

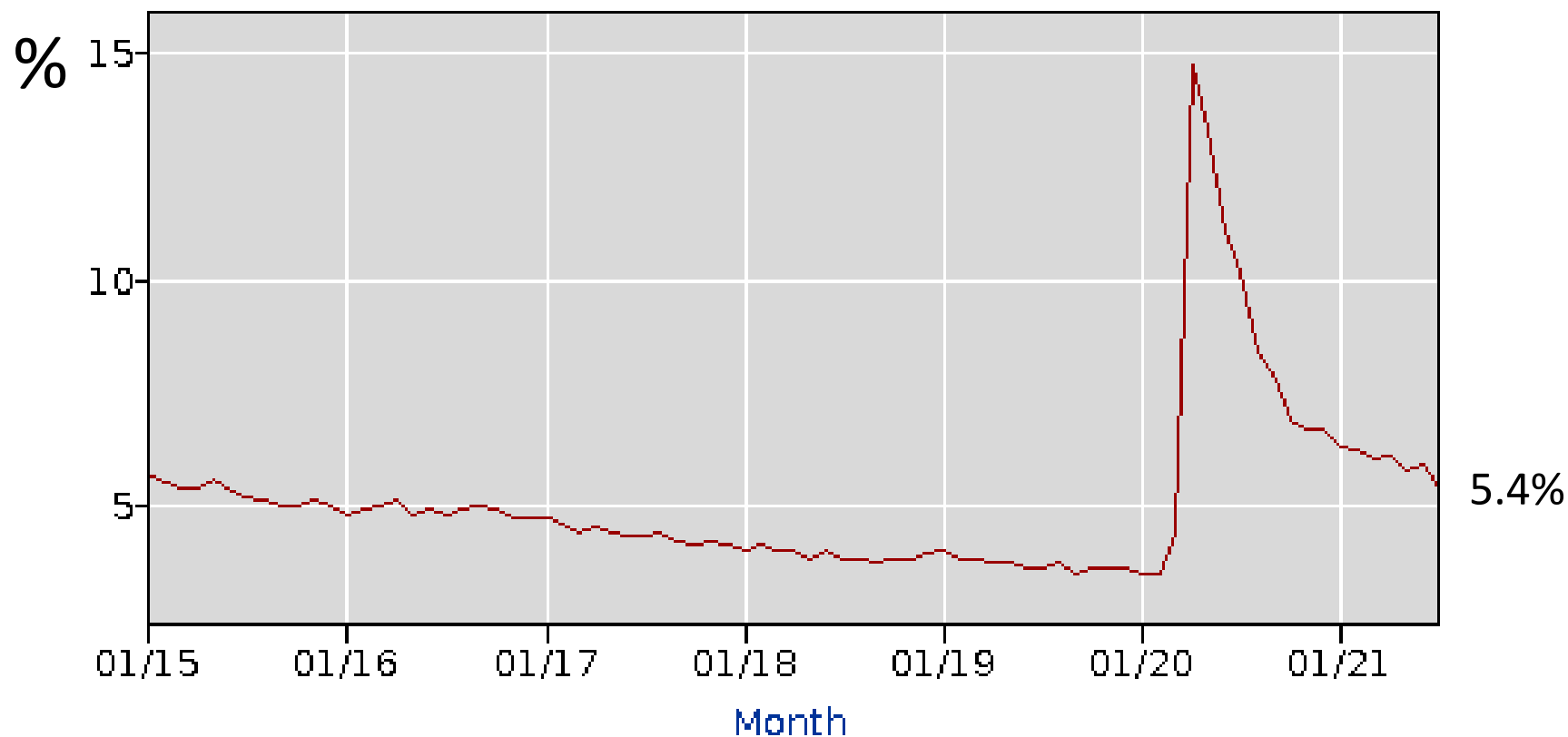
# 2021 Dairy Market and Policy Situation and Outlook

Christopher A. Wolf, Professor

**Dyson School of Applied Economics and Management**

**Cornell University**

# US Unemployment Rate



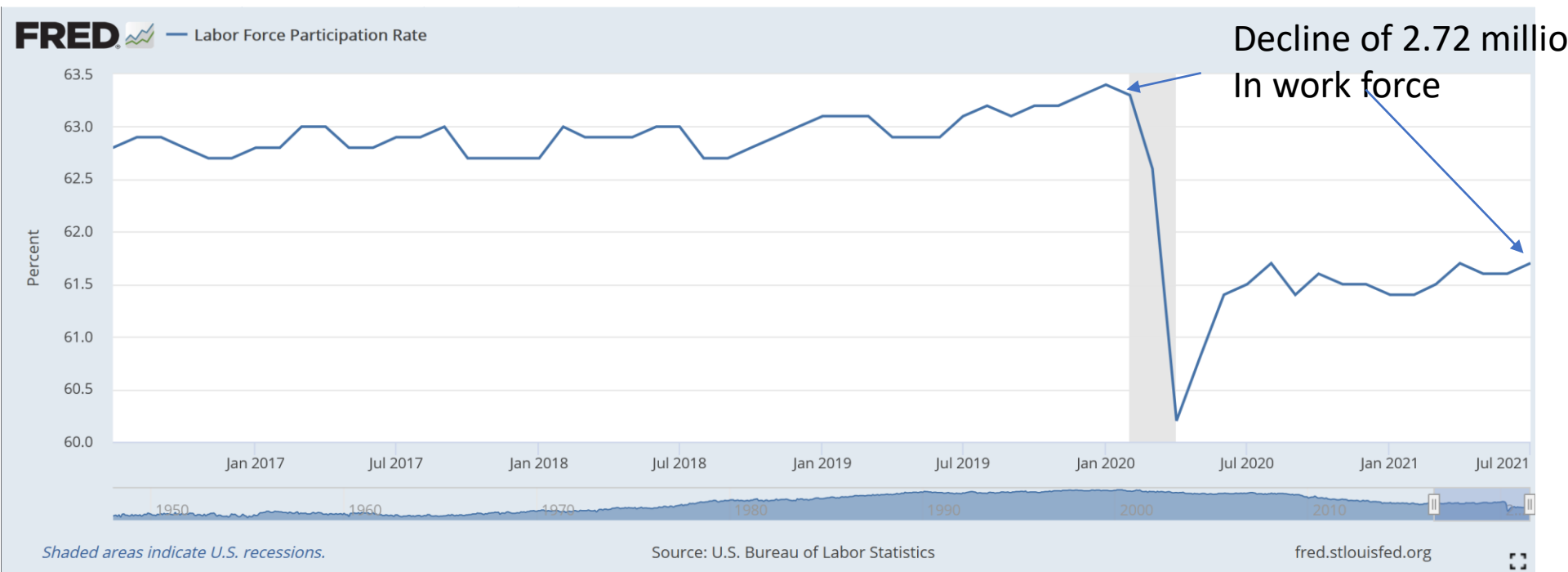
# LABOR MARKET REGIONS RANKED BY UNEMPLOYMENT RATE

JULY 2021

RANK	REGION	RATE
1	Capital Region	4.8
2	Long Island	5.2
3	Finger Lakes	5.3
3	Hudson Valley	5.3
5	Southern Tier	5.4
6	Central New York	5.5
6	North Country	5.5
8	Mohawk Valley	5.7
9	Western New York	5.8
10	New York City	10.2

