

FUTURE
[SHAPE THE]

DAIRY FORUM 2018

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GENERAL SESSION

[HEAR]

ABOUT GLOBAL DAIRY
TRENDS, DRIVERS AND
OUTLOOK FOR 2026

DAIRY FORUM 2018

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John Newton

Director, Market Intelligence
American Farm Bureau Federation



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TOP 10⁺¹

ISSUES IN U.S. DAIRY MARKETS



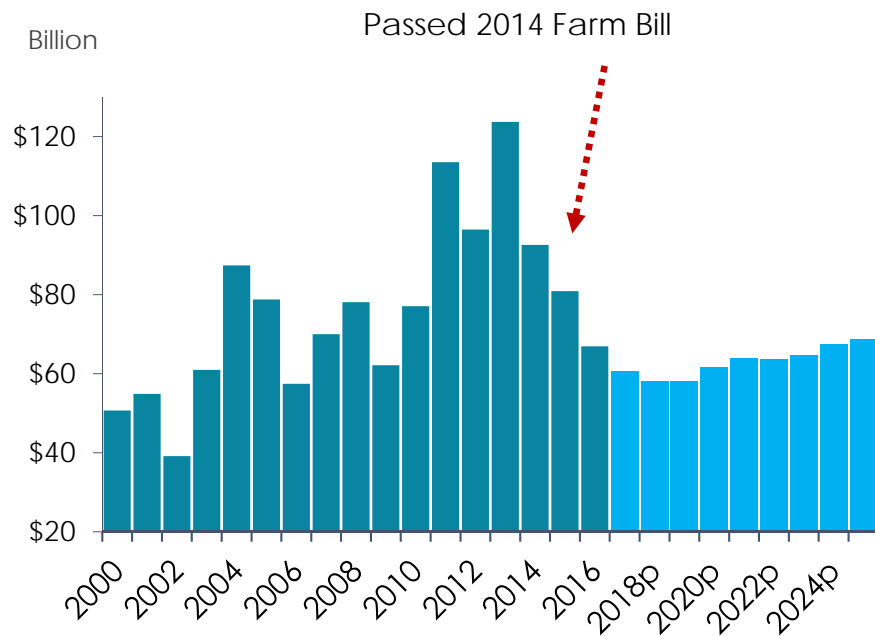
@New10_AgEcon

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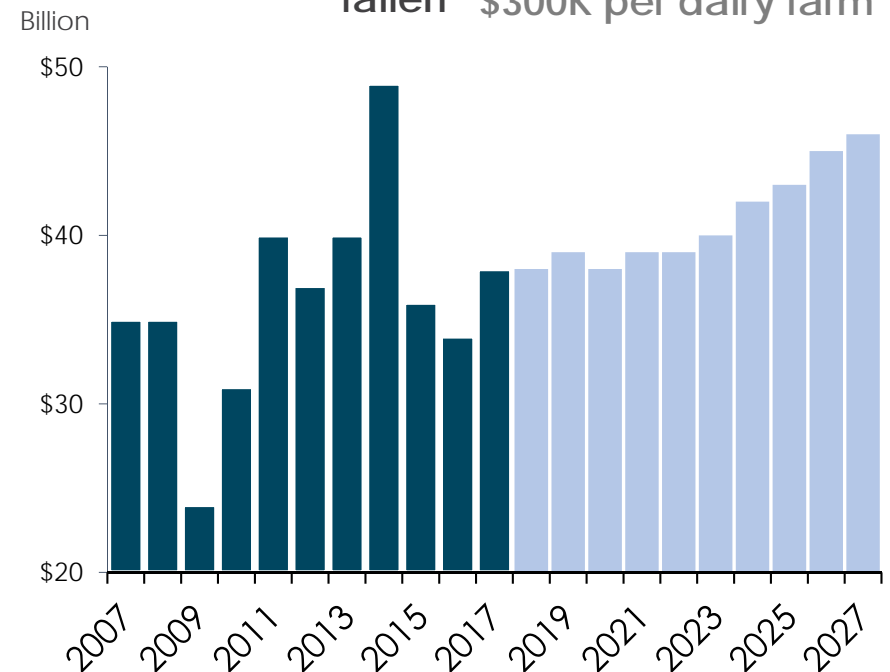


Since 2013, **Net Farm Income**
has declined by
46% or
\$56,000,000,000



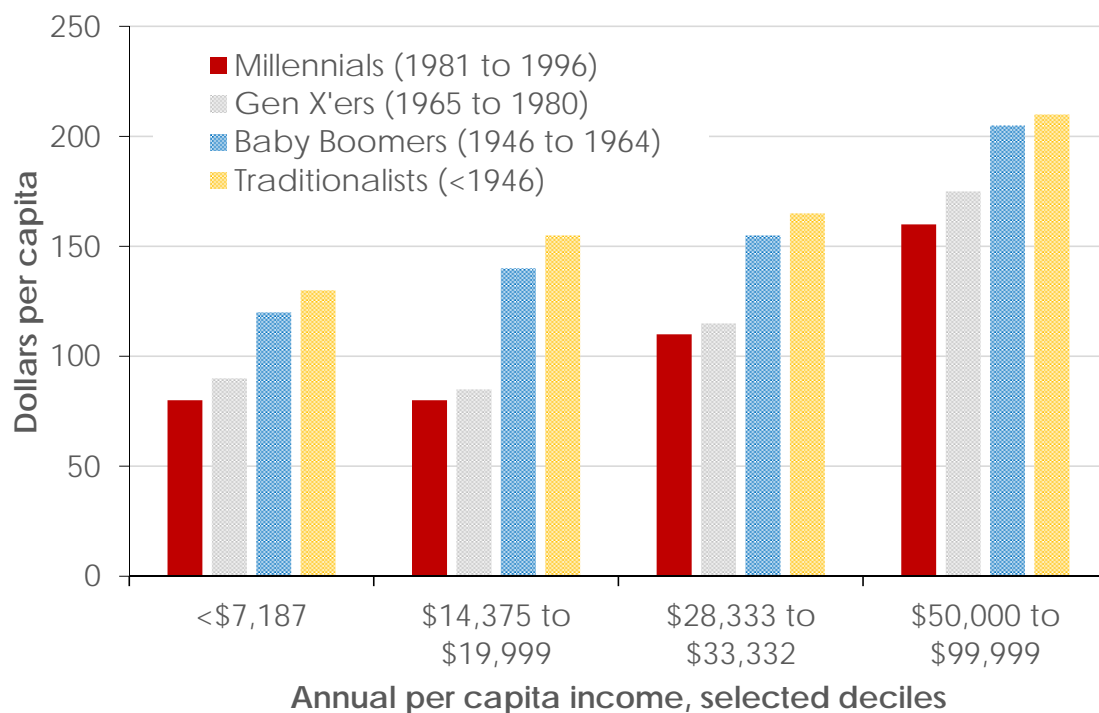
Farm Value of Milk

Since 2014, dairy
farm receipts have
fallen **\$15 Billion**
Decline is equivalent to
\$300K per dairy farm

