

Understanding how the U.S. fits into global dairy developments

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The aim of this paper is to describe global dairy trends, drivers and an outlook for the year 2050. Based on this, the presentation will explore opportunities for the US dairy industry.

Golden times for Dairy?

In the last 20 years, demand and production of dairy products worldwide increased by 40%. The world market price for milk increased by 60% during that period. Looking back, measured by the growth indicator, we can speak of golden times. The IFCN forecasts in the Pro-Milk scenario assume that global demand for dairy products will continue to rise by 2050, by a further 40% to be precise.

40% more dairy demand 2050?

Demand is increasing because the world population is increasing and so is per capita consumption. We have seen declining figures for years in terms of drinking milk consumption, but these are more than compensated for by the growth in demand for other dairy products. In the past, we saw a global increase in demand of around 2.5% per year.

Vegan trends?

There are loud activists with strong messages, but so far we have not seen a decline in milk demand. Interestingly, per capita consumption of dairy products in the EU and the USA has not decreased in the last ten years, but has increased by around 10%. In poorer countries, we see significantly higher growth rates in some cases, provided there is enough income.

40% more milk production?

40% growth means that by 2050 we would have to produce four times the annual amount of milk produced by the USA. This is certainly difficult to achieve given the current political conditions and price levels. However, the IFCN's forecasts assume that milk prices will rise. Farmers will benefit from this.

How realistic is this forecast?

There is considerable uncertainty in all forecasts. But I suspect that we are not entirely wrong. Proof of this is that the milk volumes we had forecast for 2025 in 2011 had already been achieved in 2021. For me, good forecasts are a continuous process. At the IFCN, this is done through annual updates and a continuous dialogue with dairy industry players.

How can farmers and dairies benefit from the global growth in milk demand?

In order to benefit from growth, the respective region needs future-proof milk production systems. These systems should, very generally speaking, meet the following criteria simultaneously: 1. good for the planet, 2. attractive for the next generation of farmers, 3. accepted by consumers. This is anything but easy, but it will be worth it.

How does the US fits in the global dairy industry today?

Since 2009 the USA is a net exporter of dairy products and has reached in 2023 a self-sufficiency of 105%. The US is currently exporting 10% of its milk production and is importing ca. 5% of the demand. This makes a net surplus of ca. 5 mill t.

With this the US is far behind the net exports from the EU and New Zealand who have net exports of 23,5 mill t milk equivalents.

Opportunities for the USA?

Both leading dairy export regions (EU and New Zealand) face challenges in milk supply growth and might move in a scenario of shrinking milk production. This gives the US dairy industry an opportunity to fill a gap of demand growth over supply growth.

The key strengths of the US dairy industry are a) land availability, b) scale in farm size and very professional dairy farming systems, c) high farm structure dynamics and the high ability to implement new technologies and d) a well-developed dairy processing industry.

Challenges for the US dairy industry ?

The biggest challenges in my view are internal factors like:

- a)** a very strong US\$ where most importing countries are devaluating their currency
- b)** a dairy policy system which was well designed for handling a milk surplus of up to 5% of the US milk production but which might need a review once you reach a self-sufficiency of 115% or more like in the EU
- c)** the federal milk marketing orders which have been developed in the year 1933. It looks to me that this system might hold the US dairy Industry back like the milk quota system did in the EU
- d)** It looks to me that most US dairy companies are less internationalised than their competitors in the EU and Oceania. Moreover, there are more foreign direct investments of EU/Oceania dairy companies than from US dairy companies in the past.

Finally, it has to be acknowledged that the time of just being a dairy exporter without contributing to dairy development in net importing countries is over. Most dairy importing countries expect from the exporting countries to support local milk production with a licence to export into their country.

The U.S. in the global dairy world 2050?

In my view the USA has the chance to become the leading global dairy exporter in the world once the internal challenges are addressed. The "America first" policy of the Trump administration might be more of a burden than supportive for the dairy industry.