# US Labor Participation Rate

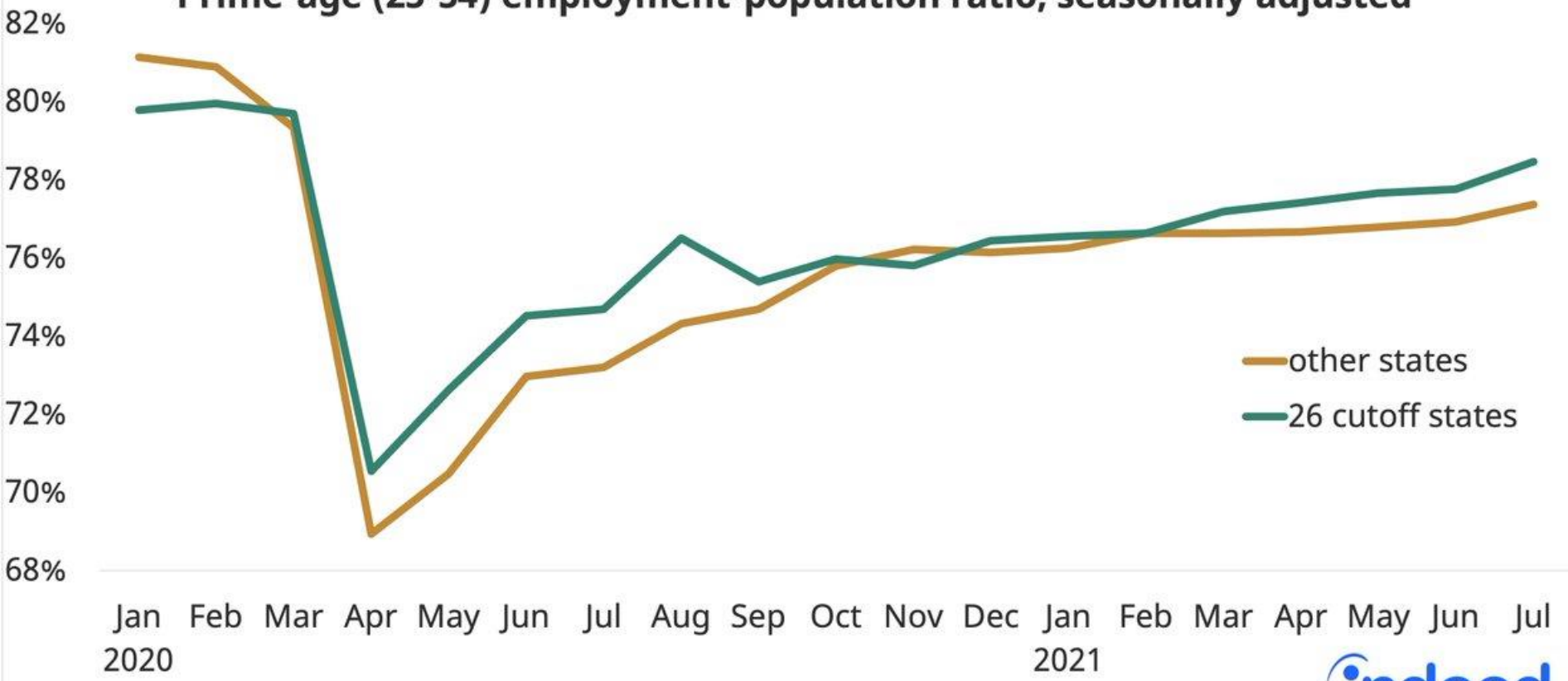
61.7% Today 63.4% before COVID



**the total labor force** (comprised of those who are employed and unemployed, combined) relative to the size of the working-age population

# Employment up slightly more in cutoff states

## Prime-age (25-54) employment-population ratio, seasonally adjusted



Source: CPS microdata



# Employment came from different sources in cutoff states

## Change in employment status, % of prime-age population, May-July 2021

**26 cutoff states**   **all other states**

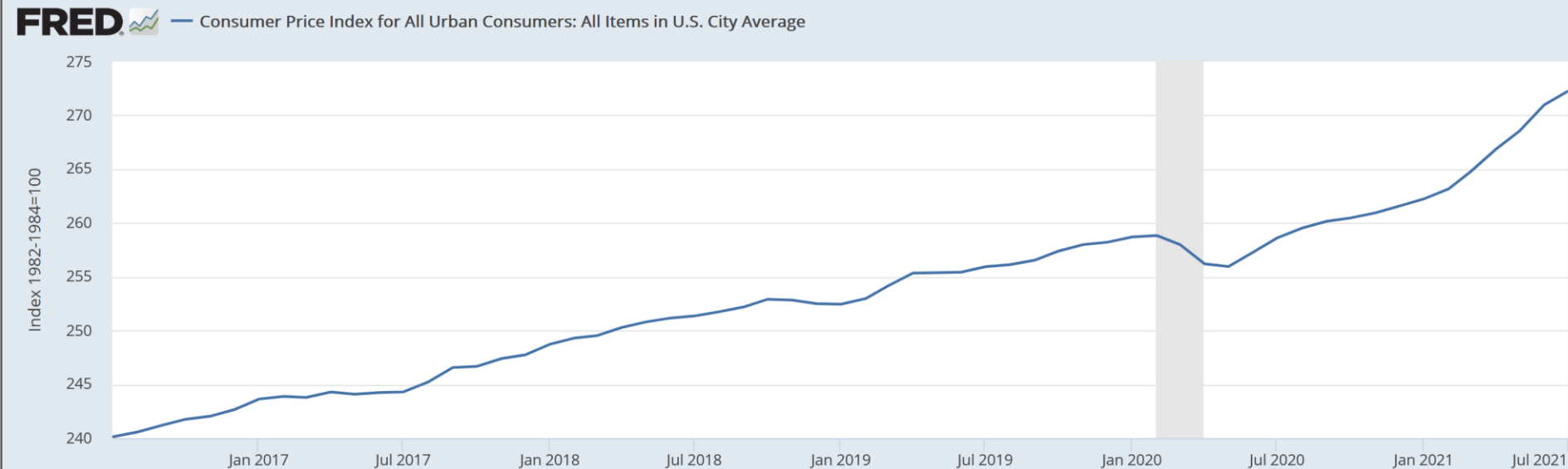
employed	0.8%	0.6%
unemployed	-0.7%	0.2%
not in labor force	-0.1%	-0.8%