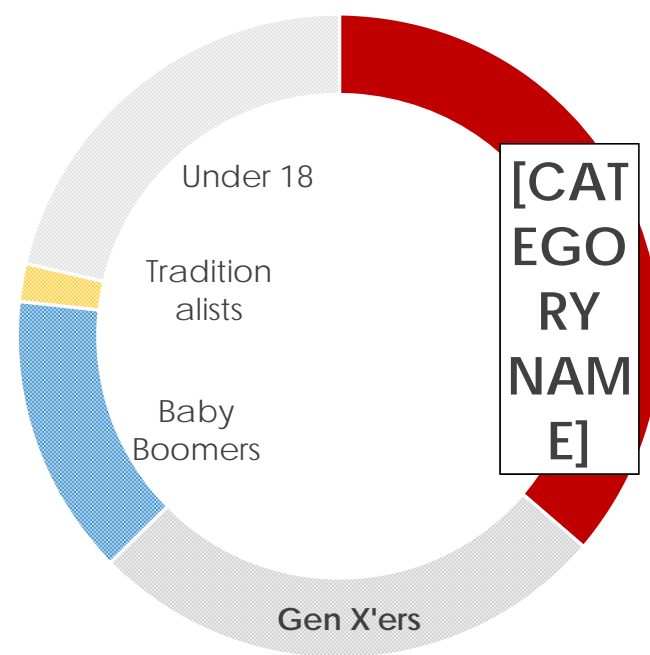


Millennial-headed households spend the least per person on food at home

Monthly Food-At-Home Expenditures, 2014

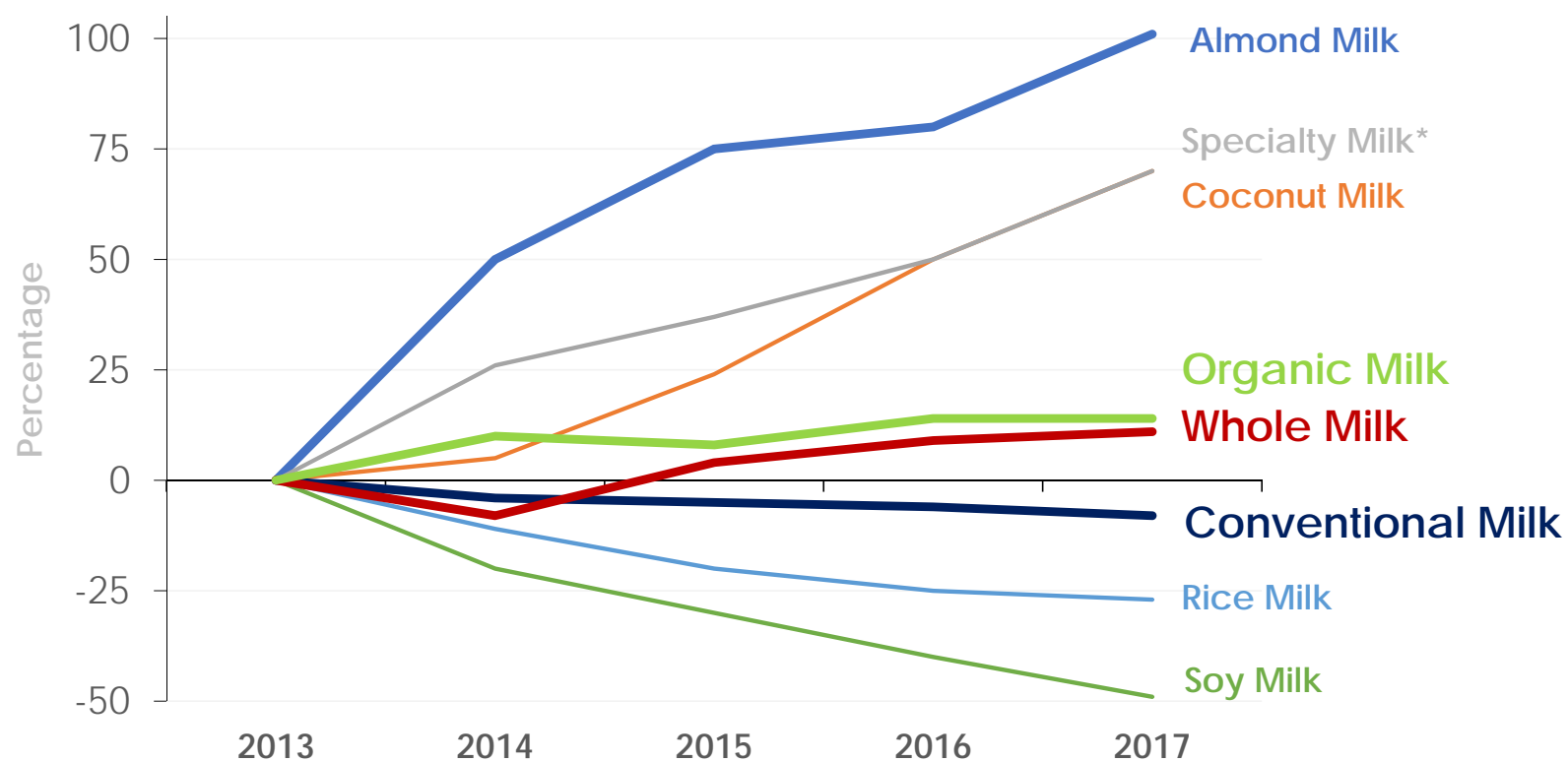


Millennials overtake Baby Boomers as America's largest generation



Source: USDA ERS, U.S. Census Bureau

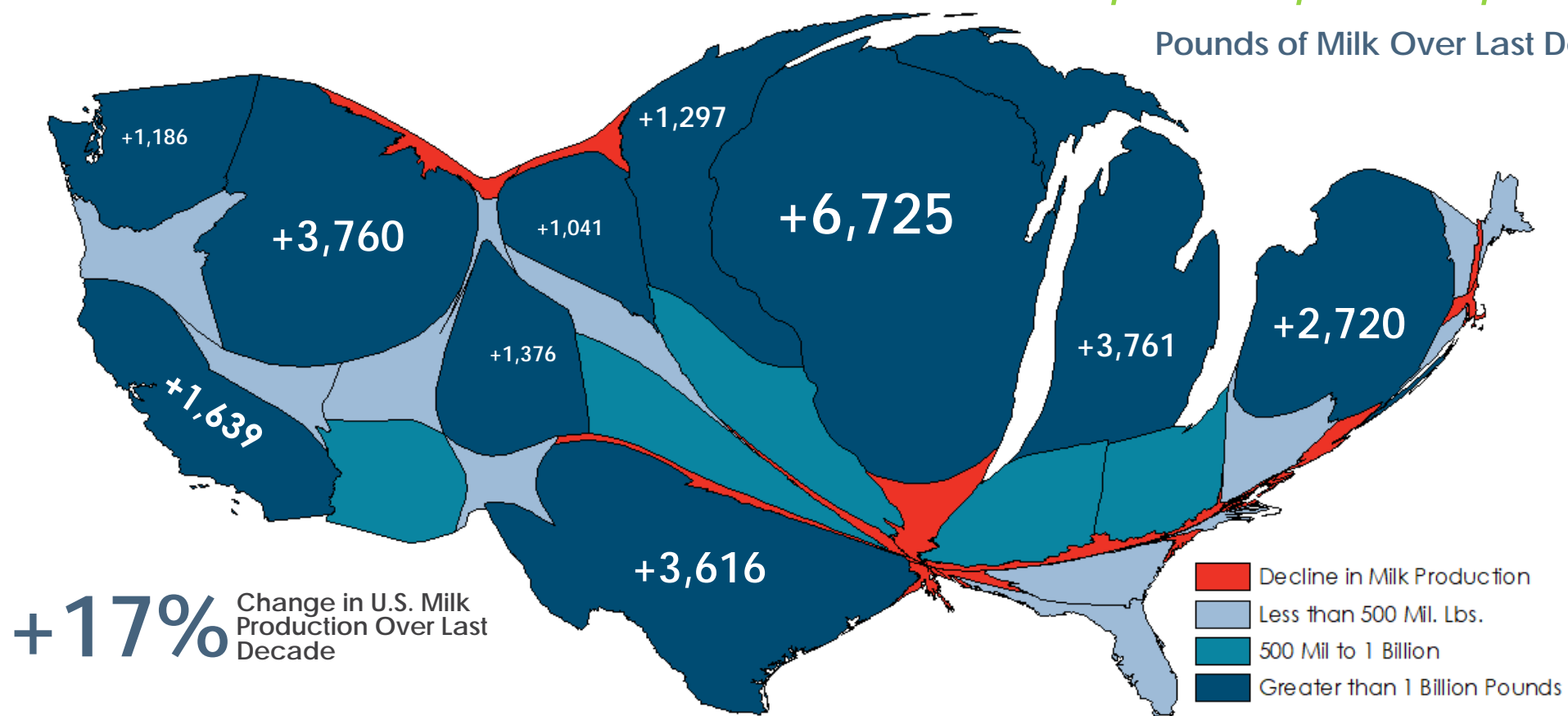
