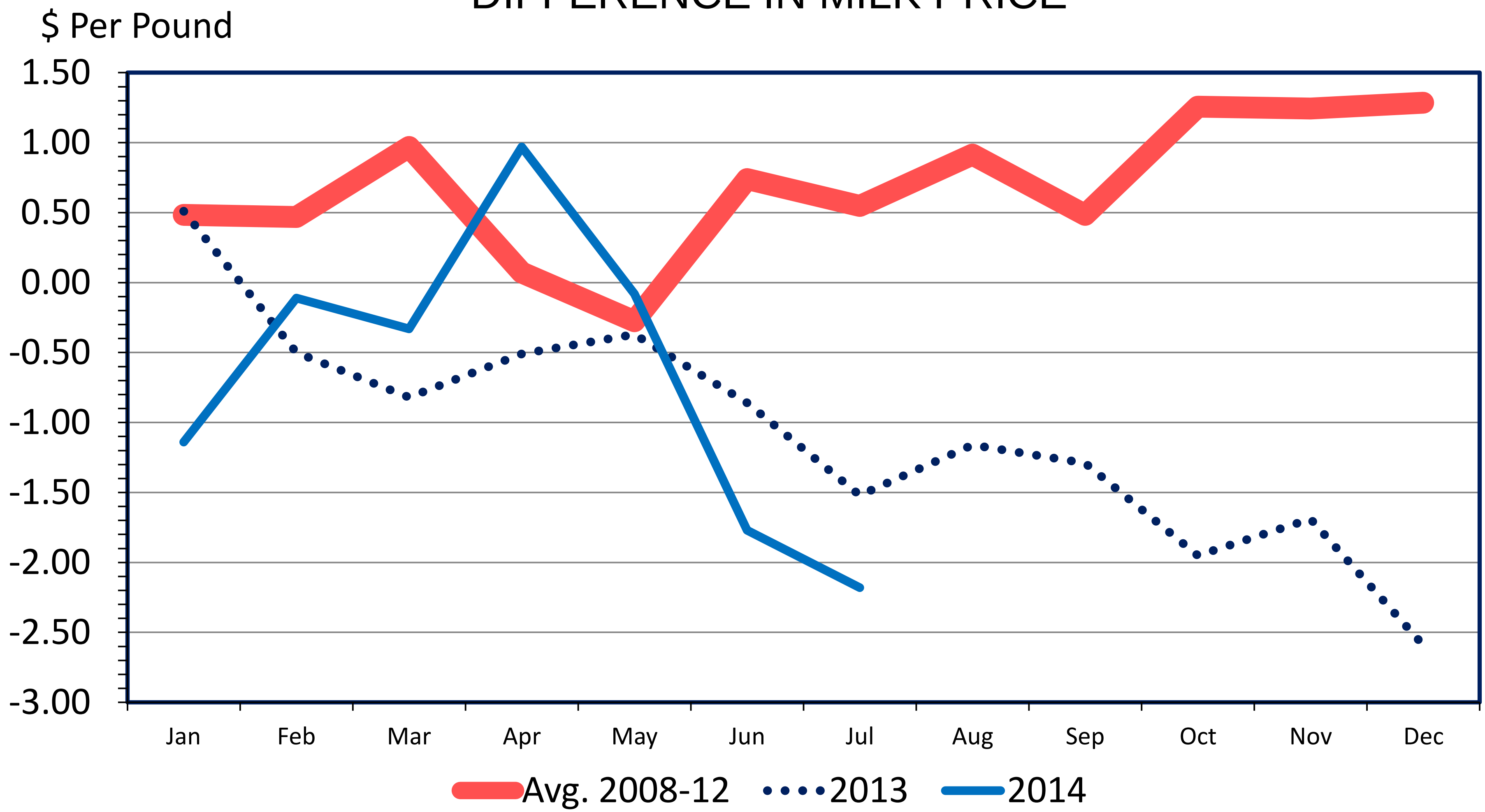
CLASS III – CLASS IV
DIFFERENCE IN MILK PRICE



Data Source: USDA-AMS, Dairy Market News, Compiled & Analysis by LMIC

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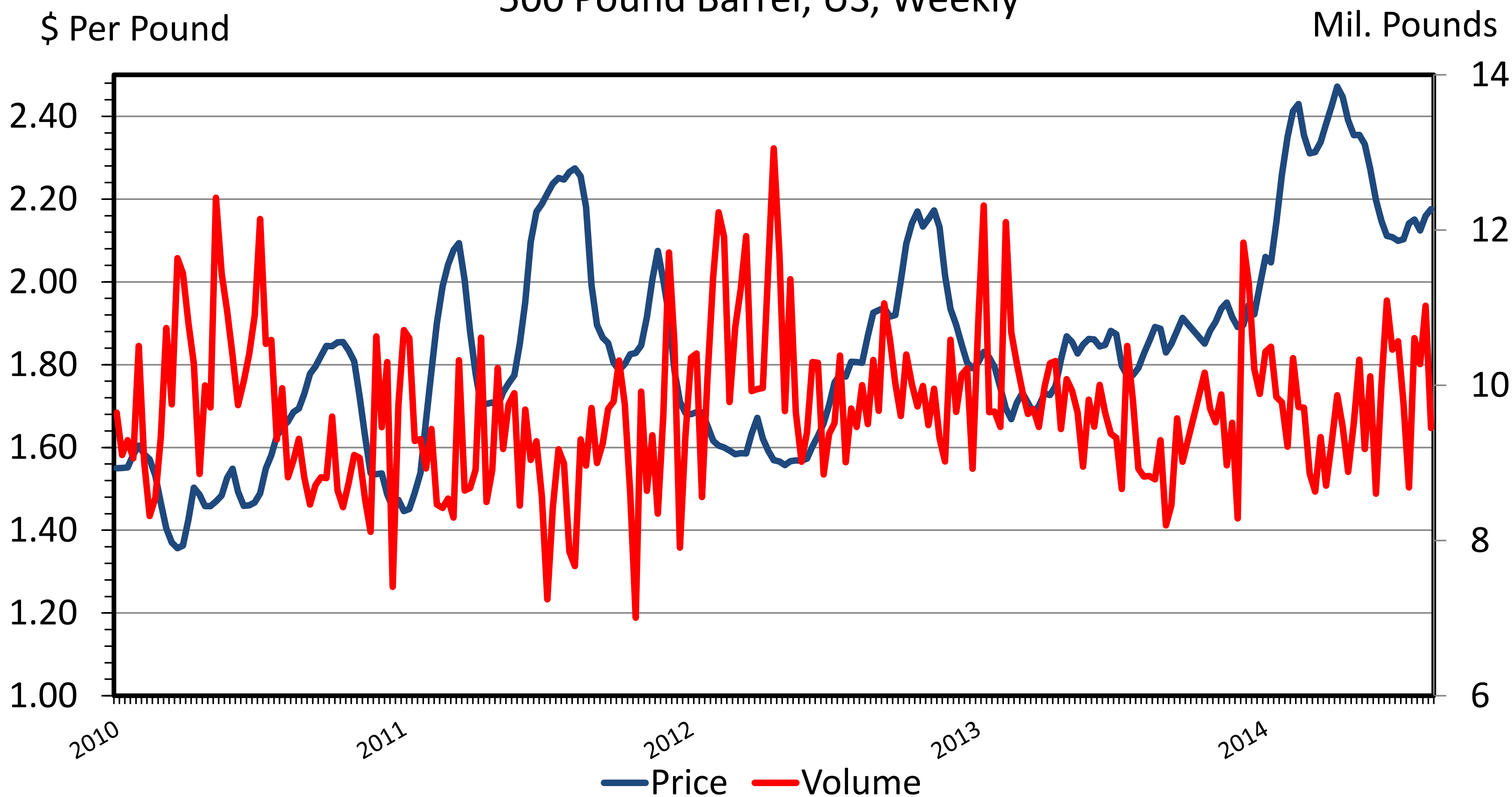
PRICE vs VOLUME CHEDDAR CHEESE

500 Pound Barrel, US, Weekly



Data Source: USDA-NASS

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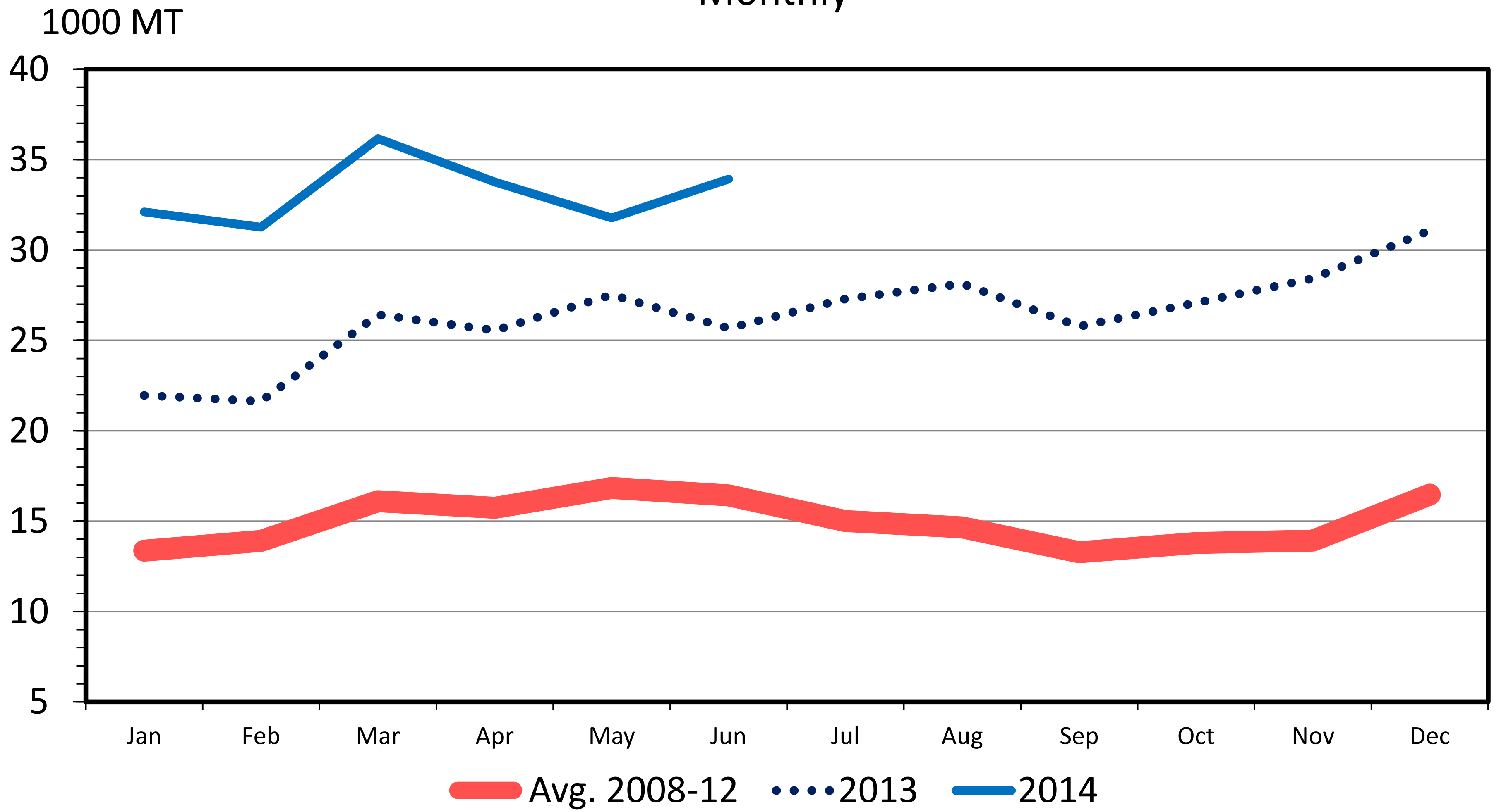
CHEESE AND CURD EXPORTS