% of prime-age (25-54) population, seasonally adjusted

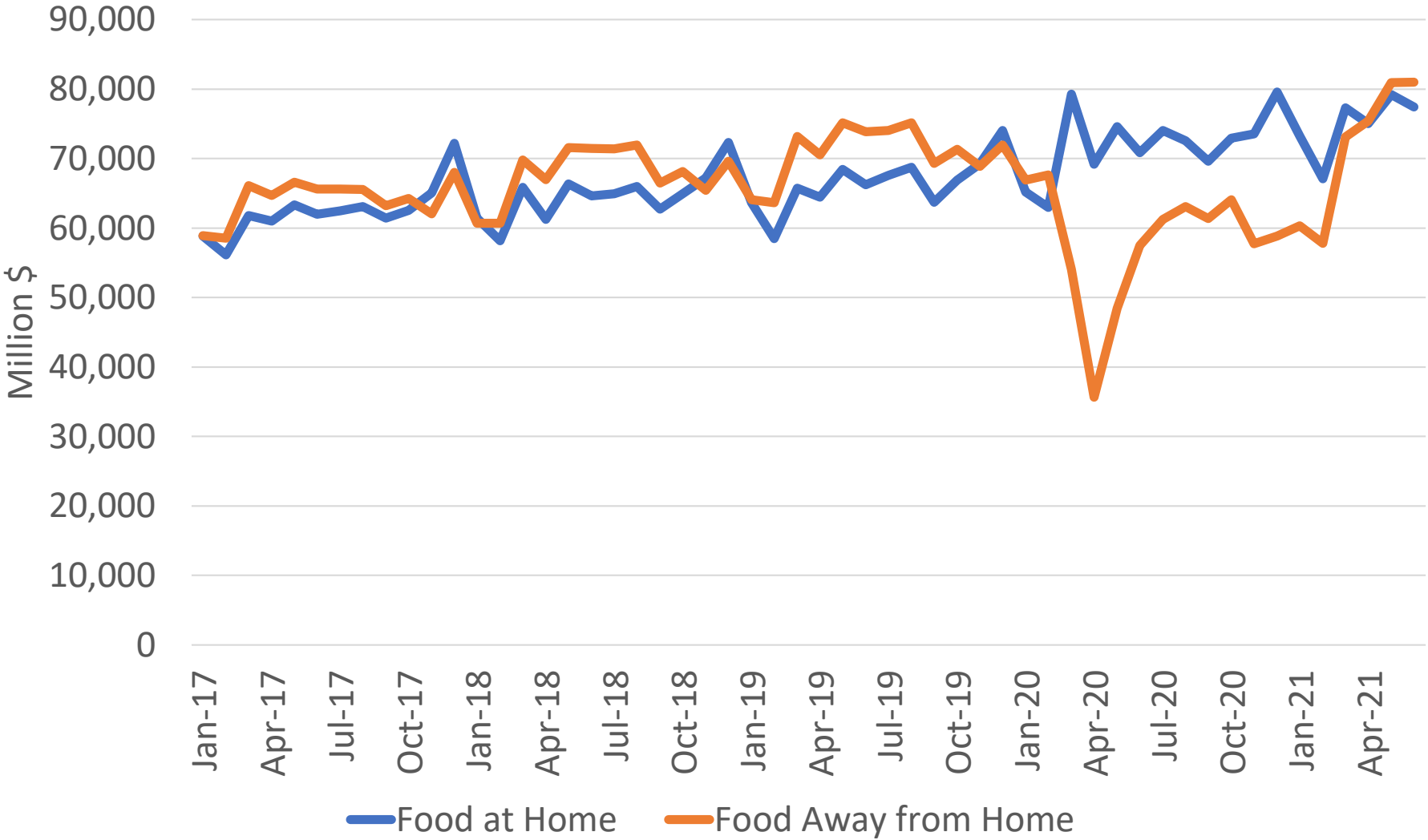
Source: CPS microdata



# Inflation



# US Food Expenditures





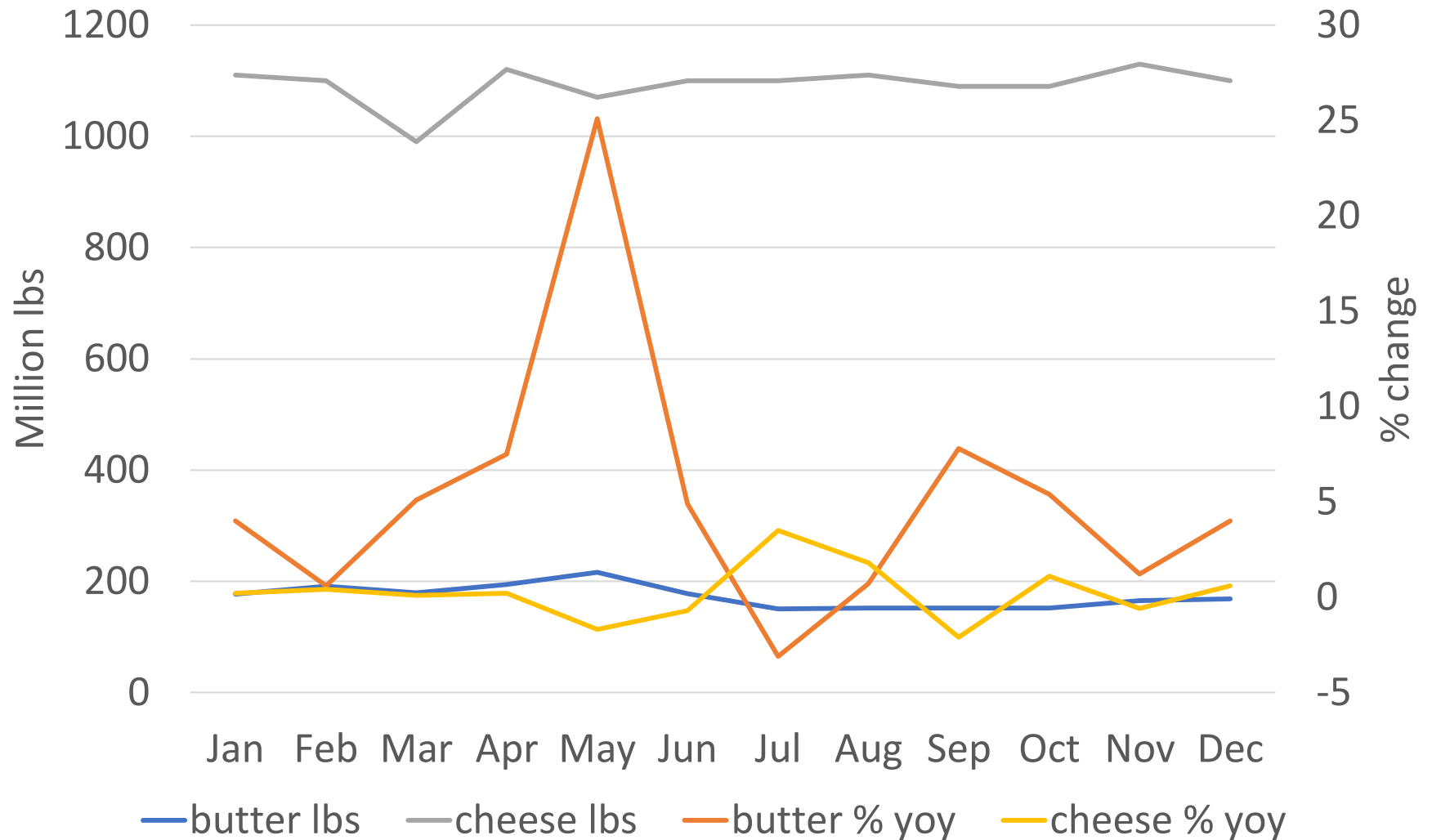
# 2020 Annual Food Expenditures

- Food at Home: +8.1%
- Food away from Home: -18.4%
- Total Food Expenditures: -5.6%