Change in Sales of Milk Products Since 2013



Source: Wall Street Journal, USDA AMS * Includes Lactose Free

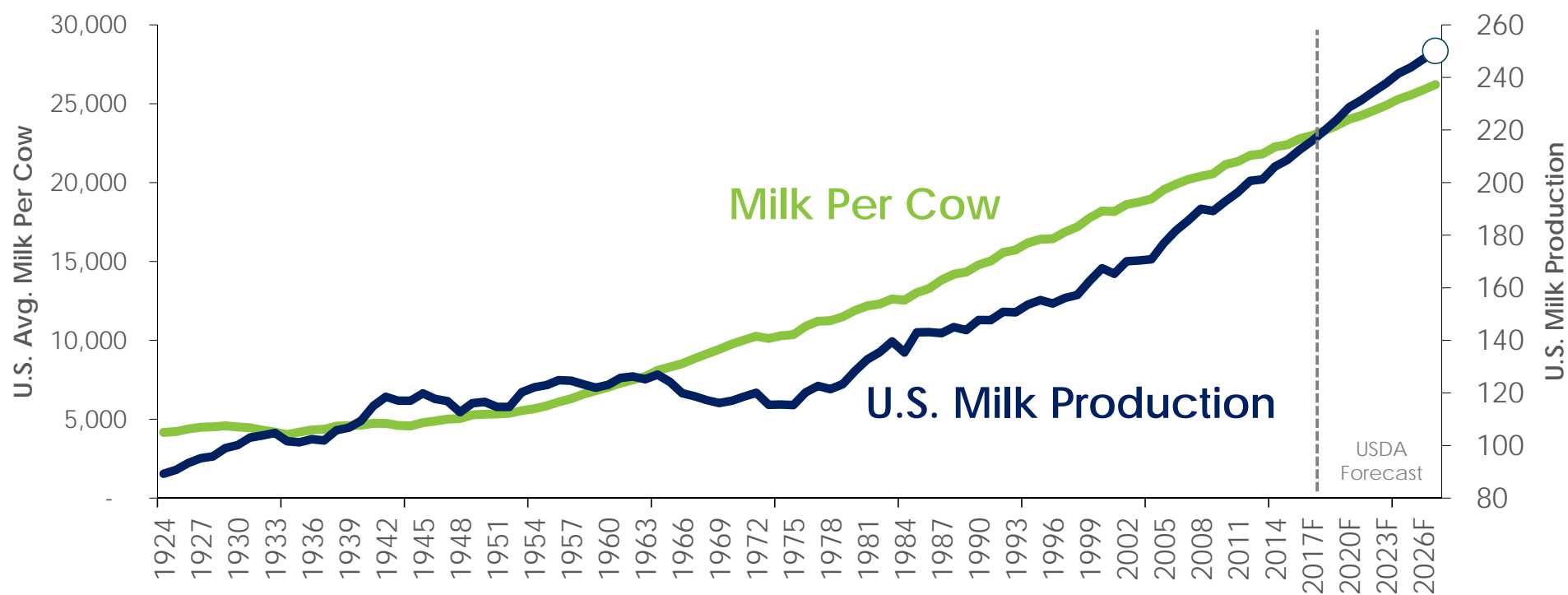
+30,654,000,000

Pounds of Milk Over Last Decade



Source: USDA NASS, AFBF Calculations

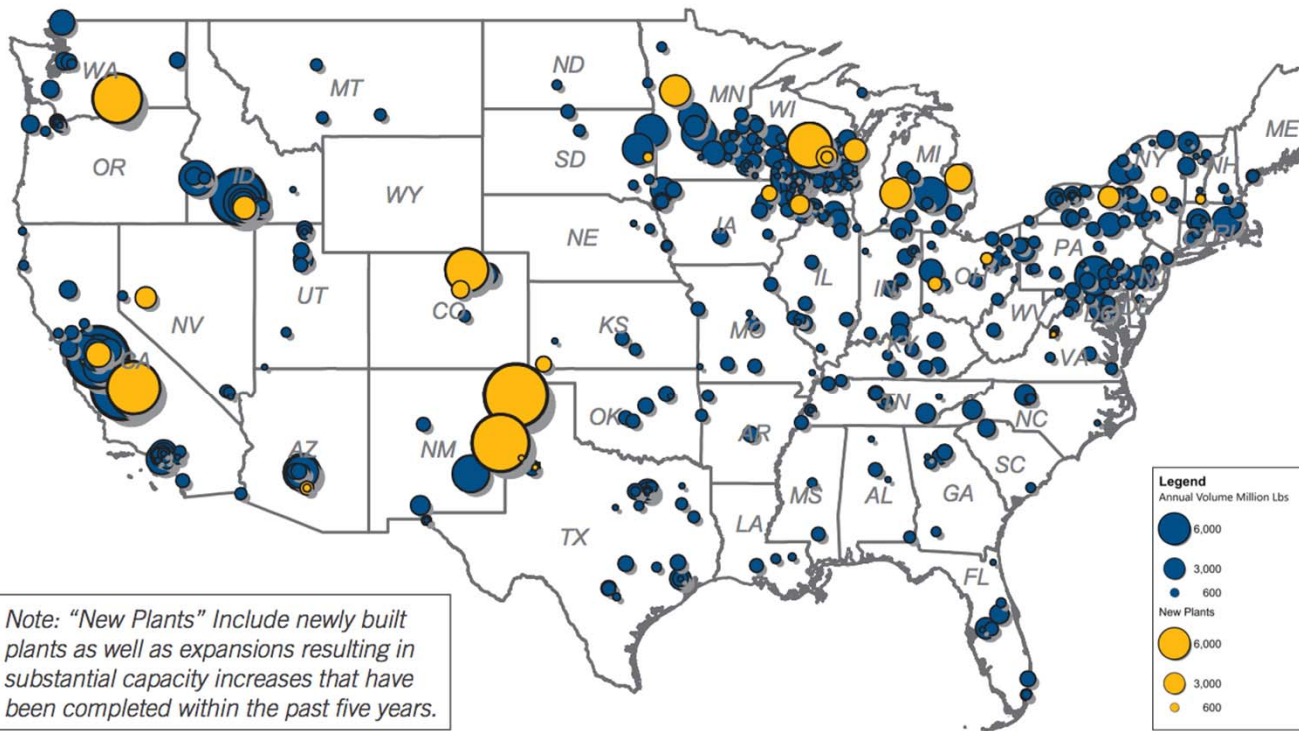
U.S. Production: **250 Billion** By 2027