Monthly



Data Source: USDA-FAS

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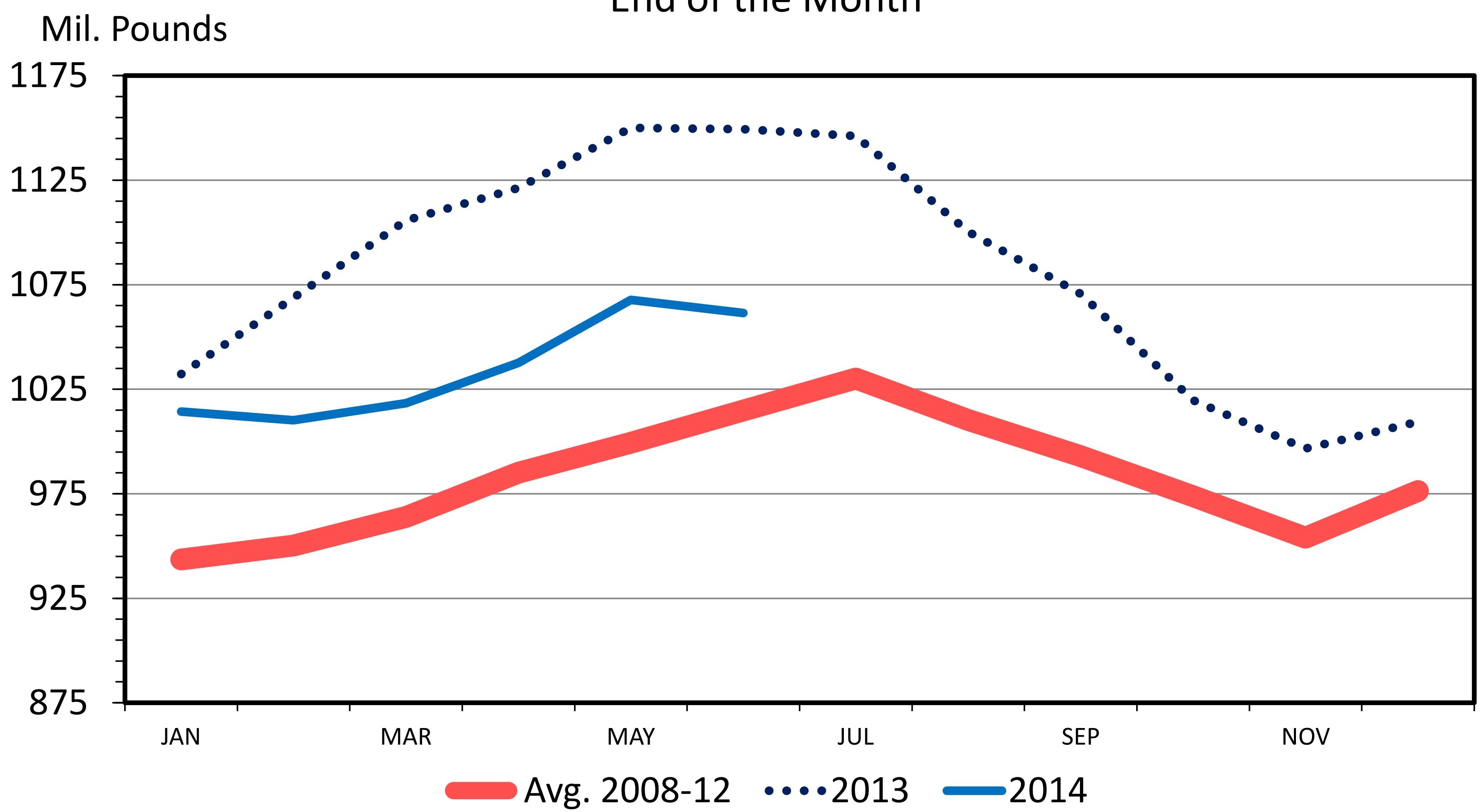
TOTAL CHEESE IN COLD STORAGE

End of the Month



Data Source: USDA/NASS

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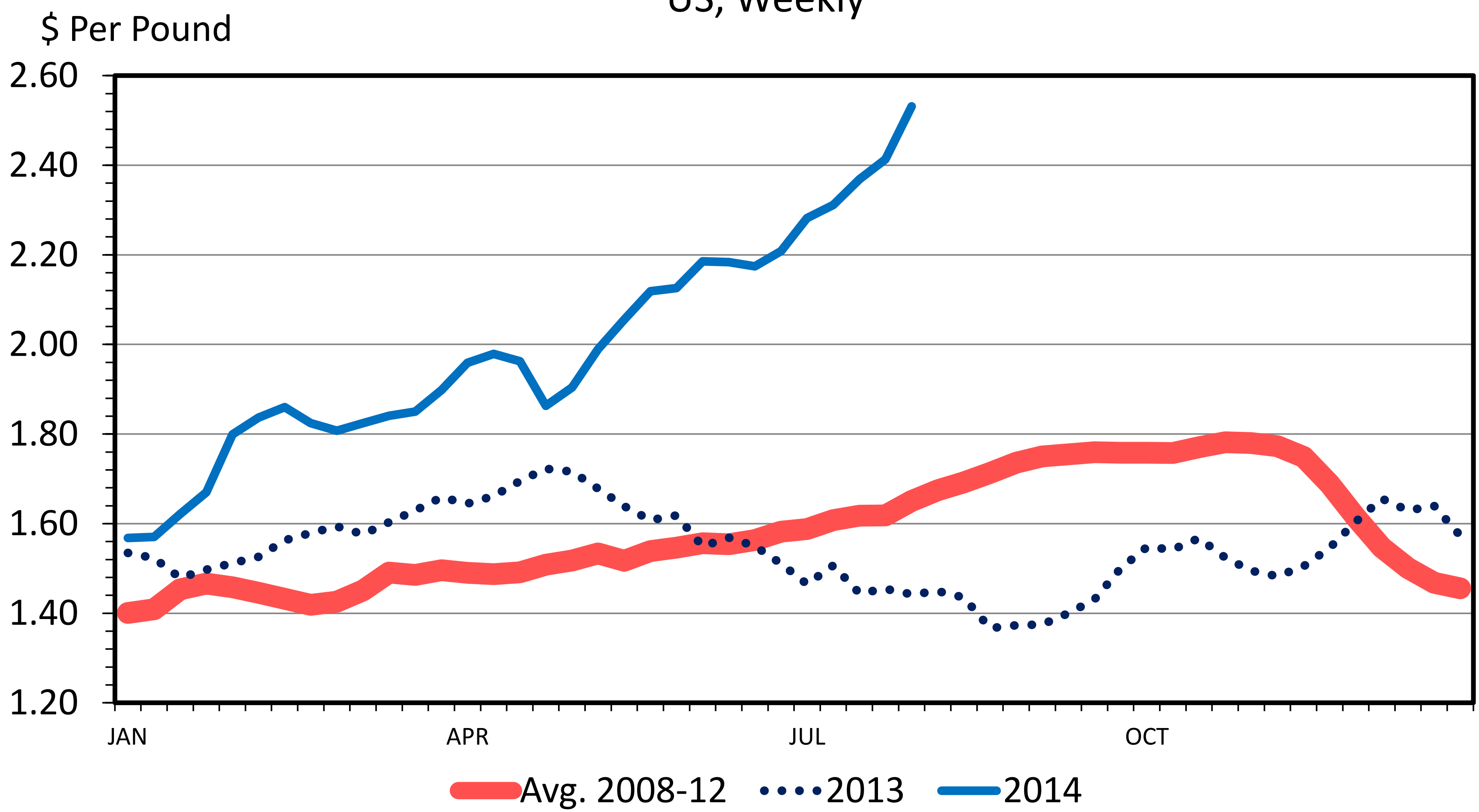
BUTTER PRICES

US, Weekly



Data Source: USDA-NASS

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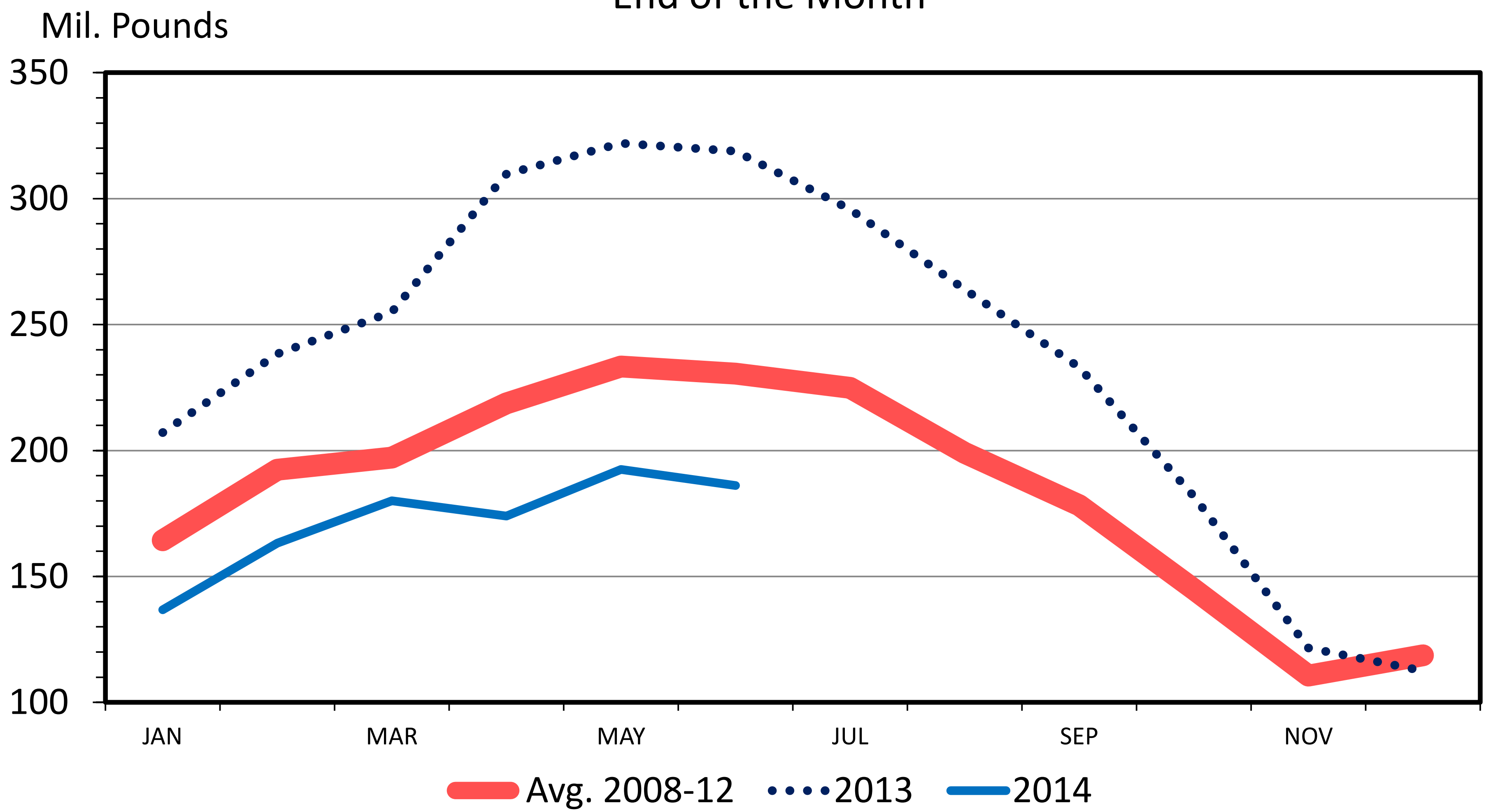
BUTTER IN COLD STORAGE

End of the Month



Data Source: USDA/NASS

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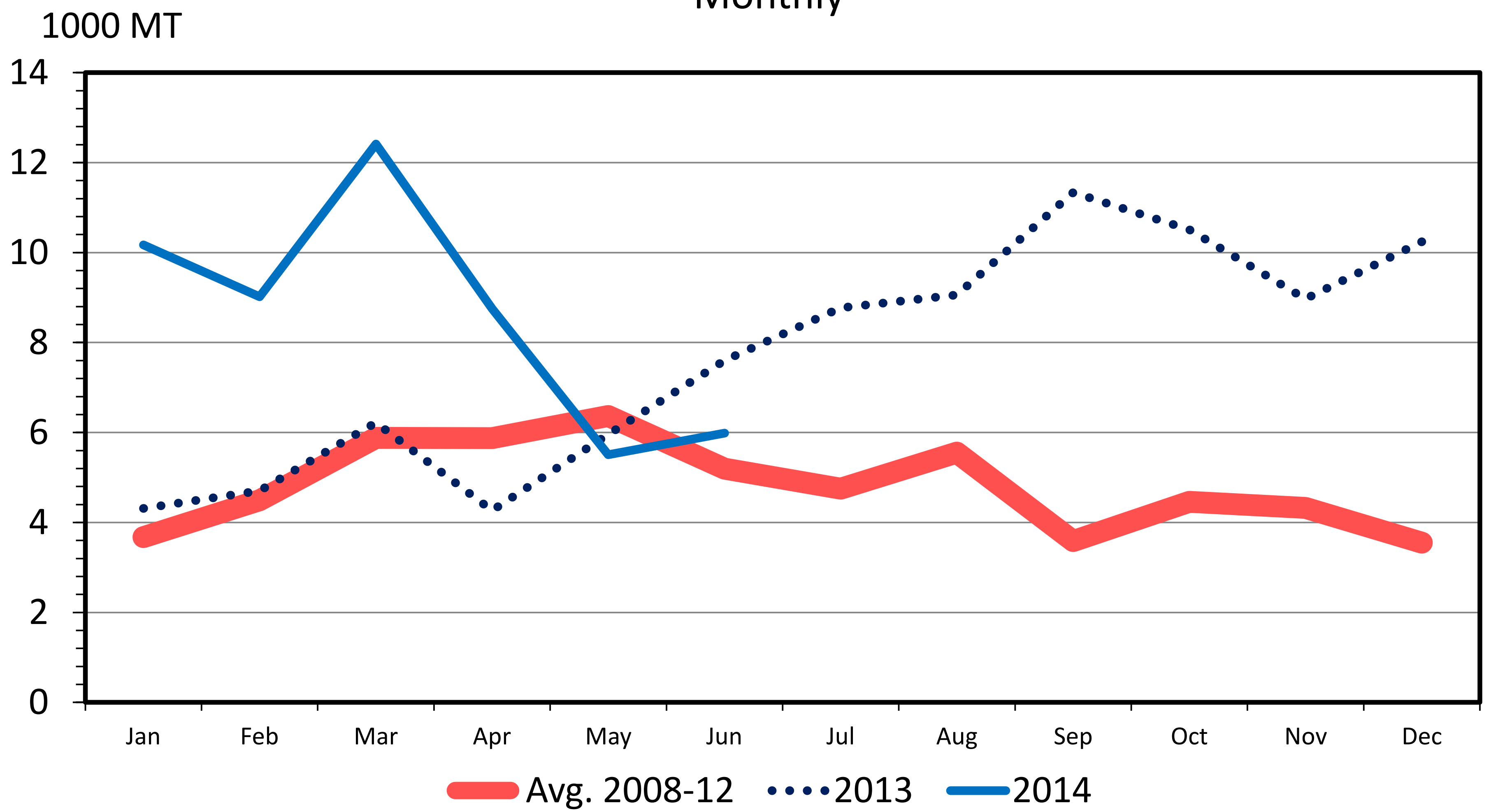
BUTTER AND OIL EXPORTS
Monthly