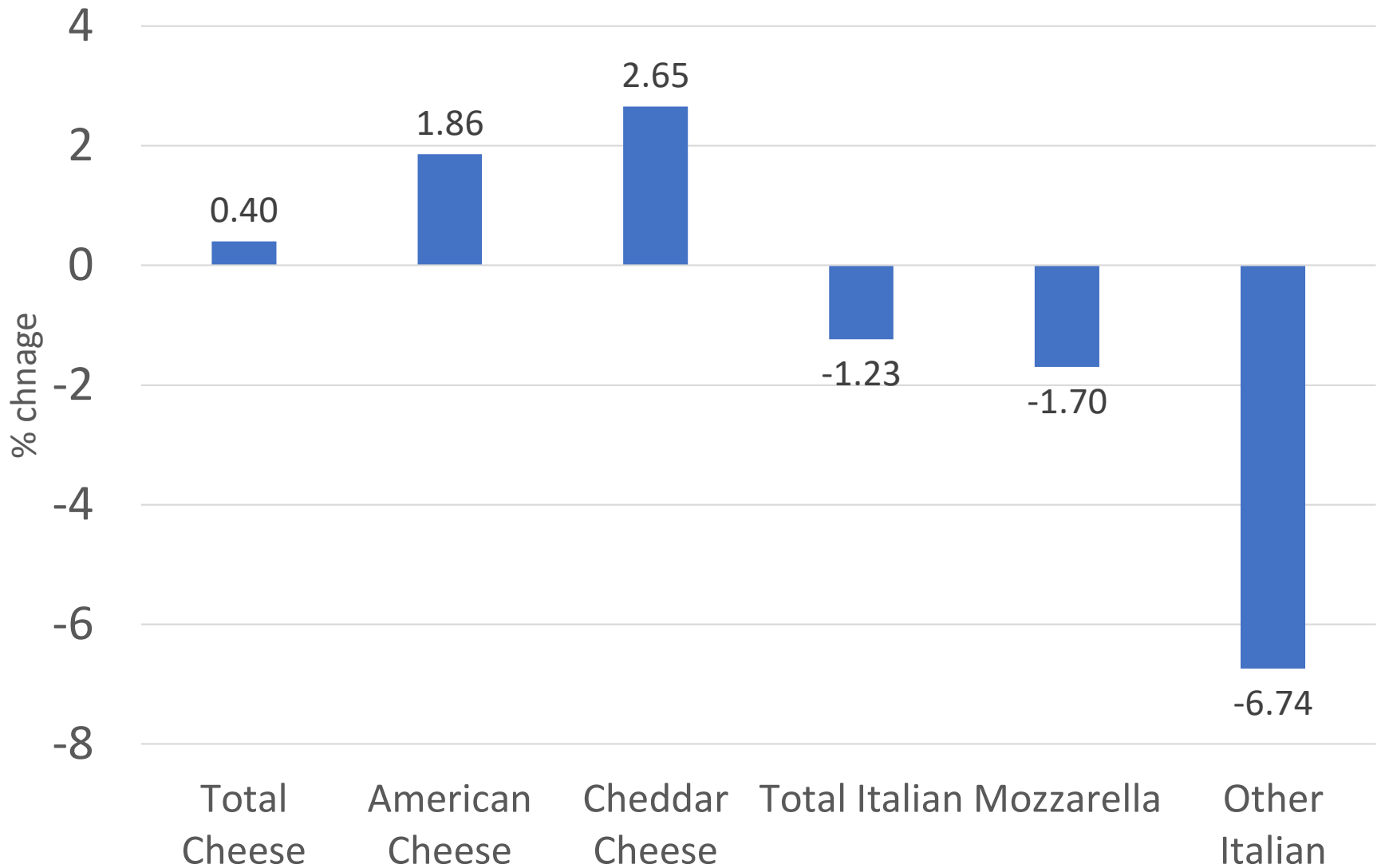
# Commercial Disappearance

Year	American Cheese	Other Cheese	Butter
	<b>% Change Year-over-year</b>		
<b>2016</b>	<b>2.68</b>	<b>4.31</b>	<b>2.18</b>
<b>2017</b>	<b>6.24</b>	<b>0.91</b>	<b>1.16</b>
<b>2018</b>	<b>2.88</b>	<b>3.48</b>	<b>7.04</b>
<b>2019</b>	<b>1.36</b>	<b>1.31</b>	<b>1.48</b>
<b>2020</b>	<b>-0.04</b>	<b>-0.06</b>	<b>3.42</b>
<b>Long run</b>	<b>2.12</b>	<b>2.85</b>	<b>2.49</b>