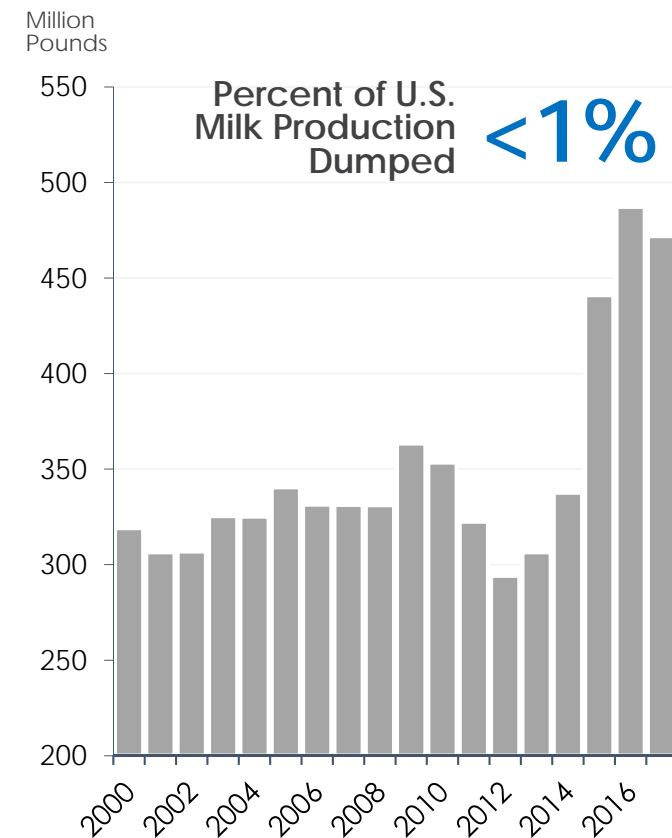
+38 Billion Pounds of Milk Coming Online Over Next Decade

Source: USDA NASS, AFBF Calculations

+38 Billion Pounds of Milk Coming Online
Over Next Decade



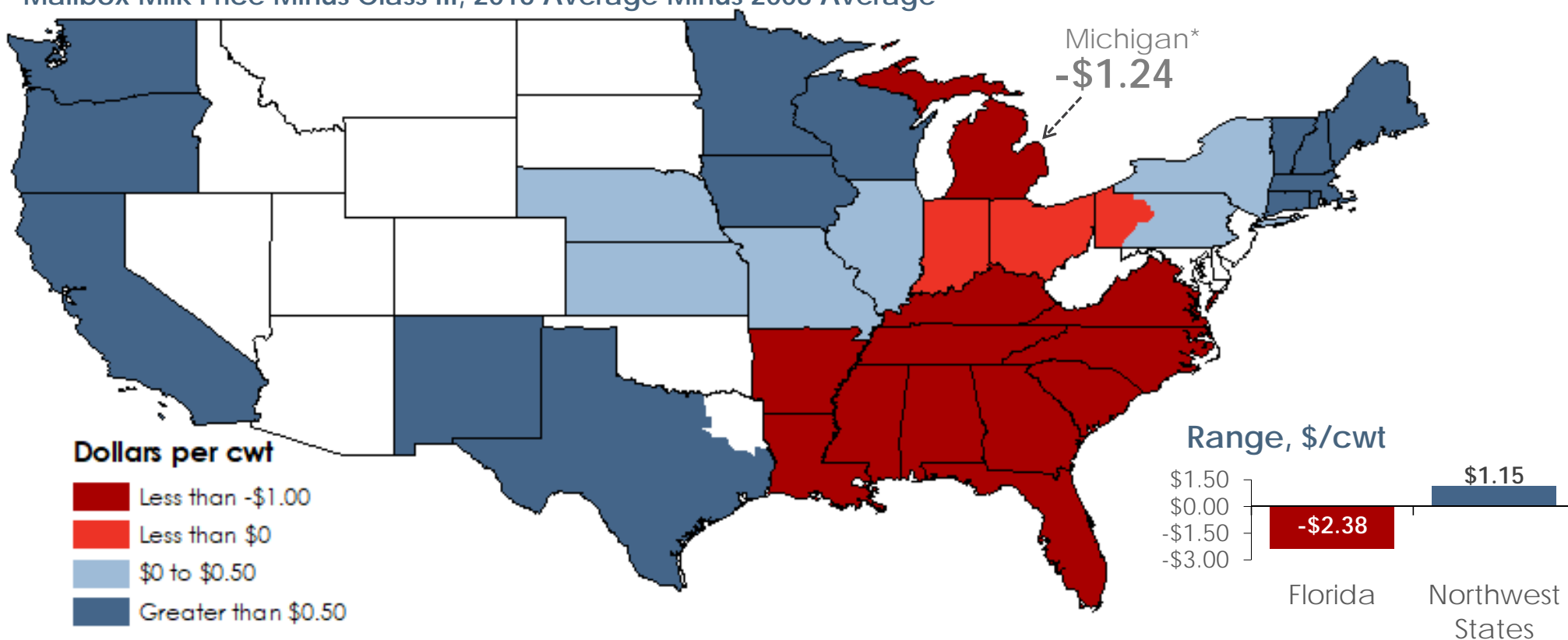
More Dumping?