Data Source: USDA-FAS

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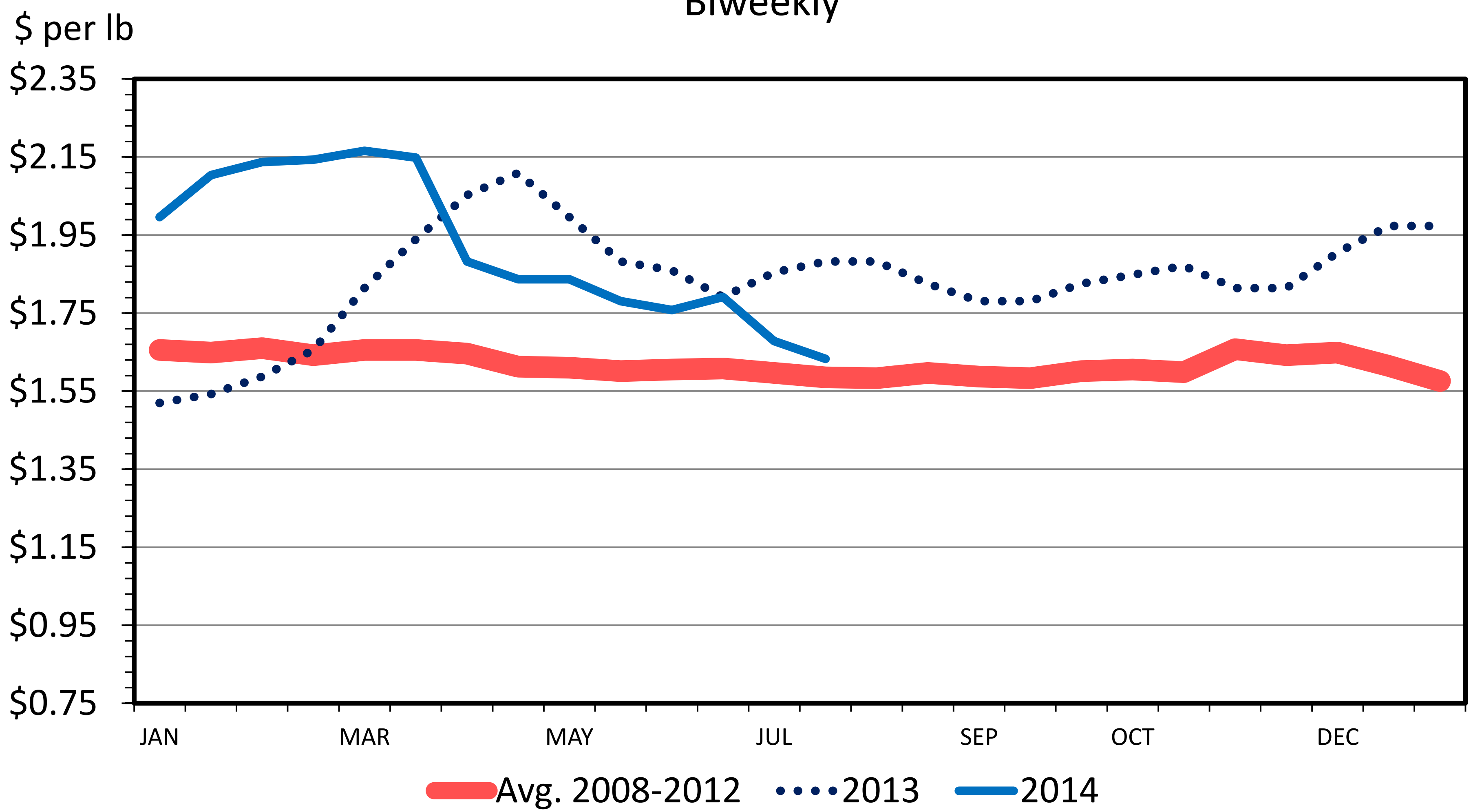
OCEANIA BUTTER

Biweekly



Data Source: USDA-AMS

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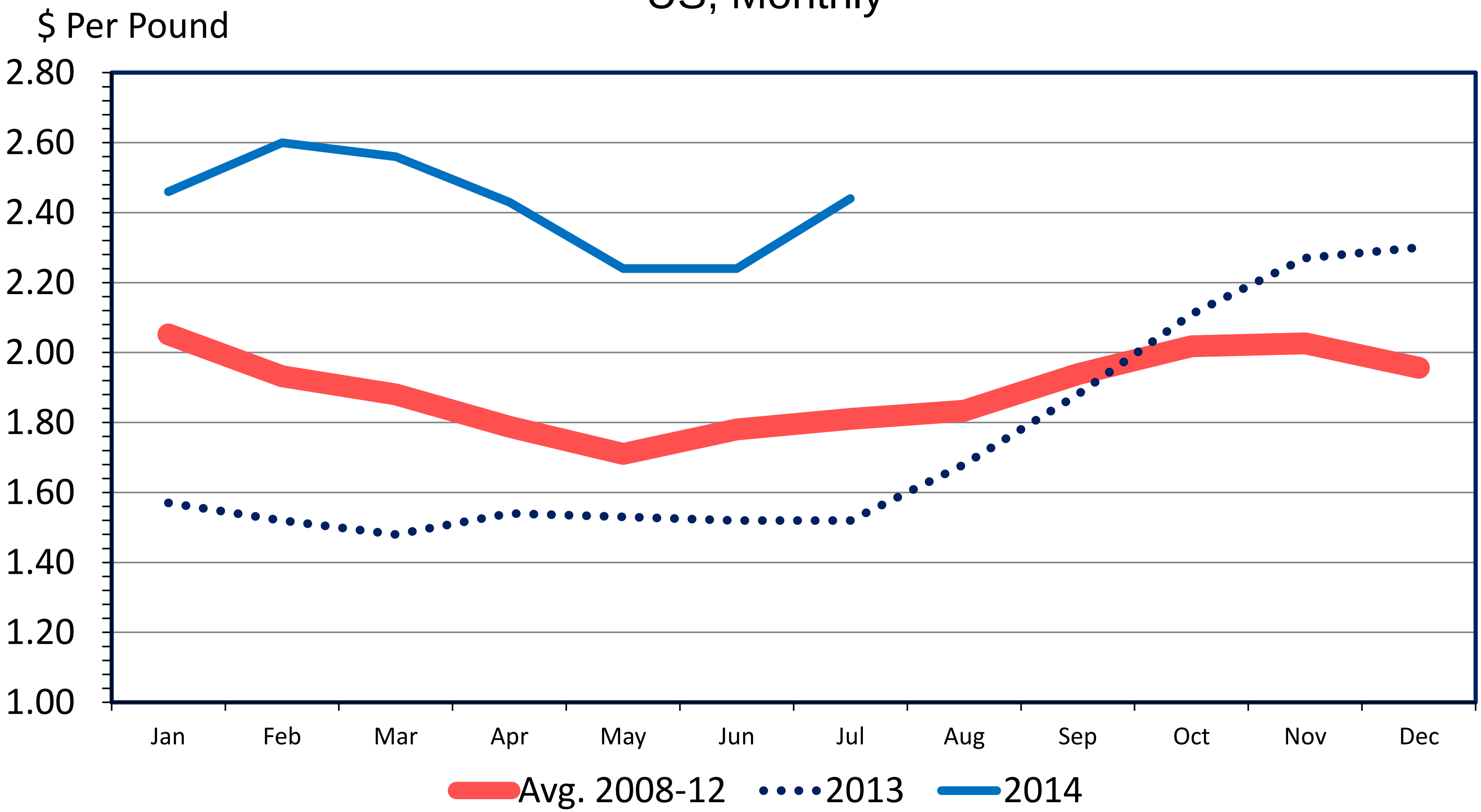
MILK-FEED PRICE RATIO
US, Monthly



Data Source: USDA-NASS

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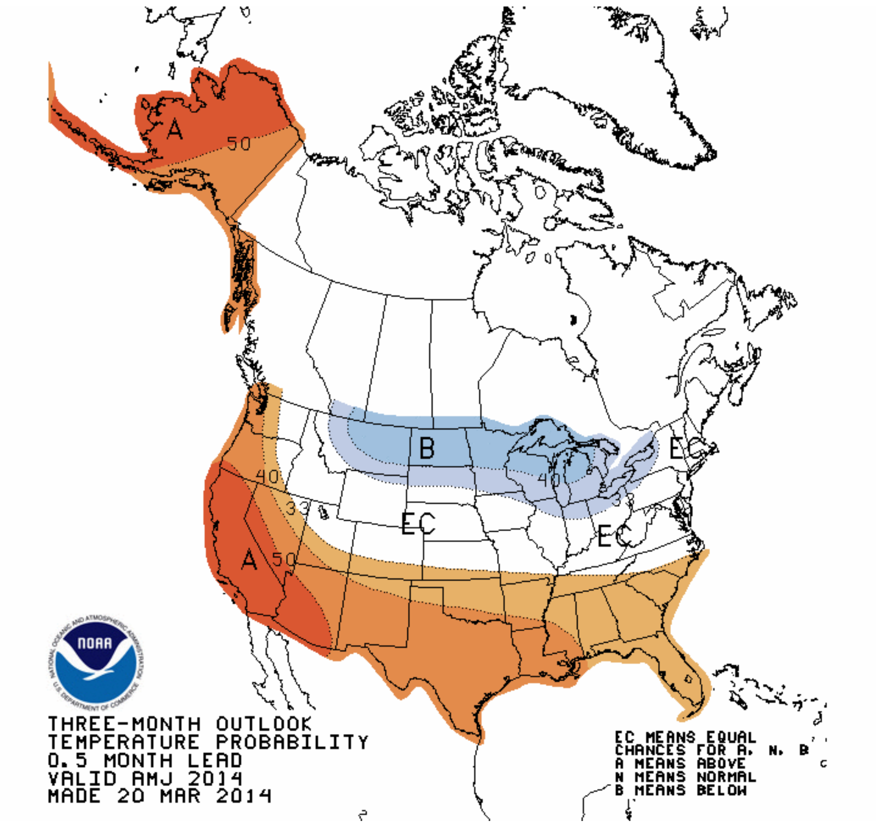
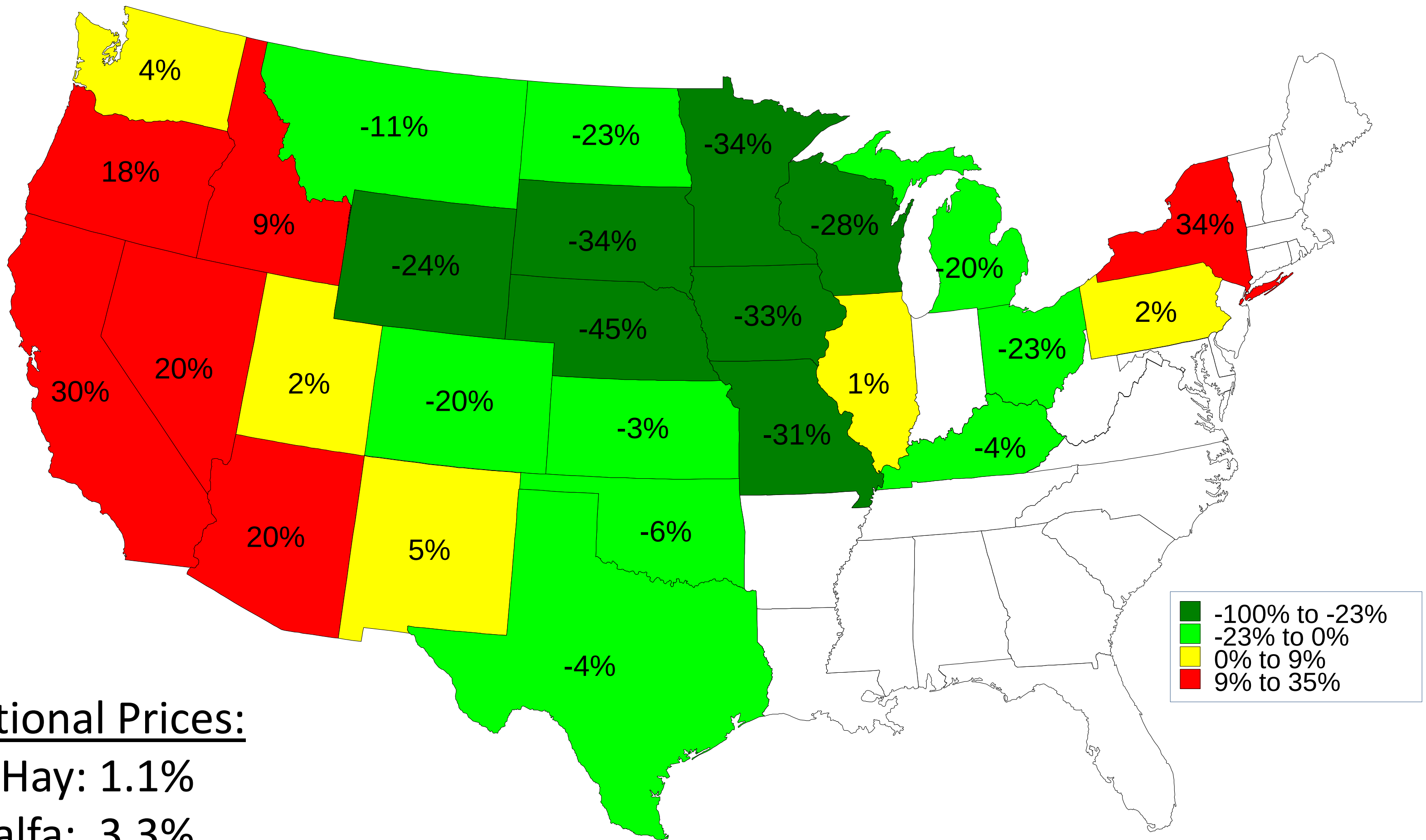
WEATHER: HAY