# Butter and Cheese Production, 2020



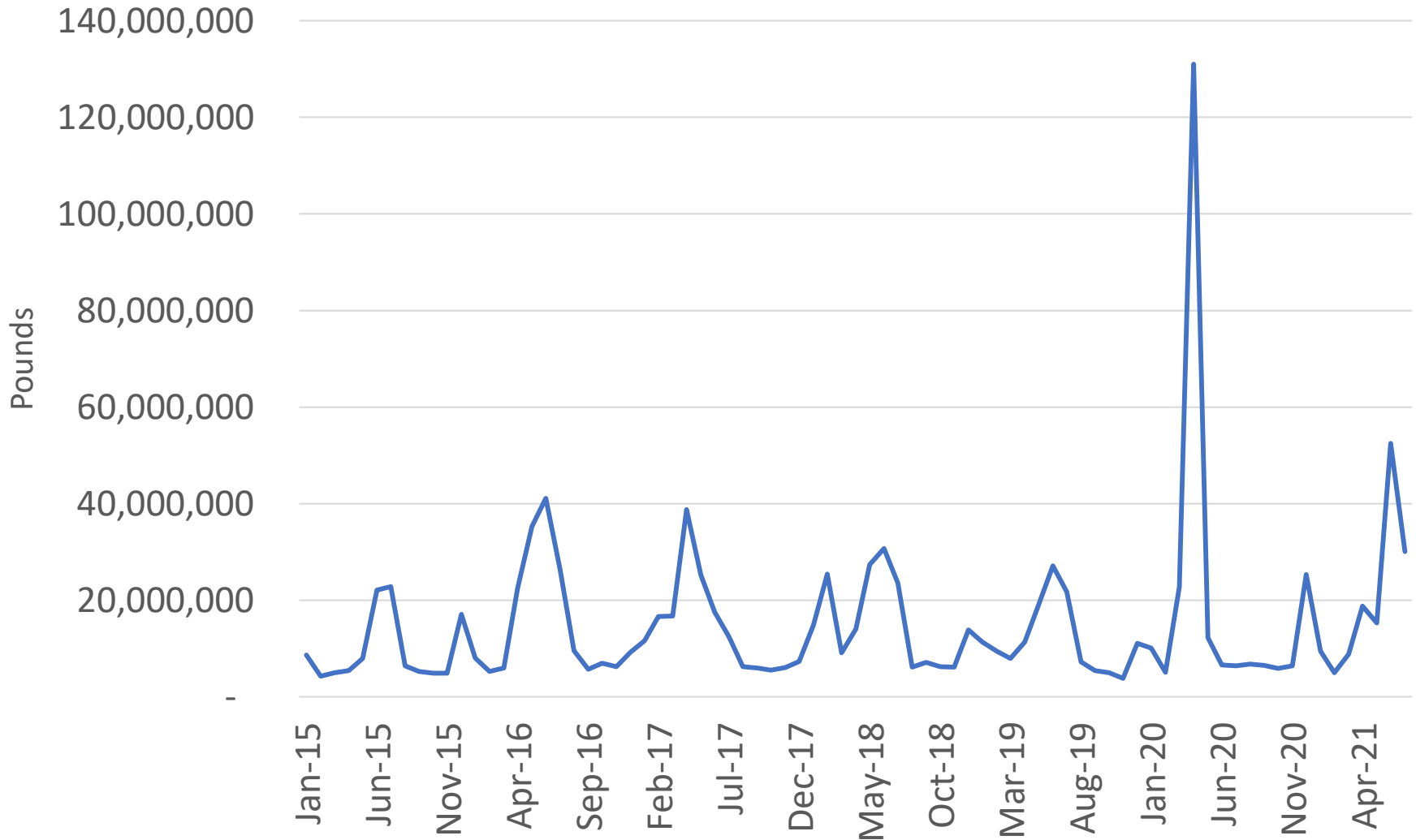
# US Cheese Production: 2020 vs 2019



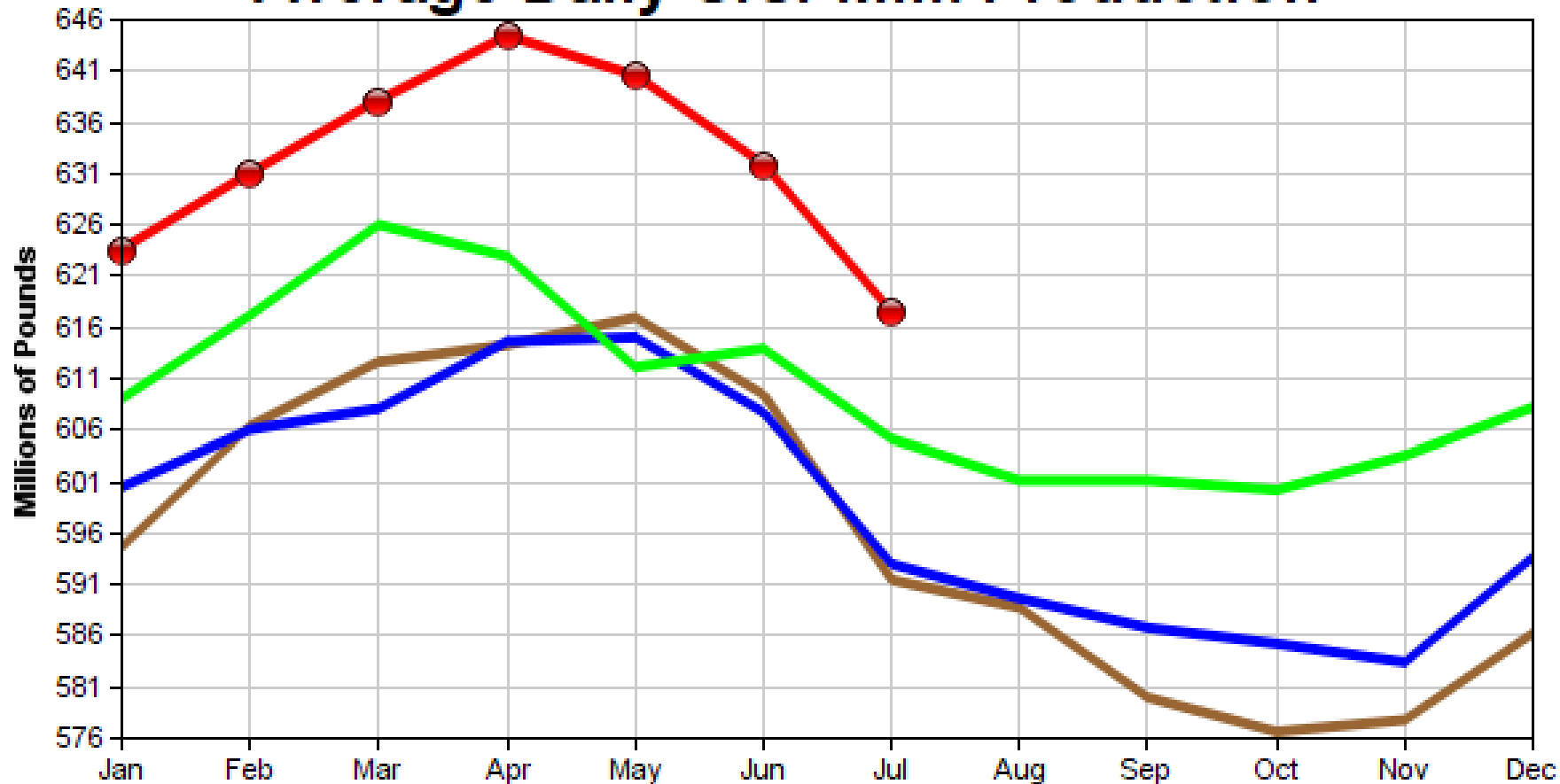
# Milk Supply Response

- Sudden loss of food service outlets necessitated large response in product mix
- Some milk was dumped other milk was transported long distances and sold at distressed prices