Source: USDA NASS, AFBF Calculations, The McCully Group, CoBank, USDA AMS

Premiums Eroding in Mideast and Southeast

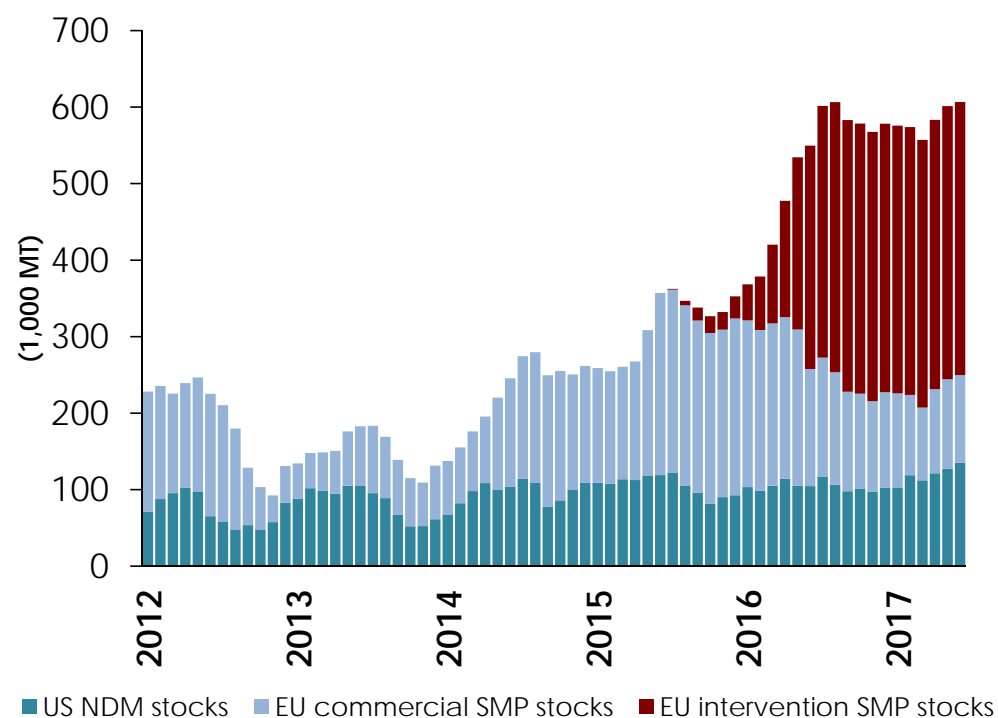
Mailbox Milk Price Minus Class III, 2016 Average Minus 2008 Average



Source: USDA AMS, AFBF Calculations *Michigan had positive basis in 2008, now negative

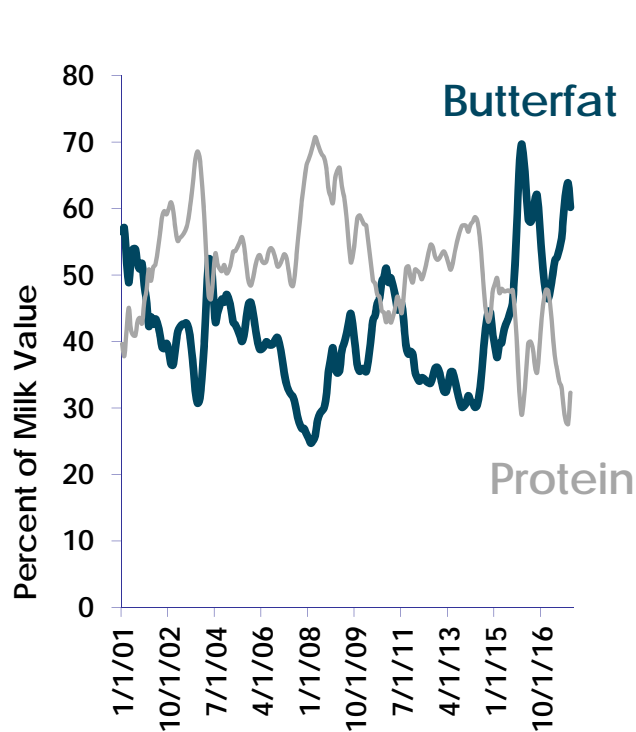


U.S. and Europe Nonfat & SMP Inventory

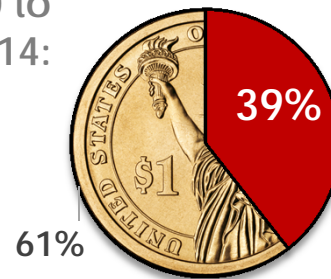


Contribution of Fat to Class III

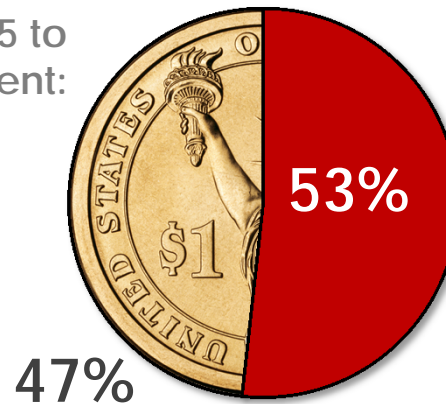
Component % of Total Milk Value



2000 to
2014:

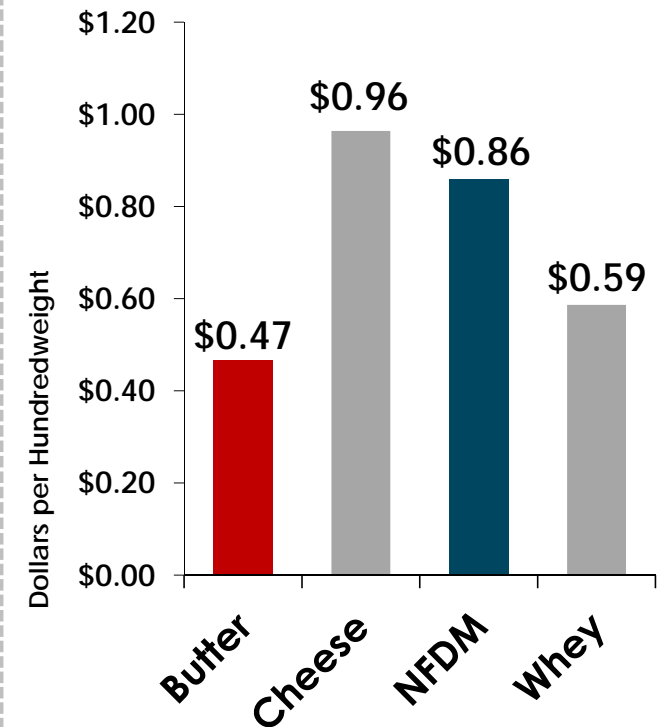


2015 to
Present:



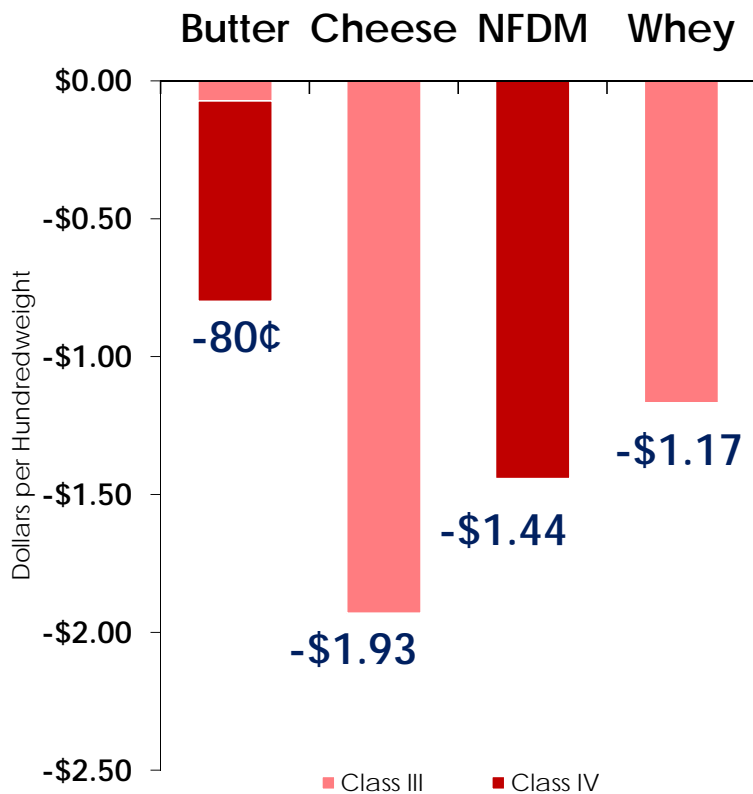
10¢ Change In...