- 2013 returned to normal for many states
- 2011: Texas 8% of total U.S. production down to 3%
  - CA represents 7% of U.S. hay production in 2013
- Prices rose 56% nationally in 2011/2012
- CA Hay: 30% higher than 2013 in July



ALL HAY PRICE PERCENT CHANGES IN JULY 2013-2014



National Prices:

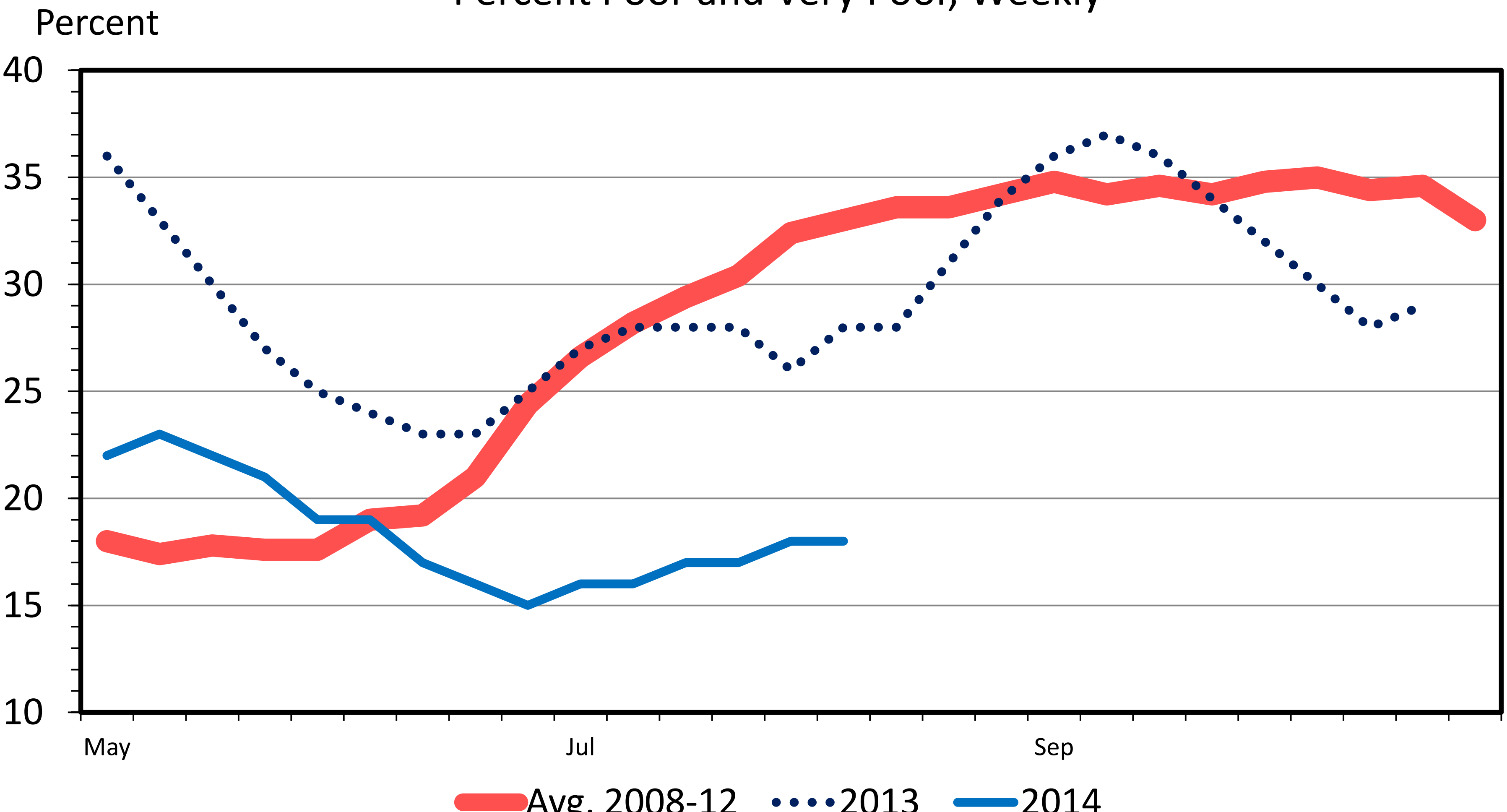
All Hay: 1.1%

Alfalfa: 3.3%

Other: -4.0%

US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Data Source: USDA-NASS, Compiled & Analysis by LMIC

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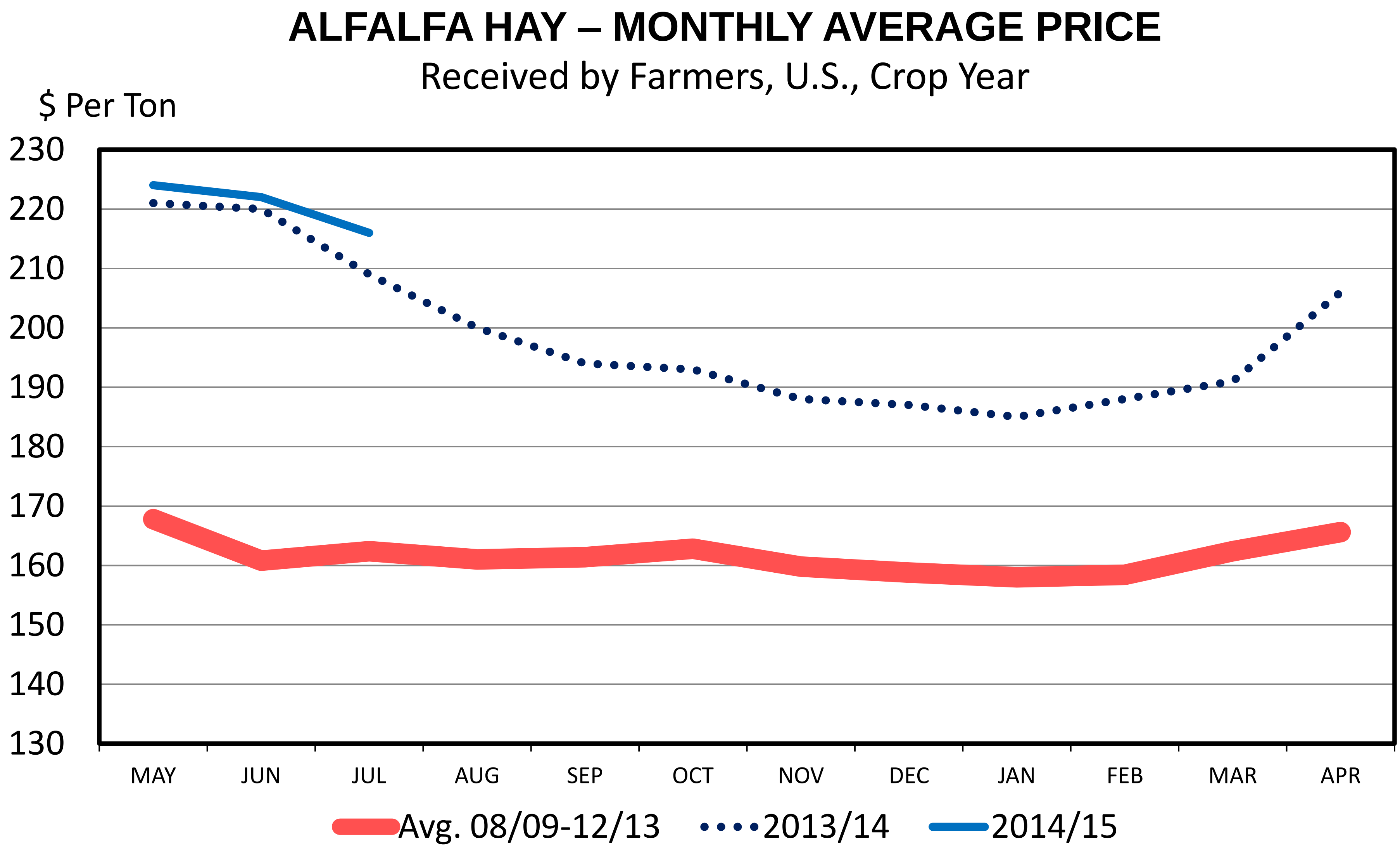
G-NP-30
08/11/14



Data Source: USDA-NASS

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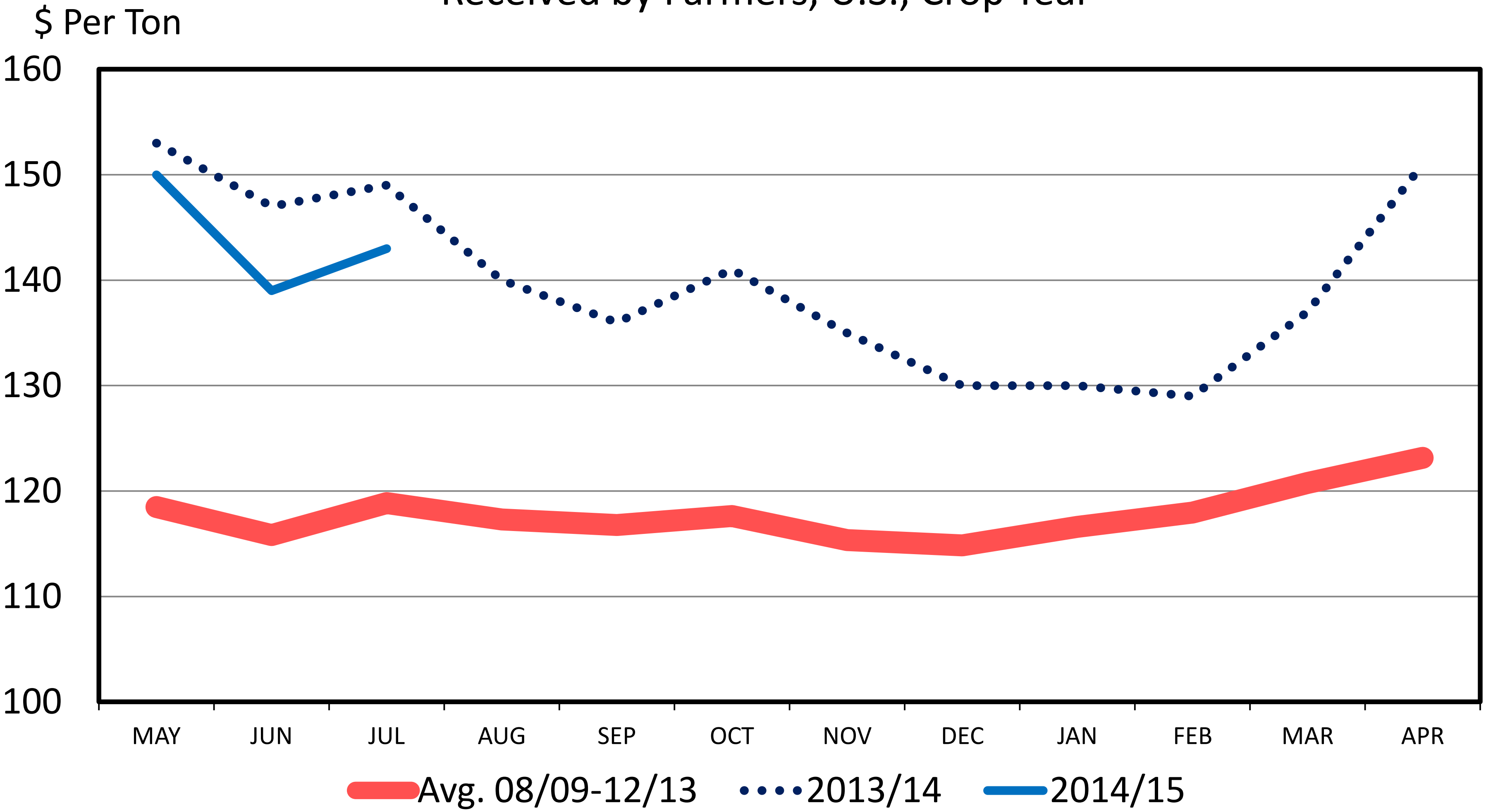
G-P-12
08/04/14