# Milk Dumping in FO 1



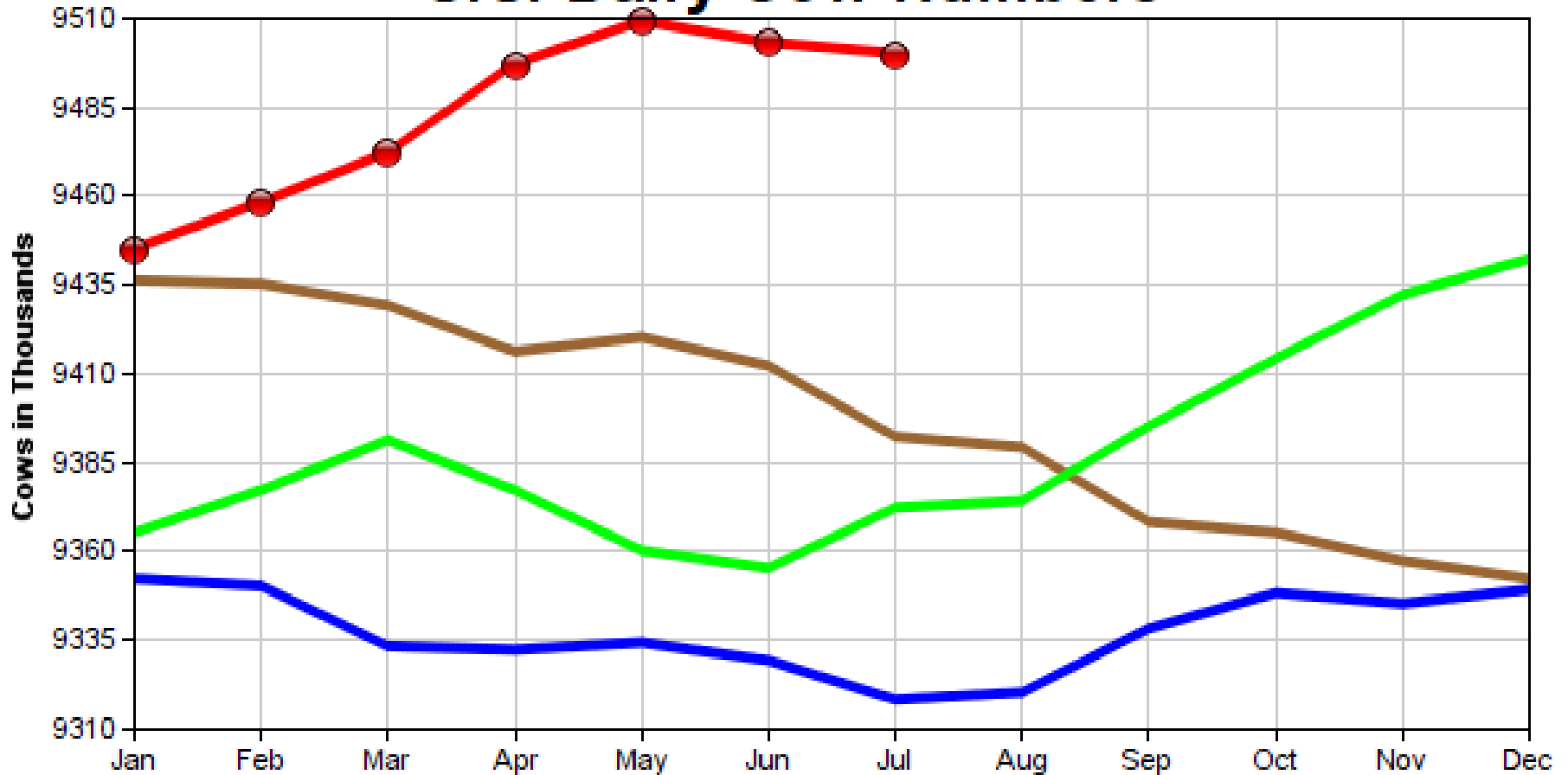
# Average Daily U.S. Milk Production



— 2018    — 2019    — 2020    ● 2021

Updated 8/19/21

# U.S. Dairy Cow Numbers

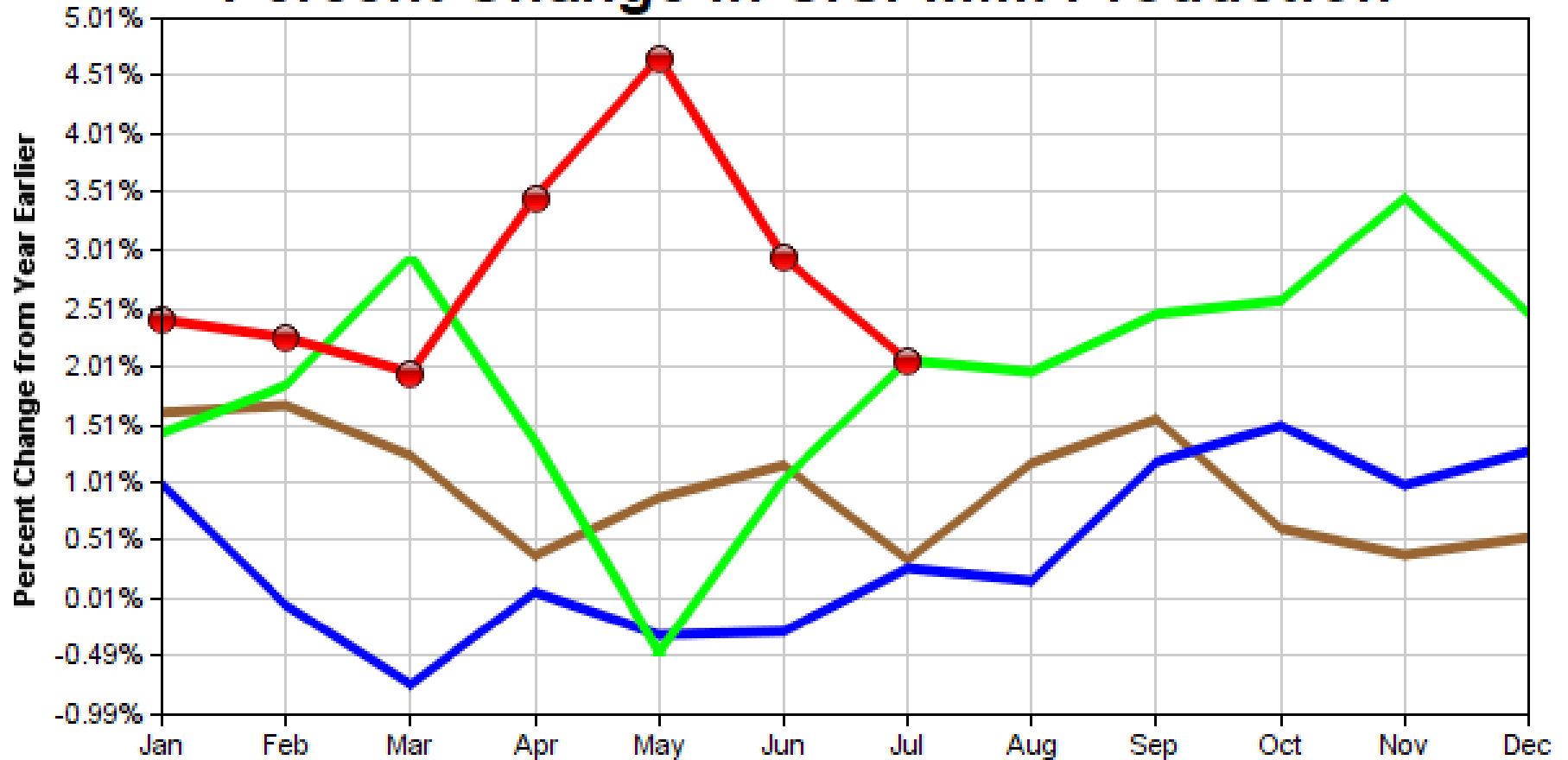


— 2018    — 2019    — 2020    ● 2021

Updated 8/19/21



# Percent Change in U.S. Milk Production



— 2018

— 2019

— 2020

● 2021

Updated 8/19/21

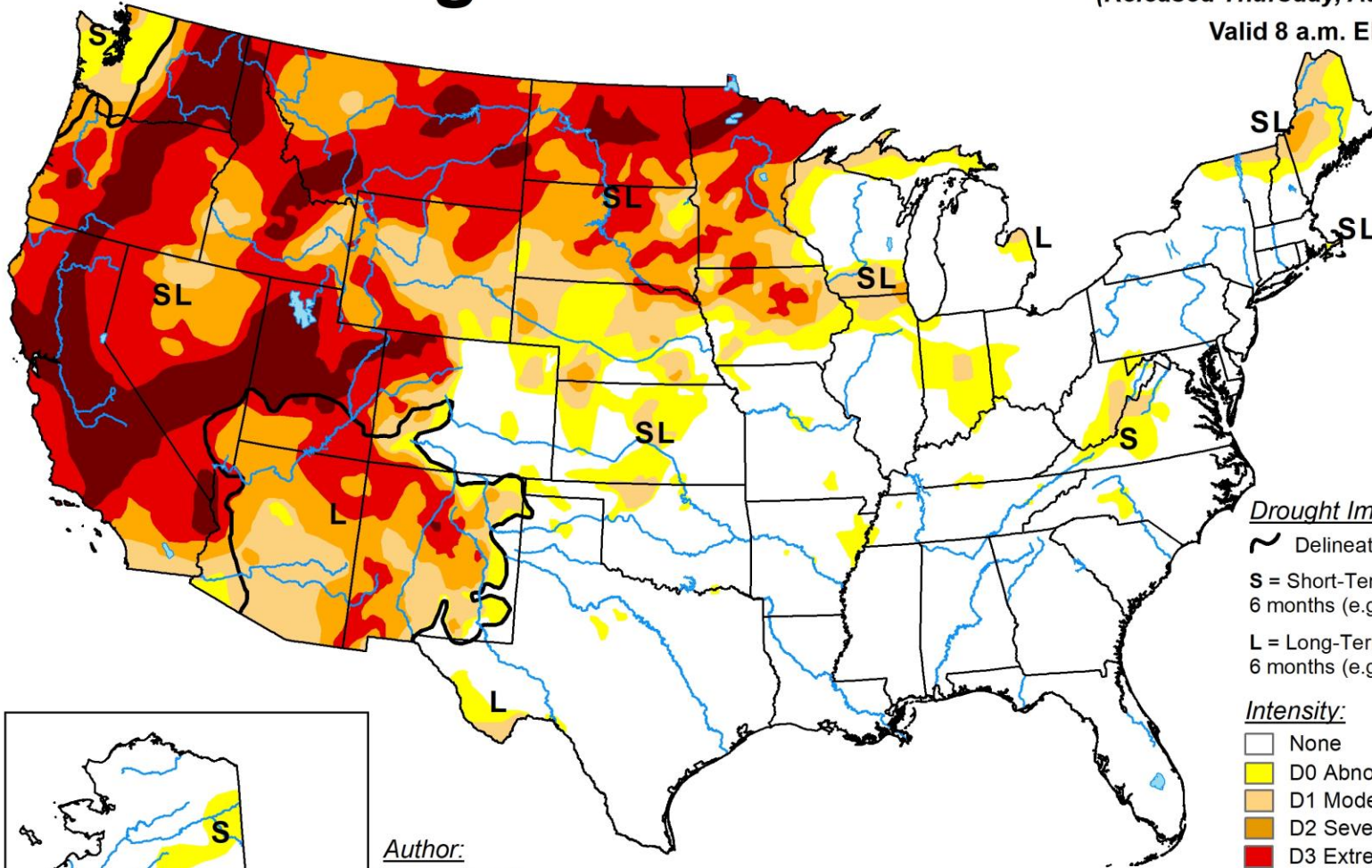
# July 2021 Milk Production

State	Year-over-year % change
California	-0.7
Wisconsin	4.6
Idaho	0.8
New York	2.8
Texas	7.2
Michigan	4.3
Minnesota	4.2
Pennsylvania	-1.2
New Mexico	-2.3
Washington	-6.7
US	2.0

# U.S. Drought Monitor

August 24, 2021  
(Released Thursday, Aug. 26, 2021)

Valid 8 a.m. EDT



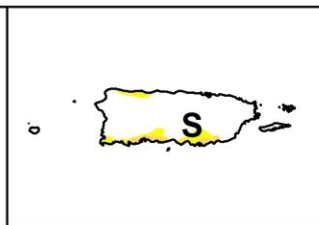
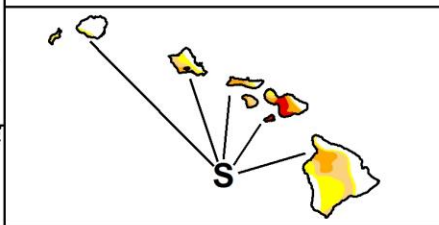
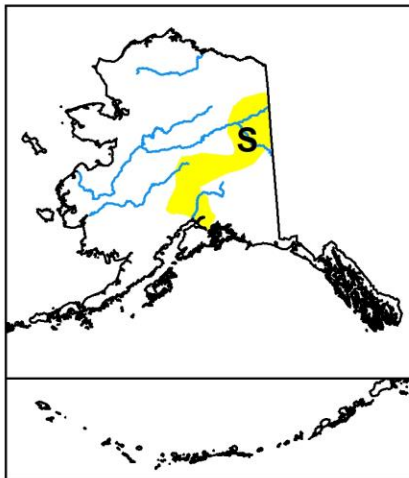
**Drought Impact Types:**