Impact on Class Prices

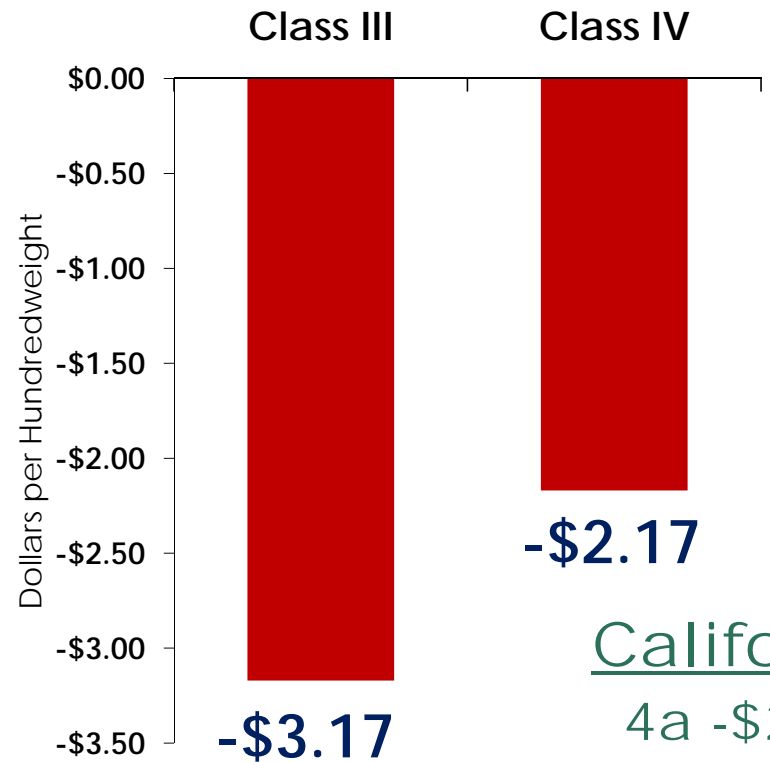


FMMO Make Allowances

by Commodity



Total Make Allowance



California

4a -\$2.42

4b -\$2.27

Includes f.o.b.

Percent of Production Captured in
USDA Price Survey (10-YR Avg.)