OTHER HAY – MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year



Data Source: USDA-NASS

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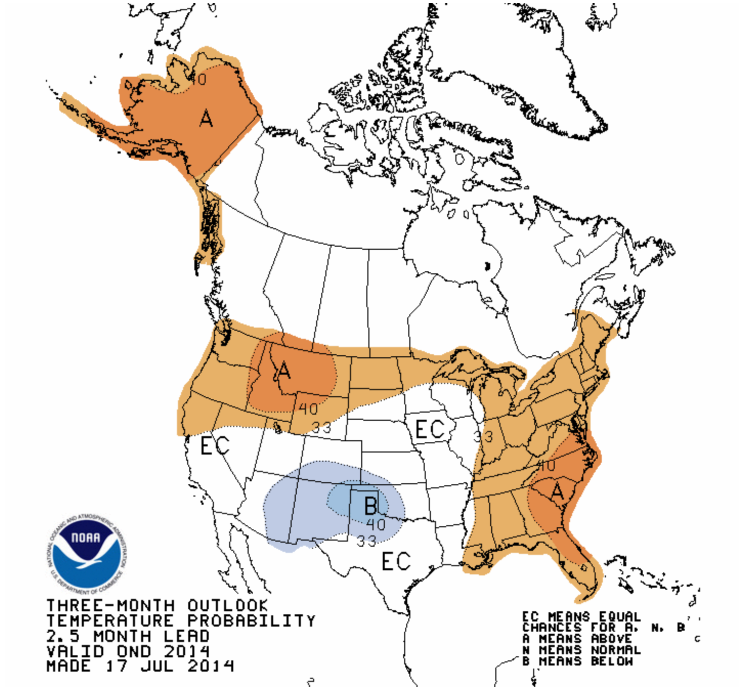
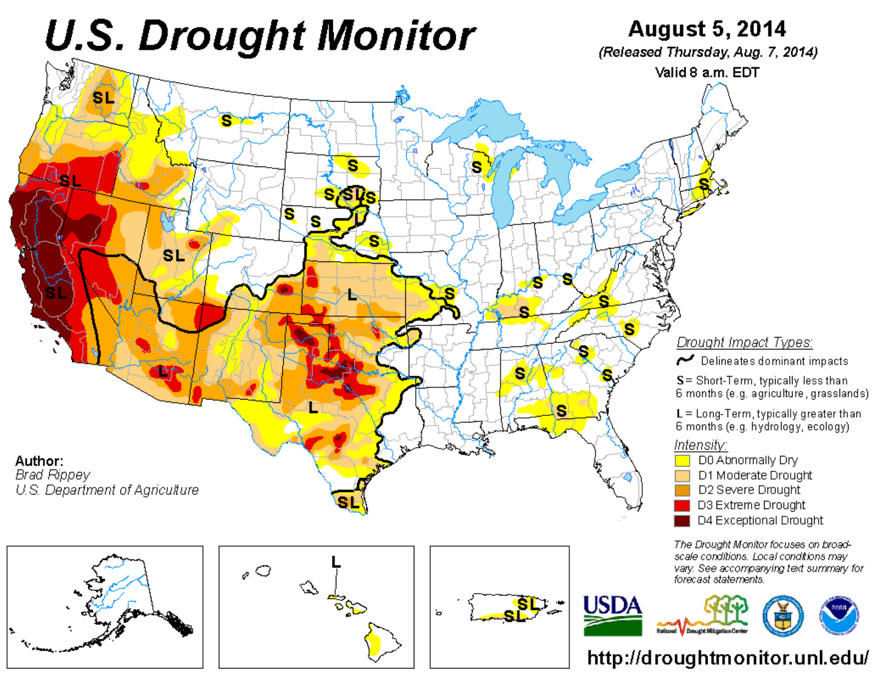
G-P-13
08/04/14

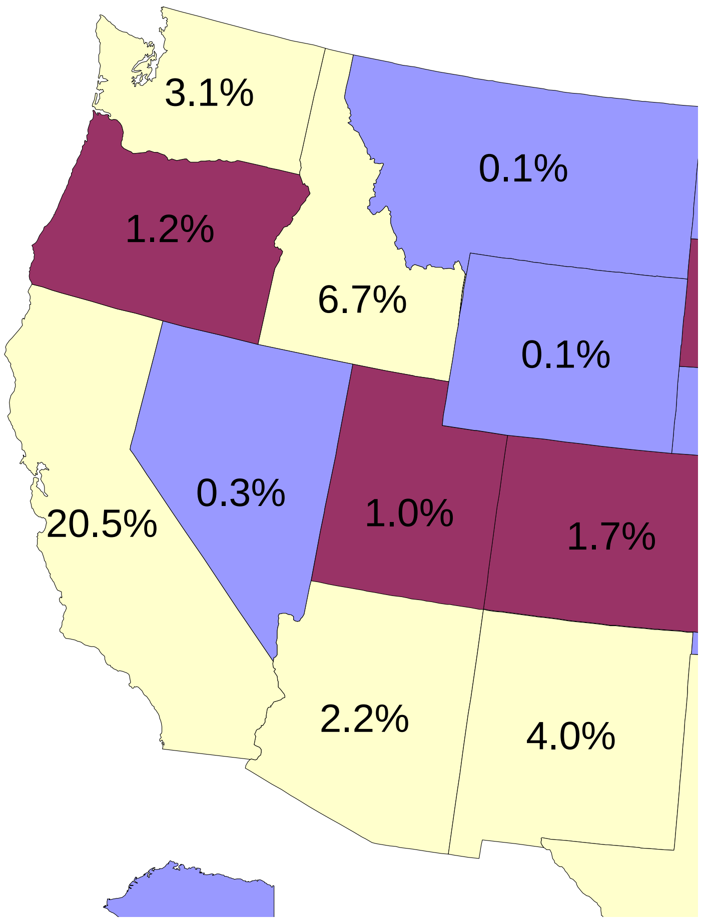
HAY OUTLOOK

- Objective yield numbers largely do not match price picture.
- Drought Monitor may be overstated





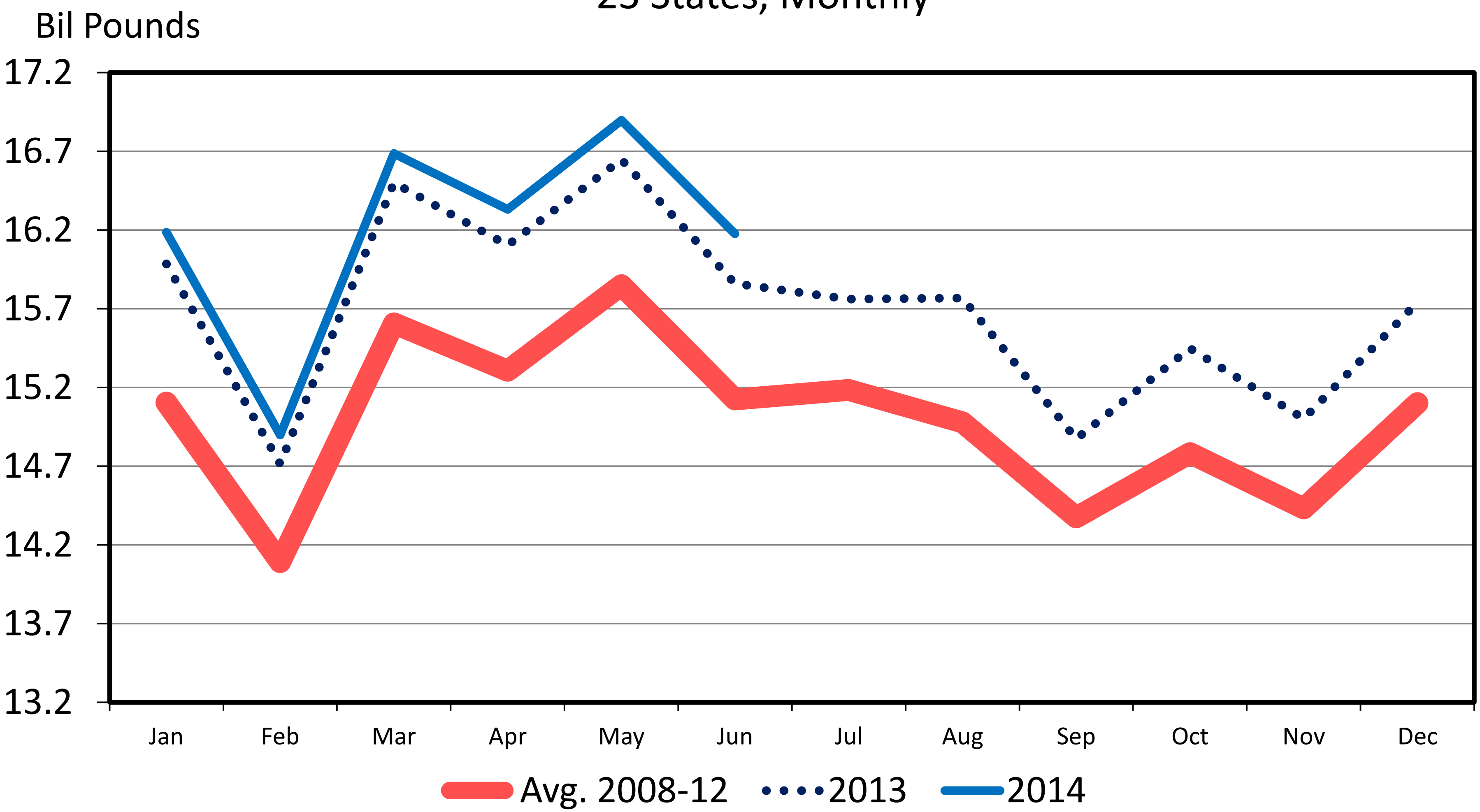
MILK PRODUCTION 2013



- West: 41% of Milk Production in 2013
- Nationally, almost all states increasing total production.
- Milk per cow is unknown, sequestration.

MILK PRODUCTION

23 States, Monthly



Data Source: USDA-NASS

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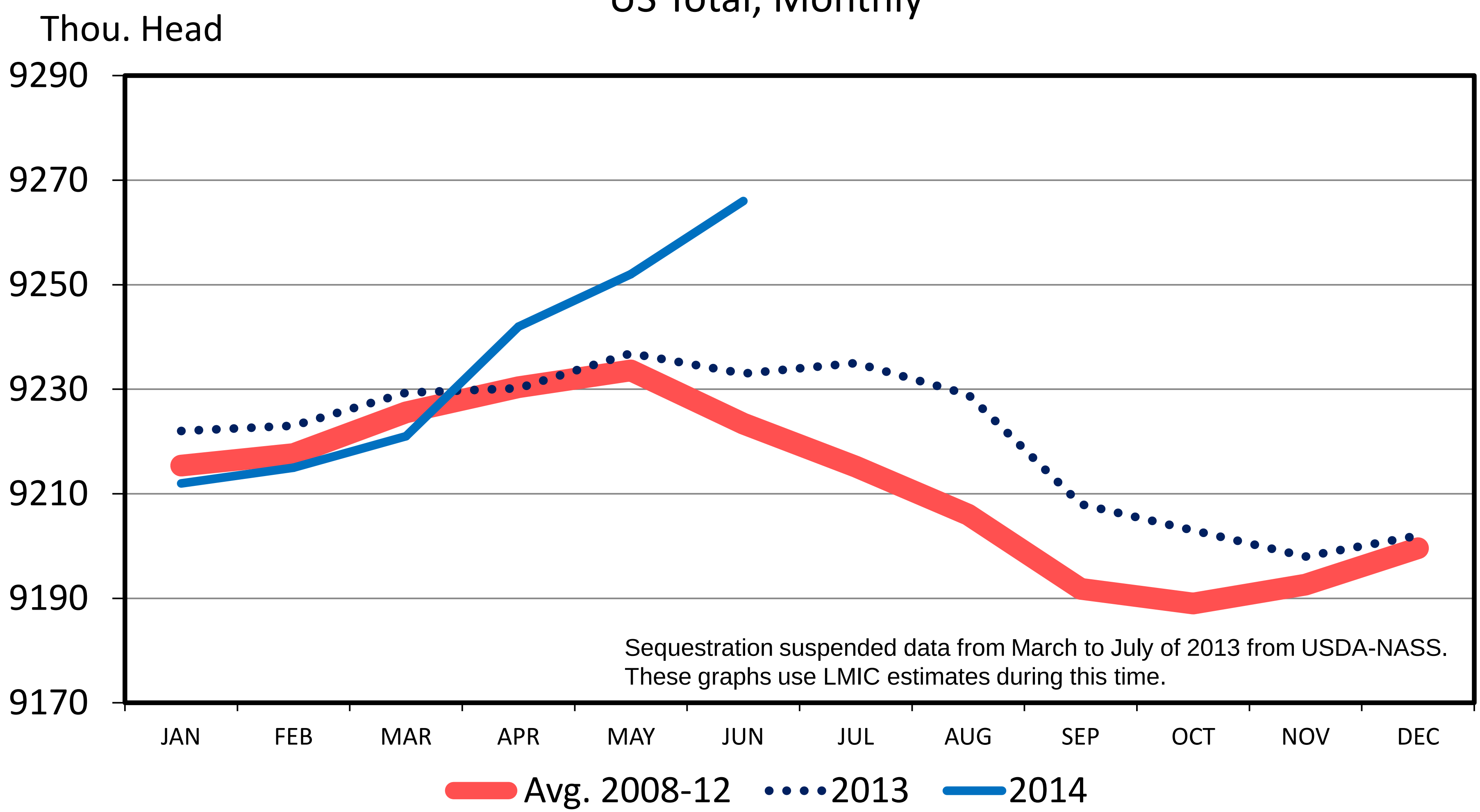
DAIRY COW INVENTORY