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

**Intensity:**

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

**Author:**  
Curtis Riganti  
National Drought Mitigation Center

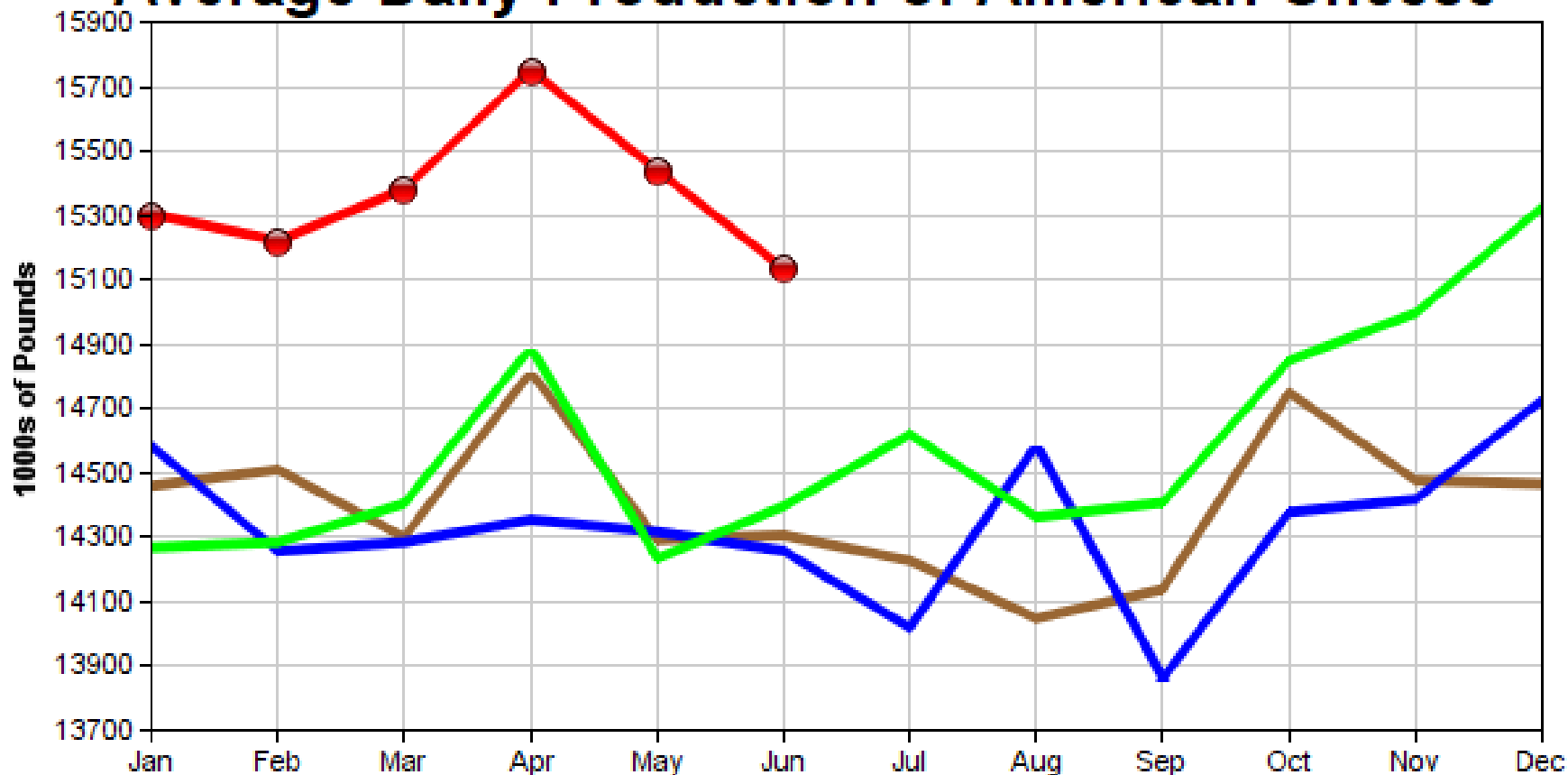


The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



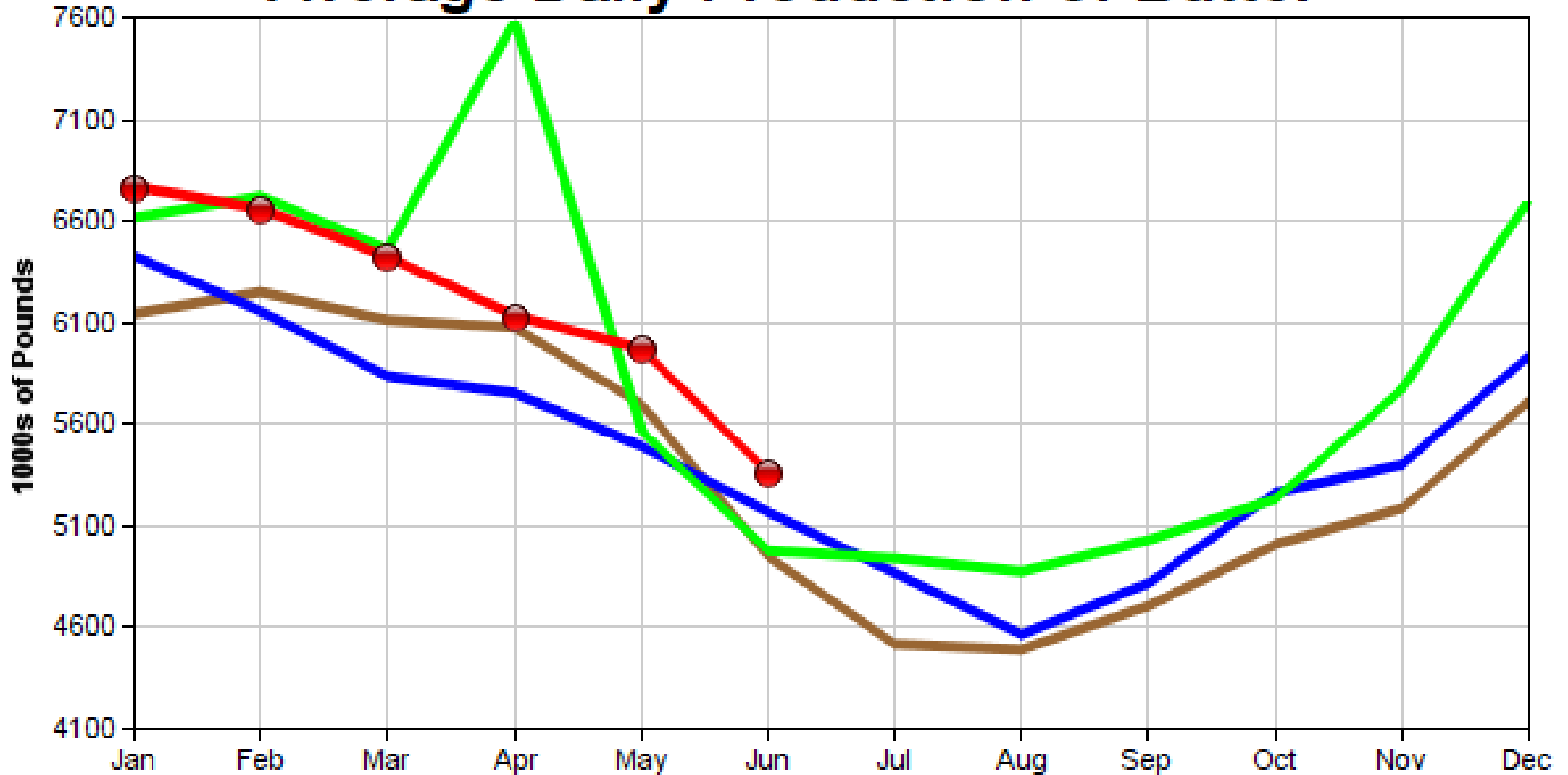
[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