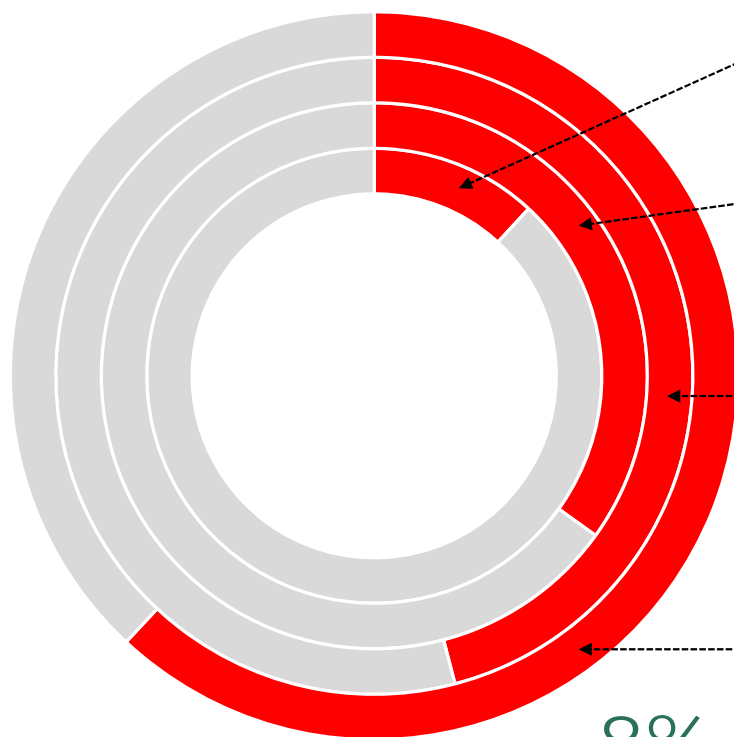
12% of Butter

35% of Cheese

46% of Whey

62% of Nonfat

8% to 10% of Milk Solids Captured

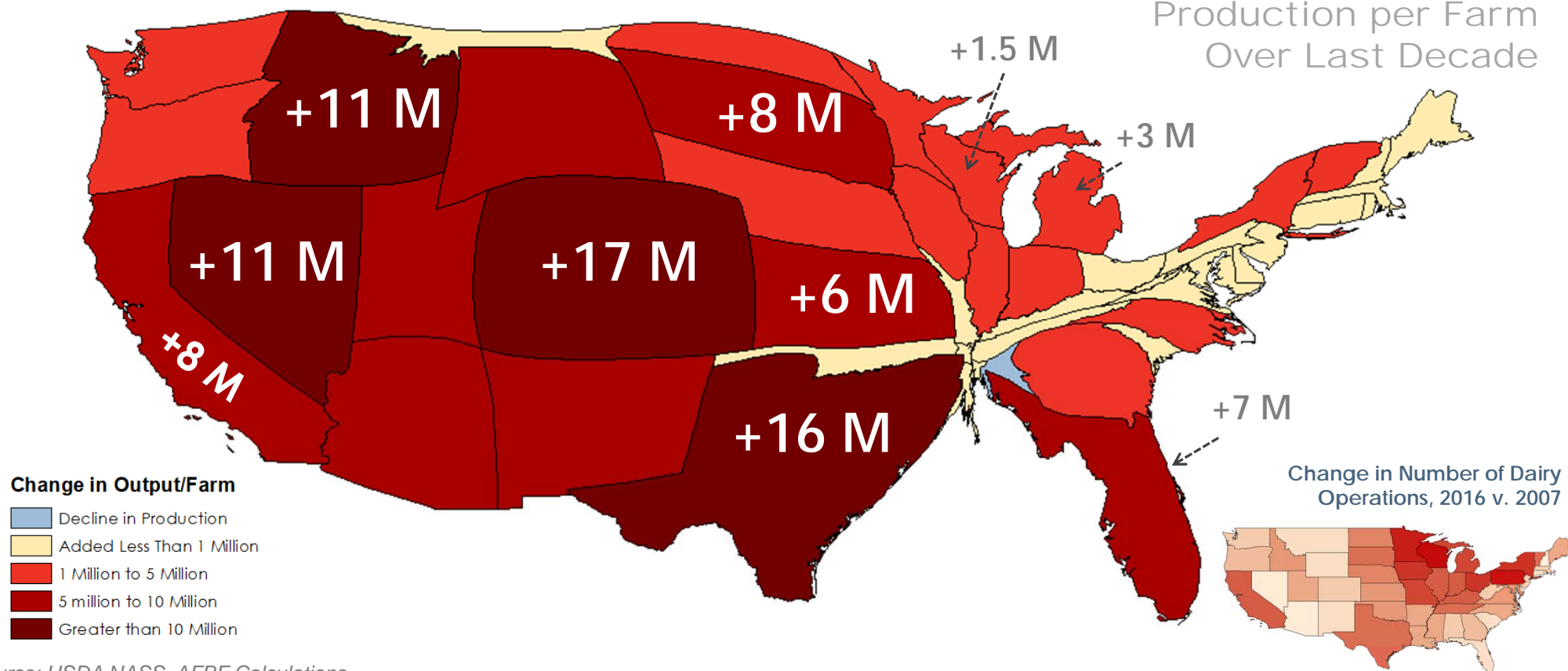


Source: USDA AMS, USDA NASS, AFBF Calculations

Big Dairies Getting Bigger

Where Has Farm Growth Been The Largest?

Change in Milk
Production per Farm
Over Last Decade

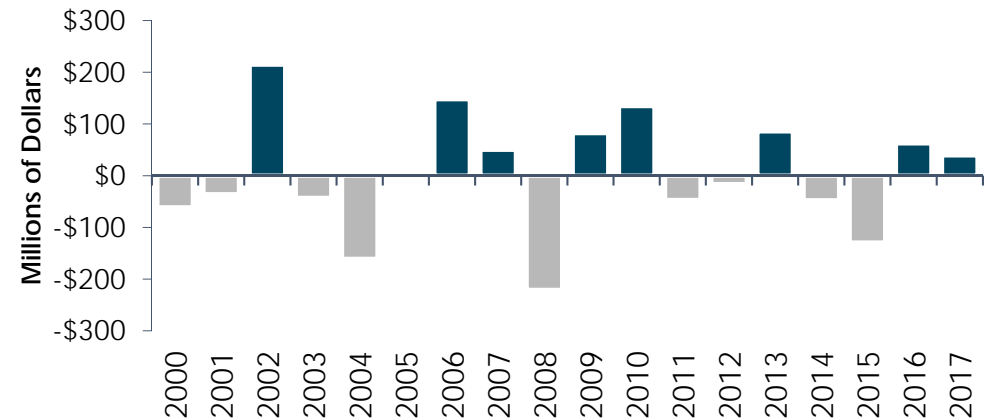


Source: USDA NASS, AFBF Calculations



MPP 2015 to 2017

Change in FMMO Pool Value Under IDFA/NMPF Class I Proposal



Change in Pool From 2000 to Present:

+\$50 Million

\$0.002/cwt

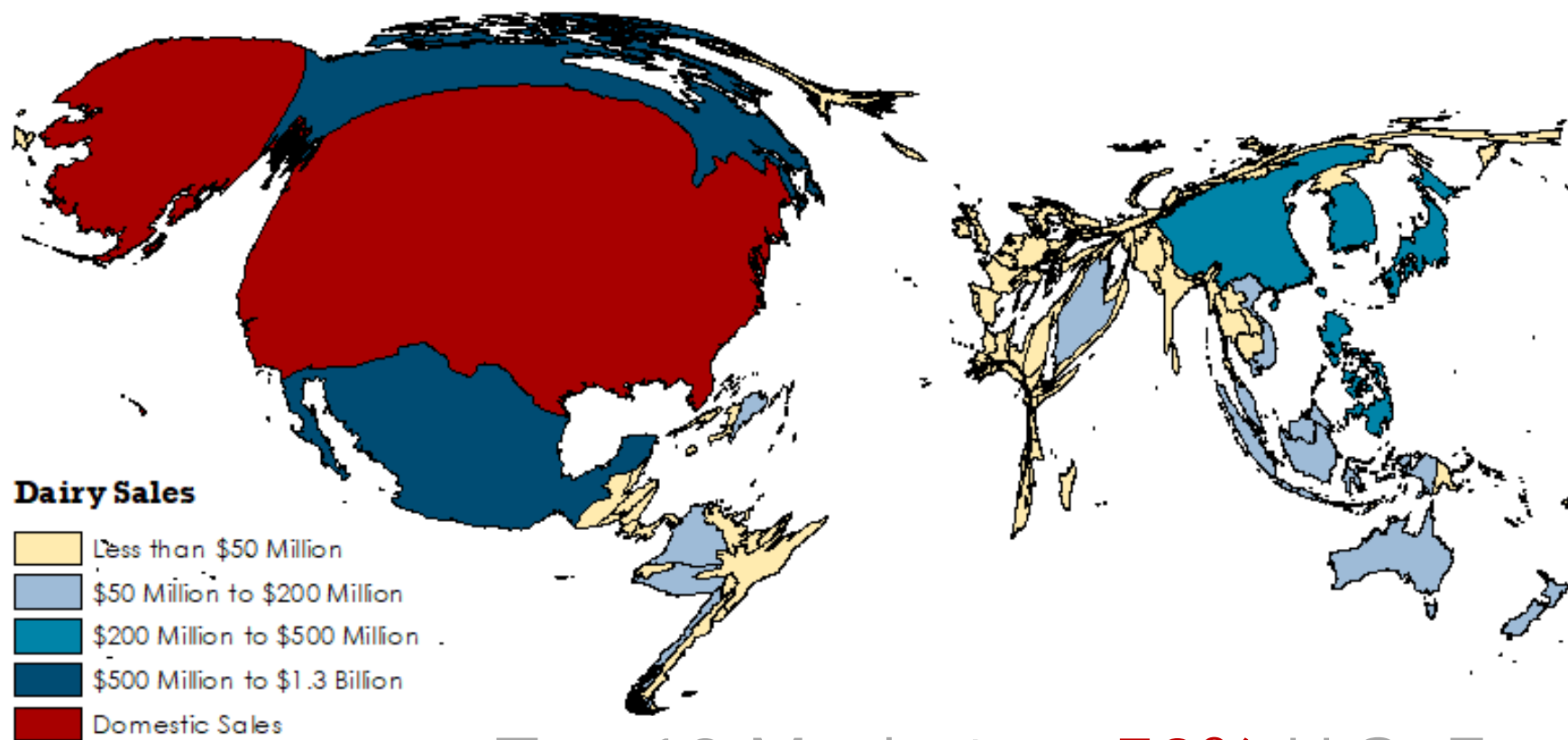
Added to

\$2.2 Trillion

Value of FMMO Pool 2000-Present

Top Markets for U.S. Dairy

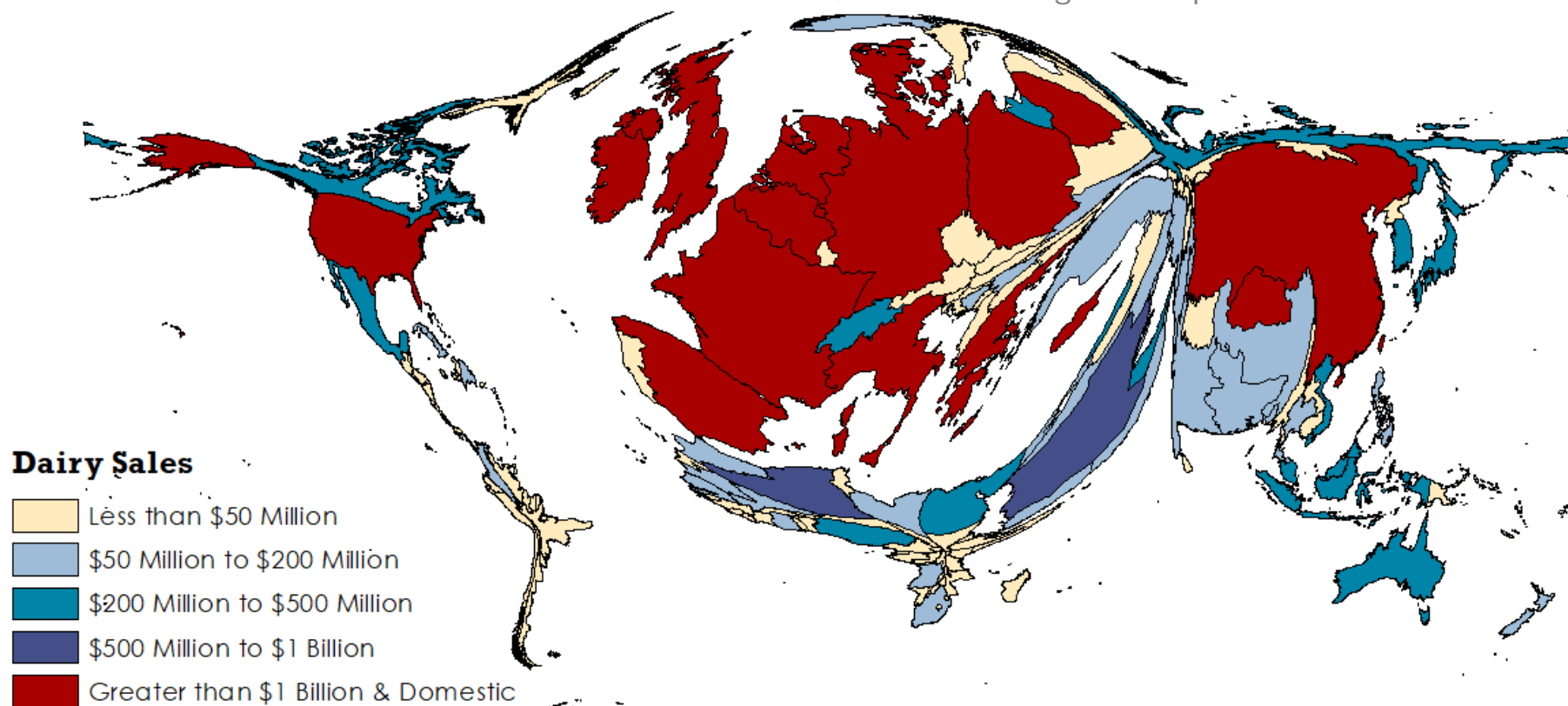
In 2016, Mexico, Canada, China and South Korea Represented **50%** of U.S. Exports



Top 10 Markets = **70%** U.S. Exports

Top Markets for EU Dairy

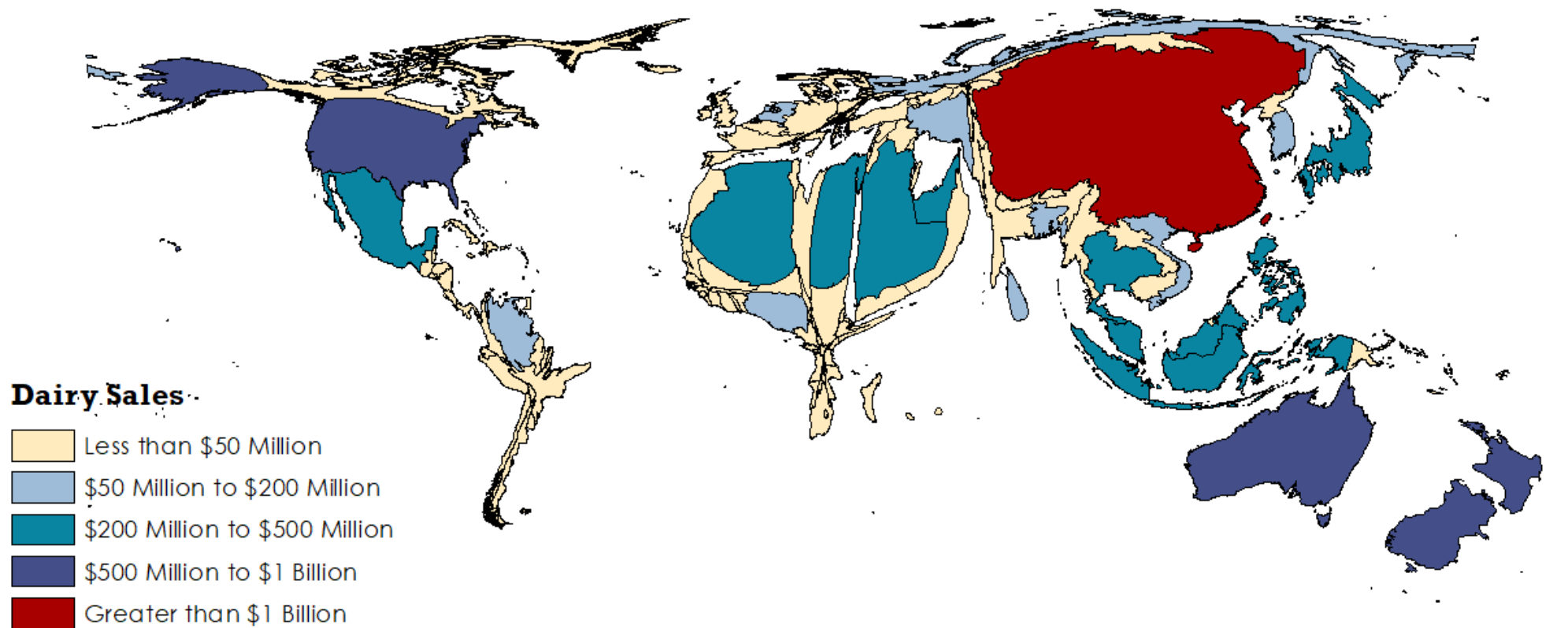
In 2016, China, U.S., Saudi Arabia and Algeria Represented 41% of EU Exports



Top 10 Markets = 56% EU Exports

Top Markets for NZ Dairy

In 2016, China, U.S., Australia and Japan
Represented 40% of NZ Exports



Top 10 Markets = 64% NZ Exports

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