US Total, Monthly



Data Source: USDA-NASS

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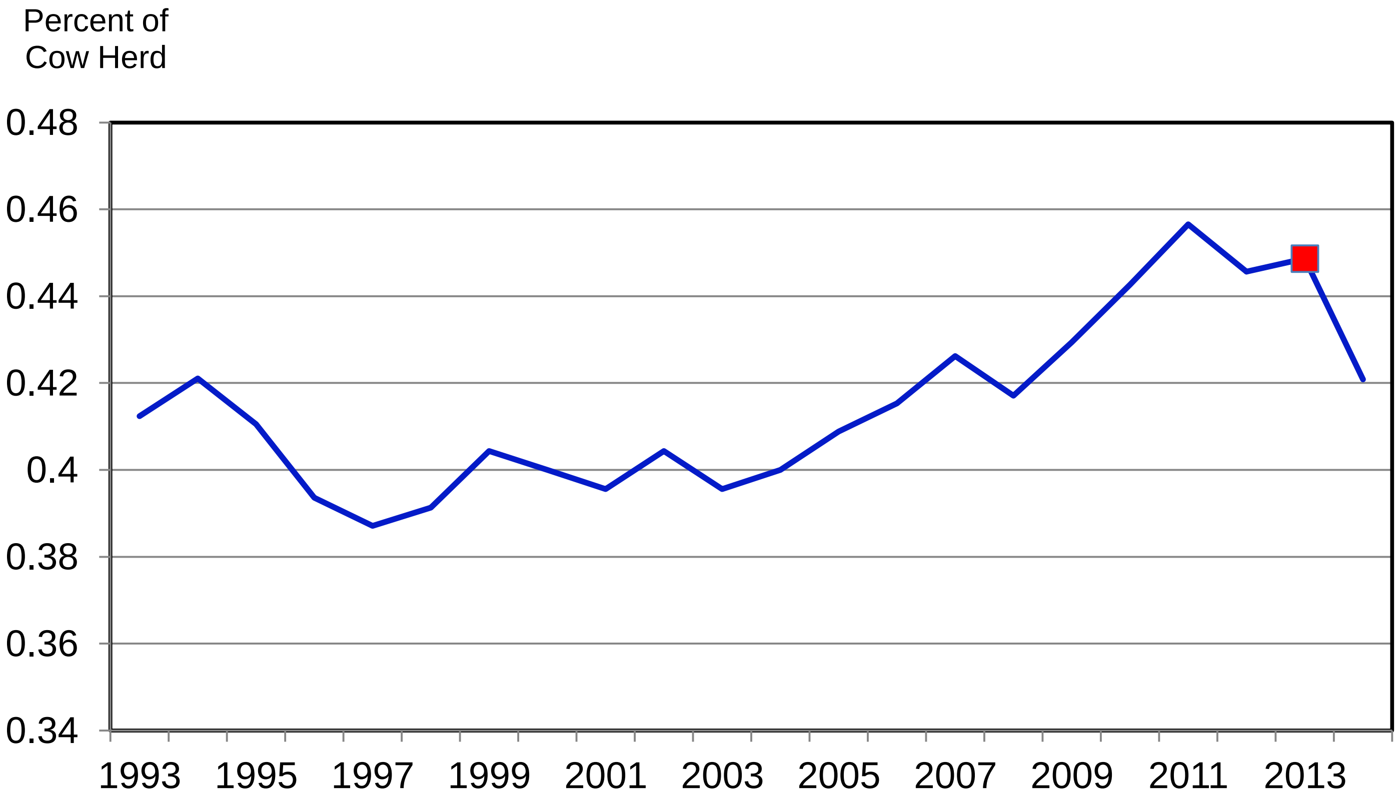
DAIRY COW HERD REPLACEMENTS

July 1 Inventory



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Data Source: USDA-NASS

JULY CATTLE INVENTORY

Statistical Methodology

- **Survey Procedures:** A random sample of United States producers was surveyed to provide data for these estimates. Survey procedures ensured that all cattle producers, regardless of size, had a chance to be included in the survey. Data were collected during the first half of June from about **40,000 small and medium sized operations**. These operators were contacted by face-to-face personal interviews. About **10,000 large producers and feedlots** were contacted during the first half of July by mail, telephone, and face-to-face personal interviews. Operators were asked to report inventories as of the first of the month and calf crop for the entire year of 2014.
- **Revision Policy:** Revisions to previous estimates are made to improve year to year and item to item relationships. Estimates for the previous year are subject to revision when current estimates are made and when the January 1 cattle inventory estimates are made. The revisions are primarily based on livestock slaughter and additional foreign trade and survey data. Estimates will also be reviewed after data from the five-year Census of Agriculture are available. No revisions will be made after that date.
- Same as earlier years. Proportion of dairy sampled is ~40% had a dairy cows on their place of the 10, 000 large producers.
- Reliability estimates are not given for the specific categories.
  - All Cows: Revisions are 0-600,000 head, average is about 210,000
- **Figures no longer rounded to the nearest 50 thousand head**
- Overlap with the quarterly milk production survey.

MILK PRODUCTION REPORT

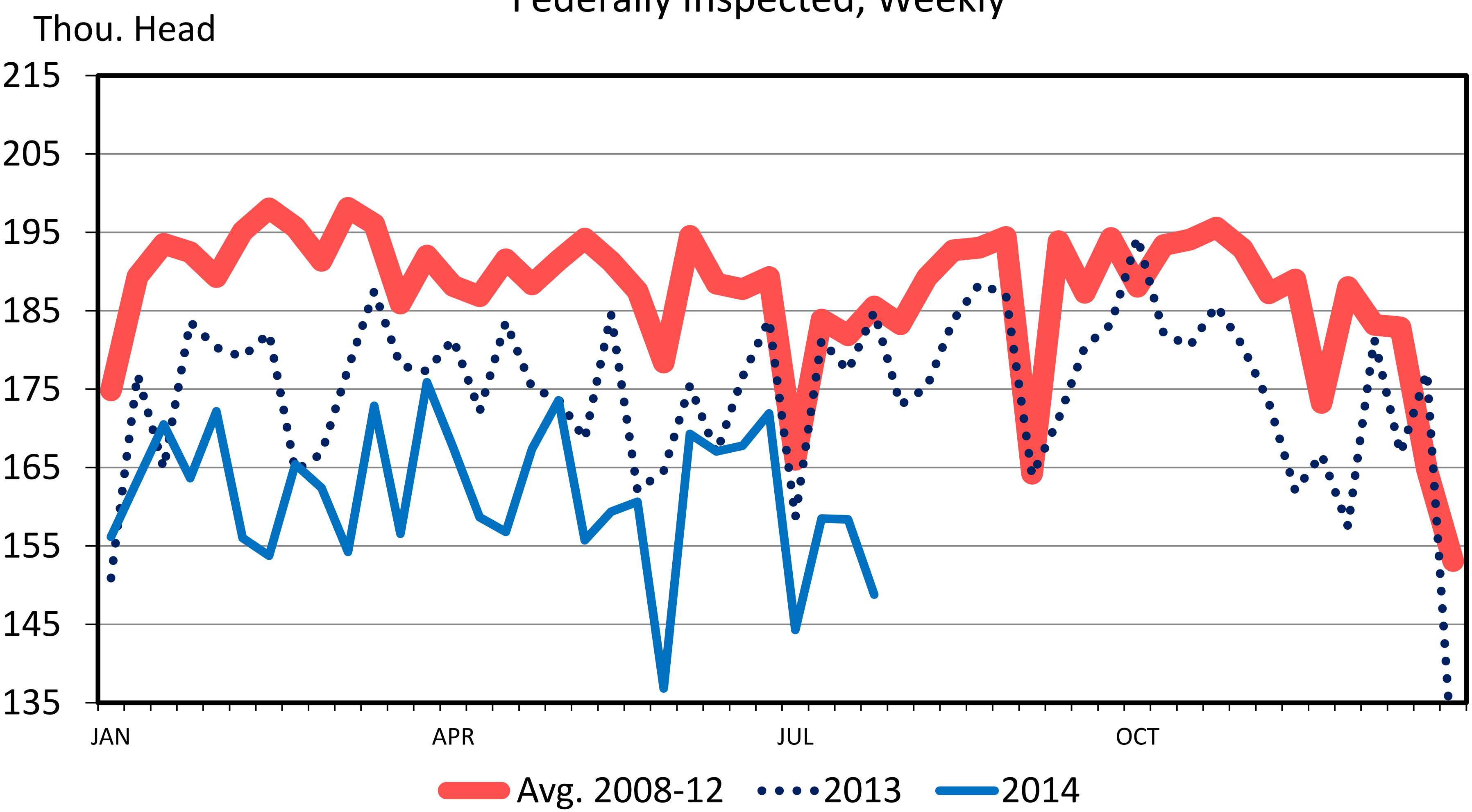
- Milk Production survey sample size ~10k producers all shapes and sizes.
- Reliability estimates, 0-10,000, average 4,000
  - **Revision Policy**: Milk production, milk per cow, and number of milk cows are subject to revision the following month after initial publication for monthly States or the following quarter for the quarterly States. Normally, administrative data from Federal Market Orders, State Departments of Agriculture, or other sources are the main basis for revisions. However, administrative data for all States may not be available in time for these revisions. Estimates are again subject to revisions in February each year based on additional administrative data. In the event that additional changes are necessary, a third revision is possible in February the following year. Estimates are again reviewed after data from the five-year Census of Agriculture are available. No revisions are made after that date.
- Milk production report intended to be an average for the month. Meaning the July Milk Production Report data does not have to match July 1, cattle inventory
- July 1 inventory should be between June and July Milk Production Report.

IMPLICATIONS OF INVENTORY

- July Milk Production report: June revision should be down, with July slightly up from month earlier OR July Inventory comes in close to the July 1 figure
- Dairy Cow numbers are no longer growing.
- Beef herd also not retaining heifers…-2% from 2012 (-2% from LMIC 2013 estimate, as well)

HEIFER SLAUGHTER

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS

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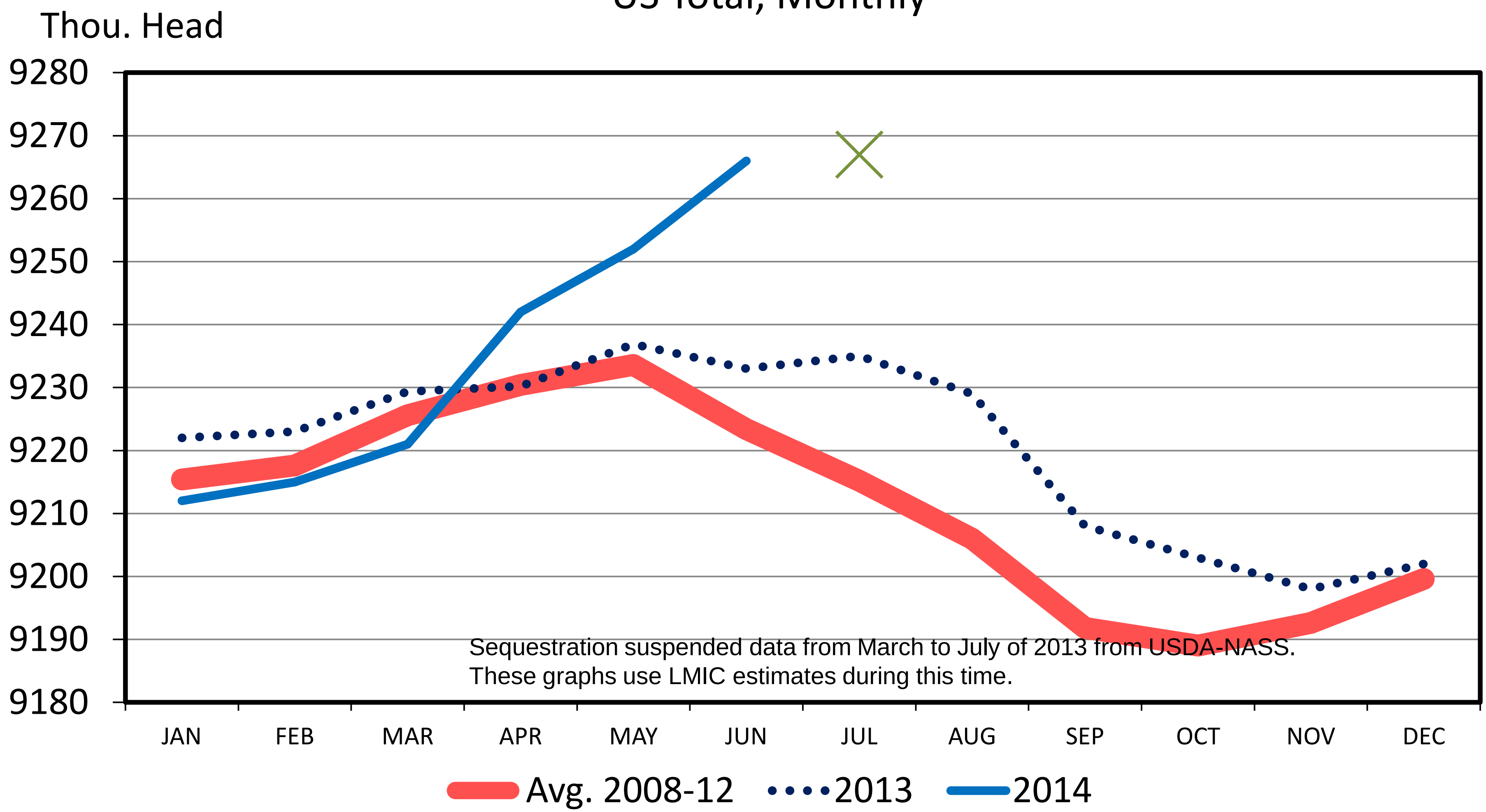
C-S-13
08/08/14

