



MCTCOMPASS

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U.S. Dairy Farm Numbers Shrink

As U.S. milk production continues to grow, fewer dairy operations are producing more milk. In 2016, 41,809 licensed dairy farms produced more than 212 billion pounds of milk. The number of dairy operations fell by 4%, or 1,725 farms, while U.S. milk production grew

1.6% (adjusted for leap day) and topped the prior-year's output for the seventh consecutive year in 2016.

Compared to other states, Wisconsin, the nation's second largest milk-producing state, is home to more dairy farms. America's Dairyland recorded 9,520 dairy operations in 2016, a 380 or 3.8% year-over-year drop from 2015. Pennsylvania is a distant second with an estimated 6,650 licensed dairy operations, down 120 or 1.8% from 2015. California, the nation's largest milk-producing state, recorded 1,420 licensed dairy operations, down 20 from 2015. The number of licensed dairy operations did not increase in any state, but 16 states reported no change in the number of operations. Idaho—ranked fourth

in milk production and home to 520 licensed dairy operations—was the largest milk-producing state to report stable farm numbers.

Colorado outdid Michigan, posting the highest average milk per cow at just 20 lbs, shy of 26,000 lbs. annually and 14% more than the national average of 22,774 lbs. The average cow in Michigan produced 25,957 lbs. of milk, followed by Idaho and New Mexico with 24,647 and 24,479 lbs., respectively.

Wisconsin and New York earned the honors for the most improved milk production per cow over the past decade. In 2006, milk per cow in both states averaged near 18,800 lbs. per cow. A decade later, milk per cow in both states exceeded 23,500 lbs., an increase of more than 25%. The average dairy farm in New York and Wisconsin housed 133 dairy cows. For

New York and Wisconsin, that was 25% and nearly 60% more cows, respectively, than in 2006. Still, the average herd size in these two traditional milk-producing states pales in comparison with New Mexico, which boasts an average herd size of 2,100 head, down from 2,357 head in 2012.

California is firmly entrenched as the nation's top milk-

Continued on page 2



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Ken's Corner

*by Ken Meyers
President, MCT Dairies Inc.*



U.S. dairy farms continue to become more efficient. Despite a 4% decline in the number of dairy farms last year, U.S. dairies produced 1.6% more milk than they did in 2015. This trend aided by genetics, improved nutrition, and expansion of best practices has been occurring for decades.

The United States is one of the most efficient dairy countries in the world. Production per cow in much of the developing world has tremendous room for improvement. But improvement won't occur overnight. Many of these countries lack quality feed, infrastructure, and technology. They also have poor animal genetics and disease control.

At some point, it will become more difficult for U.S. dairy producers to push efficiency, and developing countries will start to close the gap on per-cow production with the developed world. Until then, the United States, Europe, and Oceania (and to a lesser degree, parts of South America) will continue to have unparalleled opportunities to meet the world's growing demand for dairy products.

If the United States fails to keep trade avenues open, however, and U.S. exports of dairy products dry up, the U.S. dairy industry could see a dramatic pullback in farm numbers, a situation that would not be in anyone's best interest. **MCT**

NFDM Exports to Mexico Wane

The CME cash nonfat dry milk (NFDM) market is the weakest link in the U.S. dairy sector. The CME NFDM

market closed at 82.25 cents on Feb. 28, down 20% from January's peak and the lowest price in more than eight months. Exports to the United States' largest export market, Mexico, are waning as Mexico looks at other buying options. Cheese and butter stocks are ample. American cheese stocks of 761 million pounds as of Jan. 31 climbed 6.2% or 44.4 million pounds from January 2016 levels. January 2017 butter stocks at 223.1 million pounds are 16.1% or 31 million pounds more than last year. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Feb	1.6200	1.6230	16.85	2.1535	15.65	0.4880	0.9950
Mar	1.5850	1.5650	16.65	2.2500	15.40	0.4950	0.9585
Apr	1.6150	1.6150	16.75	2.2000	15.45	0.5150	0.9525
May	1.6525	1.6525	17.20	2.1700	15.30	0.5200	0.9625
Jun	1.7100	1.7000	17.50	2.2000	15.60	0.5250	0.9900
Jul	1.7500	1.7250	18.00	2.2500	16.10	0.5300	1.0200

* CME prices.

**NASS prices.

...Wisconsin closes gap with California

continued from page 1

producing state for now, but Wisconsin is closing the gap. At 40.5 billion pounds of milk in 2016, California produced 10.4 billion pounds more milk than Wisconsin, but that is the smallest difference of the past decade. In 2007, California produced 16.7 billion pounds more milk than Wisconsin. In fact, the Golden State's annual milk output peaked in 2014 and posted year-over-year decreases in 2015 and 2016. In contrast, Wisconsin has grown its annual milk supply by nearly 7 billion pounds or 30% during the past decade by doubling the volume of milk produced on the average dairy farm from 1.6 million pounds to more than 3 million pounds through increasing milk per cow and expanding the dairy herd. At this rate, it will take Wisconsin a decade to surpass California as the number-one milk-producing state, assuming California milk production stabilizes at 40 billion pounds a year.

Colorado and Michigan have each doubled their milk production by more than 50% since 2006. Granted Colorado's growth stems from a small base of 2.5 billion pounds of milk in 2006 to nearly 4 billion pounds in 2016

from just 120 dairy operations. Colorado's milk production has grown as new plant capacity has attracted additional milk production. In contrast, Michigan's milk production growth has surpassed the state's processing capacity. As a result, 2017 will mark the third spring flush that Michigan milk is transported great distances to find processing capacity or dumped at a significant cost shared by the state's dairy producers. For 2016, Michigan will have the distinction of having the lowest farmgate milk prices in the United States averaging near \$14.10/cwt., or \$1.60 less than the national average.

In early 2017, the three cooperatives serving Michigan, Dairy Farmers of America, Foremost Farms, and Michigan Milk Producers Association, along with Ireland-based Glanbia Nutritionals, announced that they were entering into a joint venture and were in the planning stages to build an American-style Cheddar cheese and whey protein plant. The cooperatives will supply milk to the facility, which will be operated by Glanbia. Commissioning of the new plant is not expected until the second half of 2019. Until then, Michigan is likely to be awash in milk. **MCT**



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