DAIRY COW INVENTORY

US Total, Monthly



Data Source: USDA-NASS

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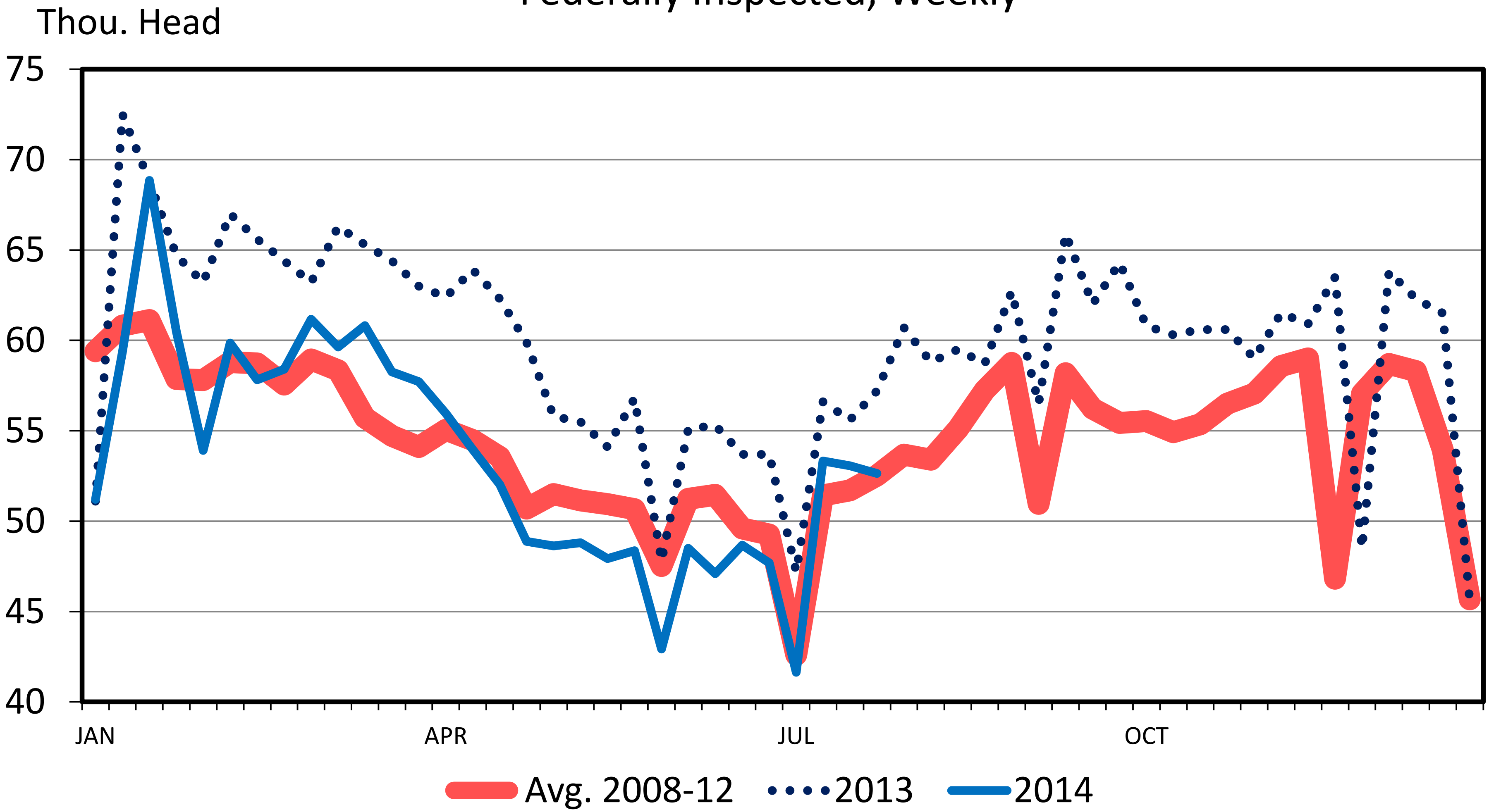
DAIRY COW SLAUGHTER

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS

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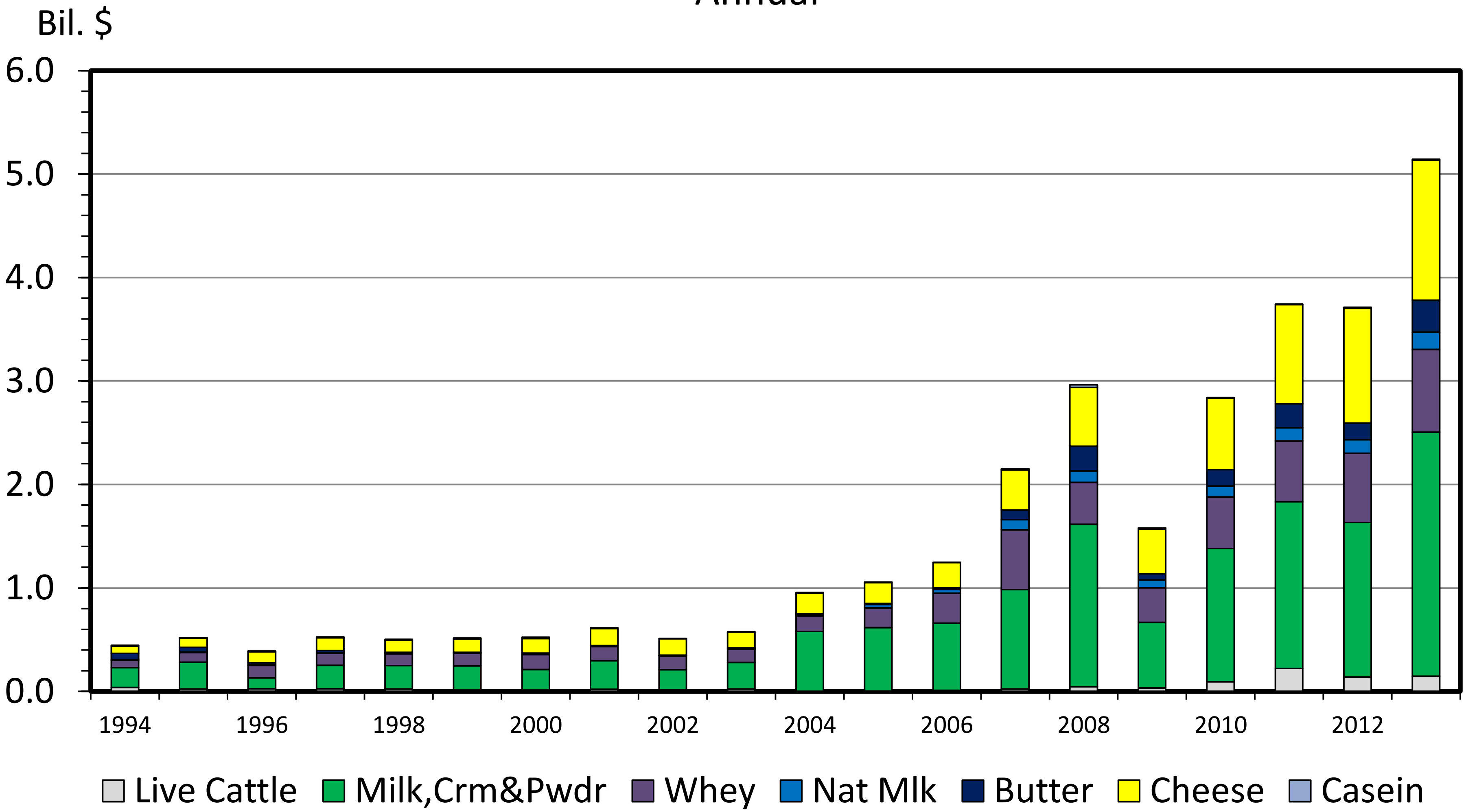
US DAIRY INDUSTRY EXPORT VALUES

Annual



Data Source: USDA-FAS, Compiled & Analysis by LMIC

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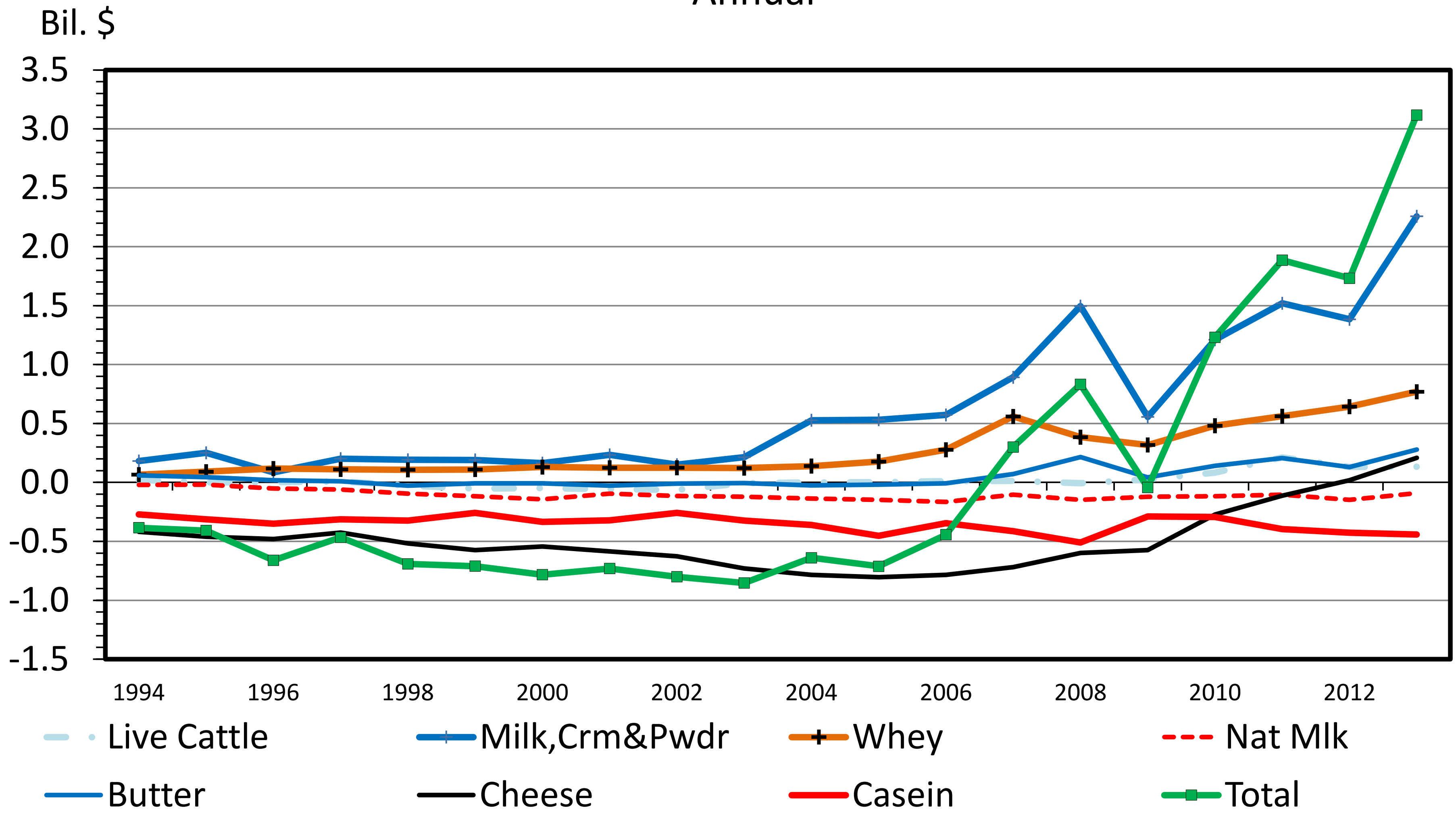
02/06/14

US DAIRY INDUSTRY NET EXPORT VALUES

Annual



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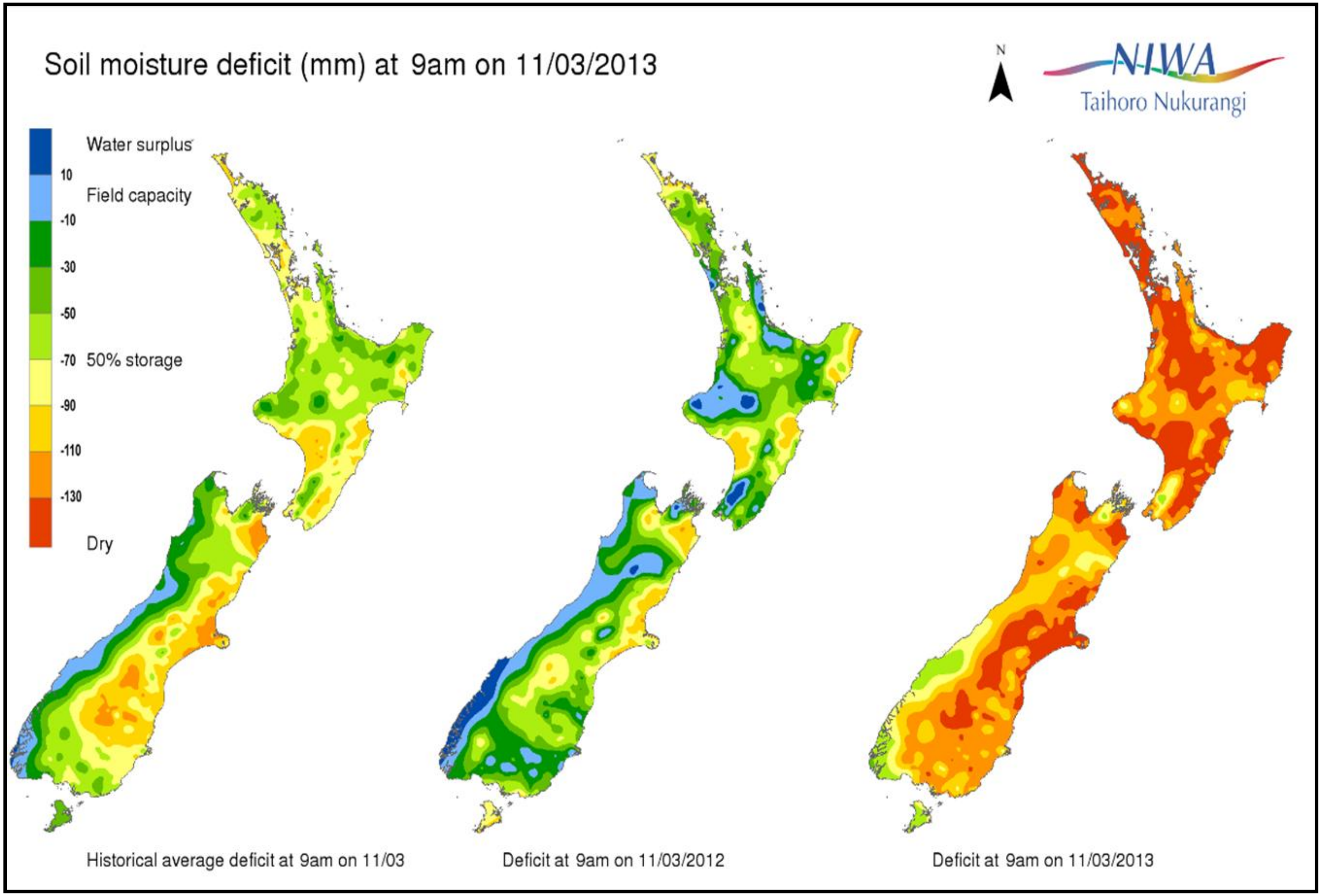
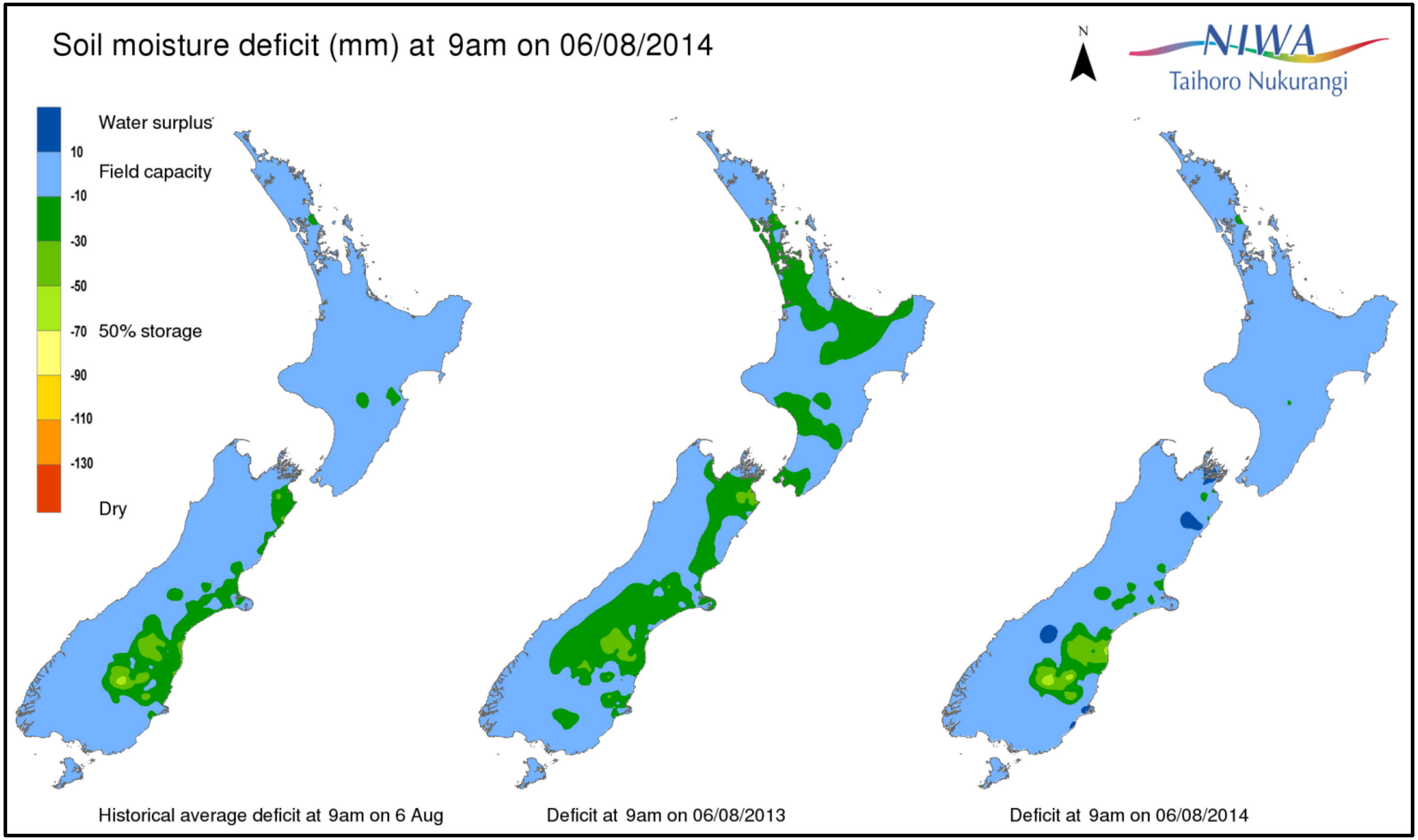
NEW ZEALAND DROUGHT

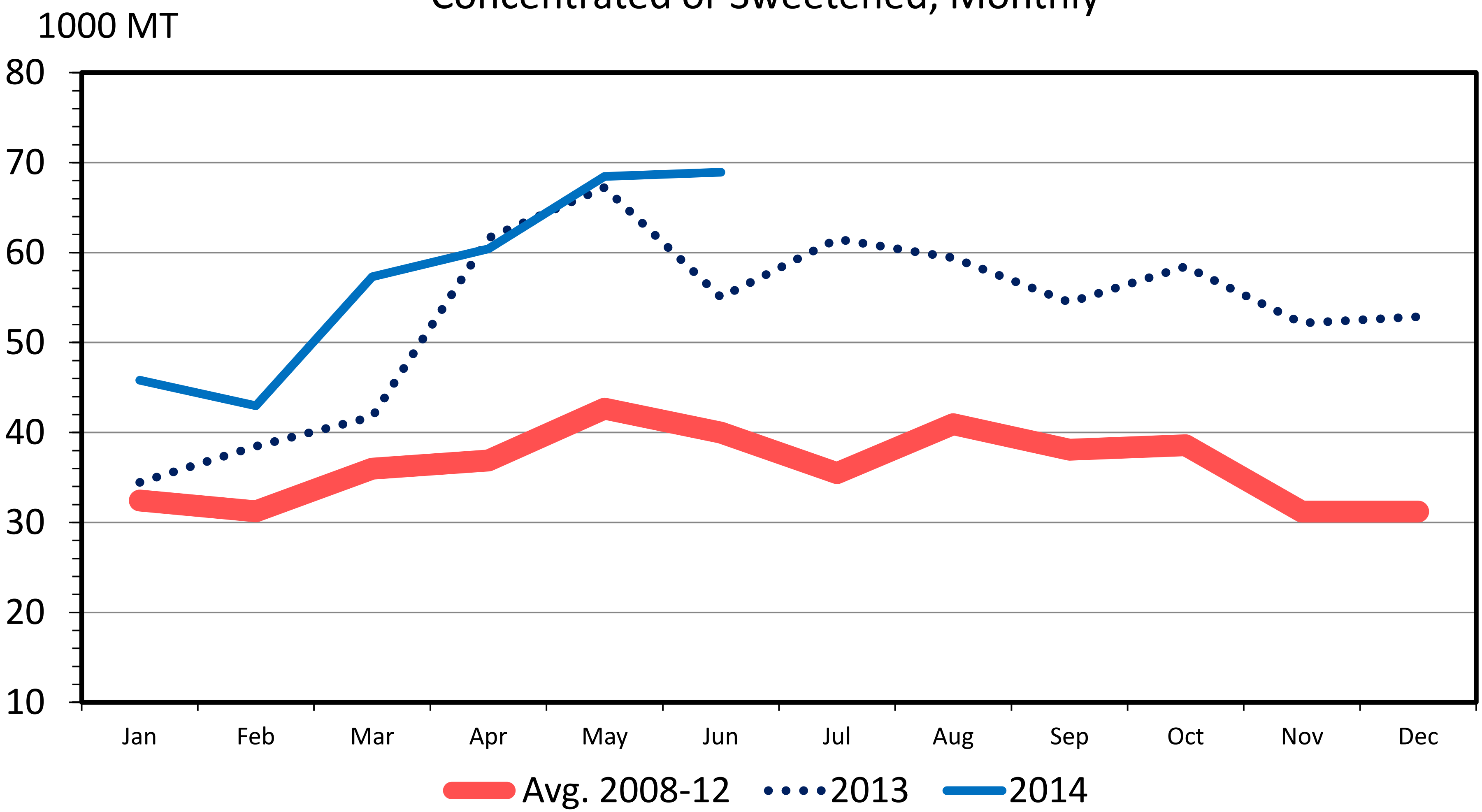


NEW ZEALAND DROUGHT



MILK AND CREAM EXPORTS

Concentrated or Sweetened, Monthly



Data Source: USDA-FAS

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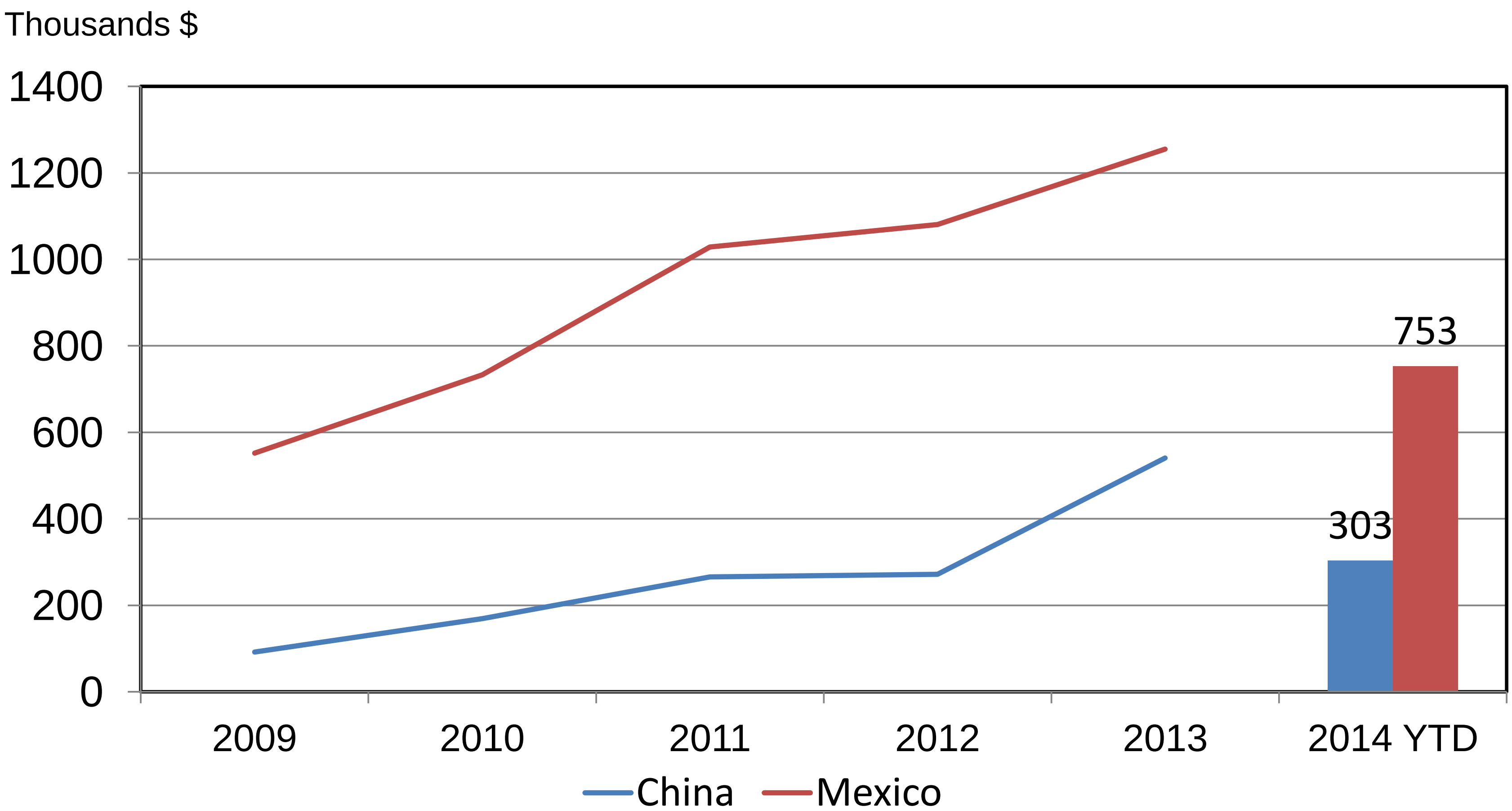
EXPORT GROWTH TWO-FOLD

- Mature vs. Emerging Markets
  - Role of the Cold Chain
- Demand from existing markets
  - Chinese economy
  - Mexico
  - World-wide increases in dairy

EXPORTS TO CHINA AND MEXICO EXPAND



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Data Source: USDA-FAS

Questions

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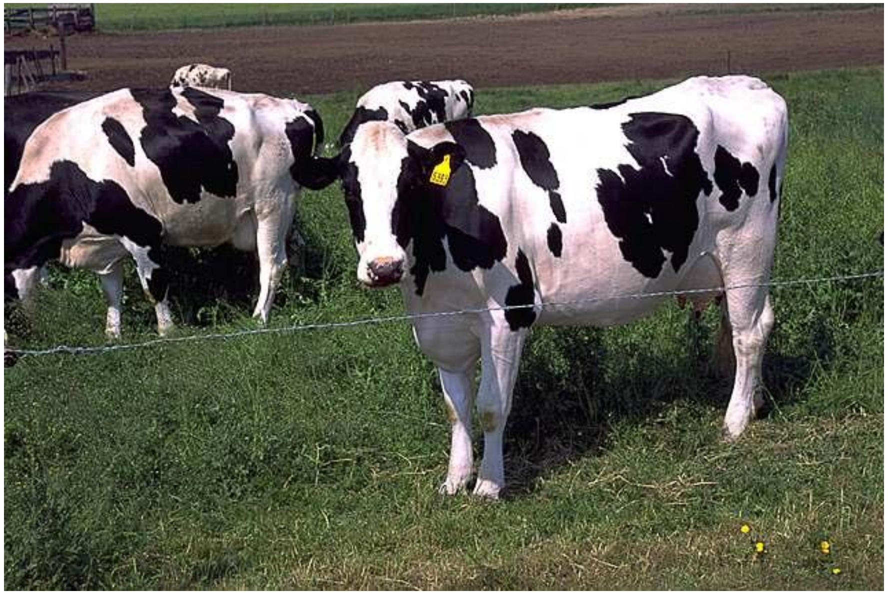

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