# Average Daily Production of American Cheese



Updated 8/4/21

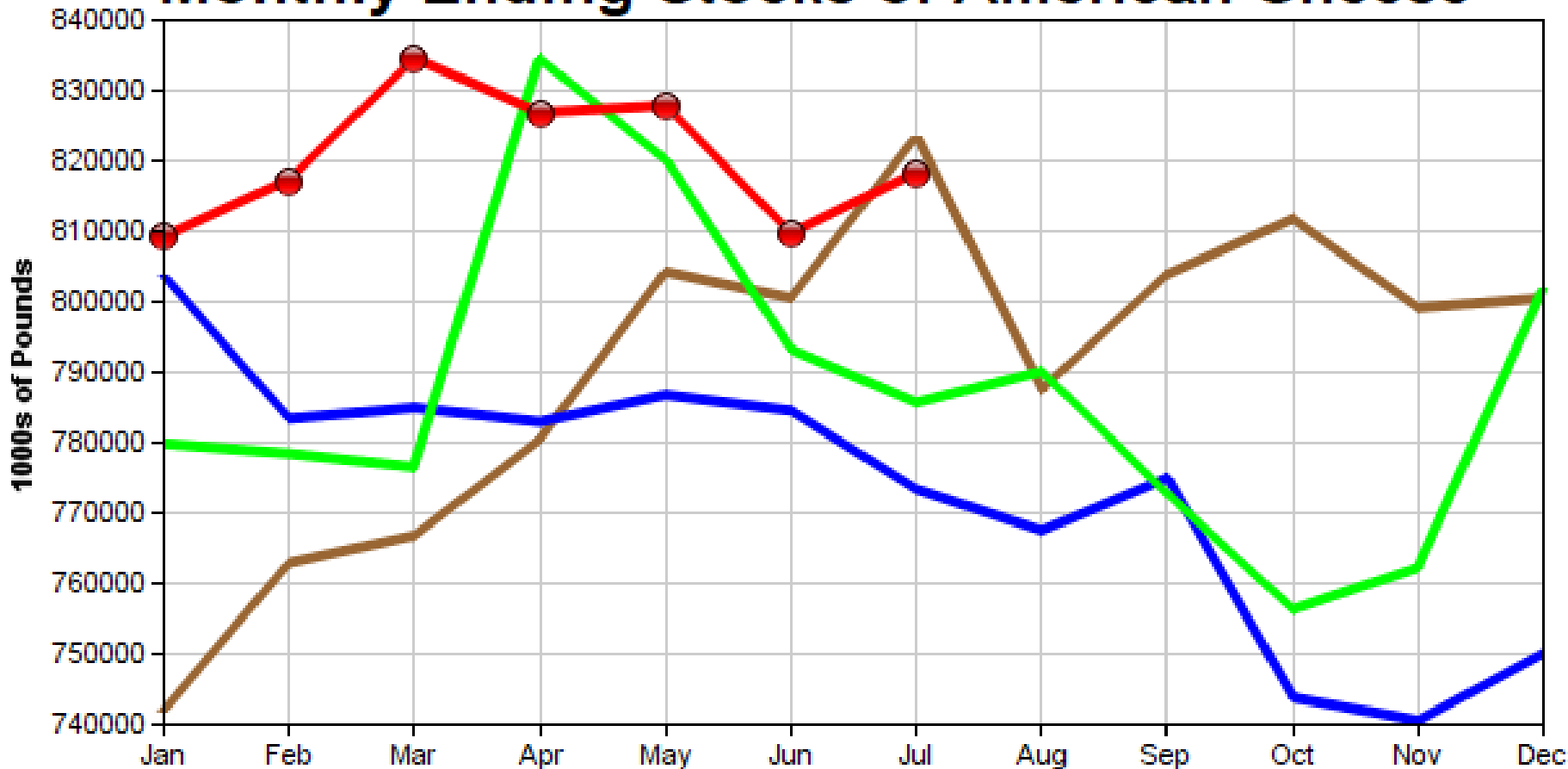
# Average Daily Production of Butter



— 2018    — 2019    — 2020    ● 2021

Updated 8/4/21

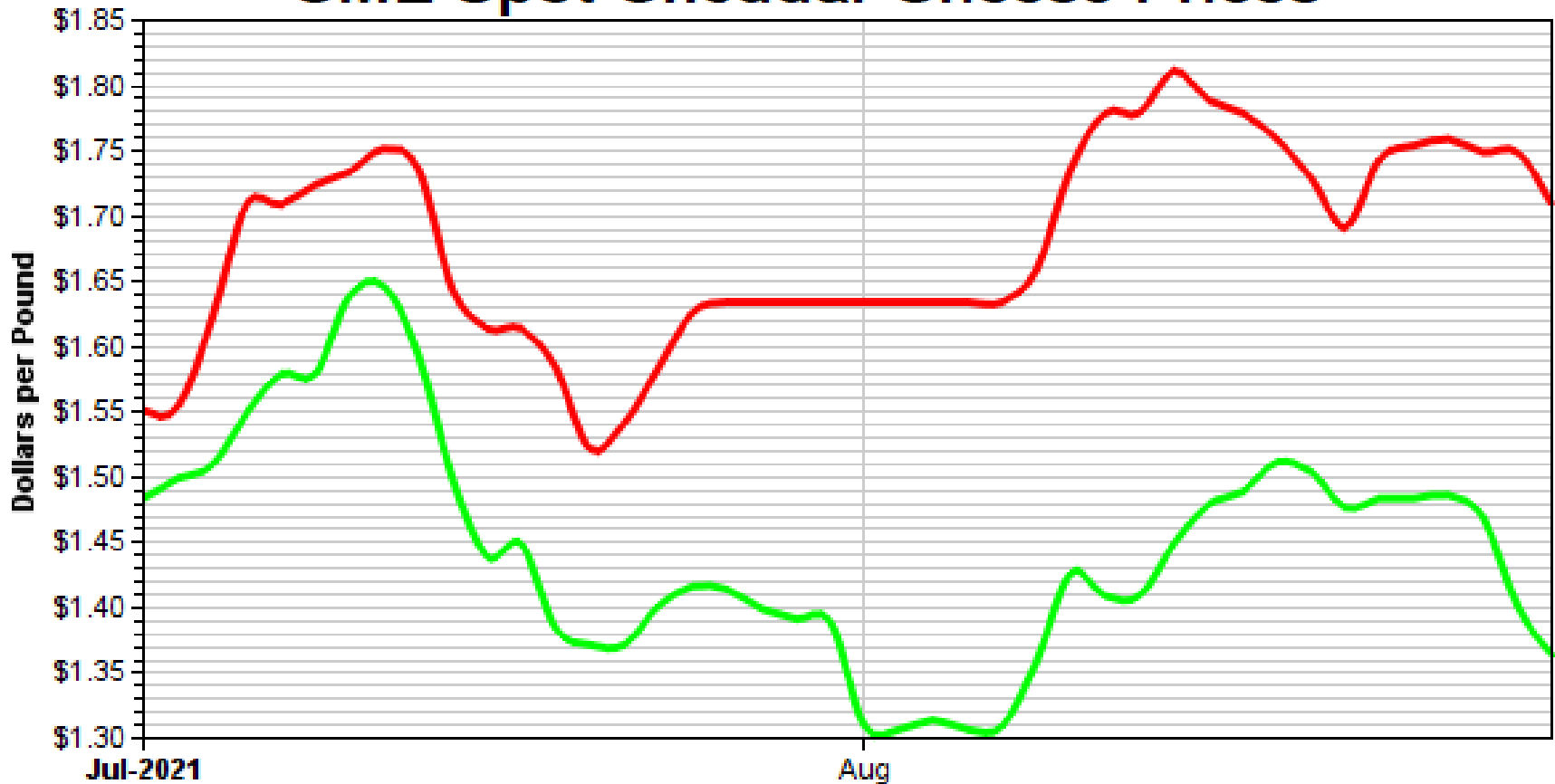
# Monthly Ending Stocks of American Cheese



— 2018    — 2019    — 2020    ● 2021

**Updated 8/23/21**

# CME Spot Cheddar Cheese Prices

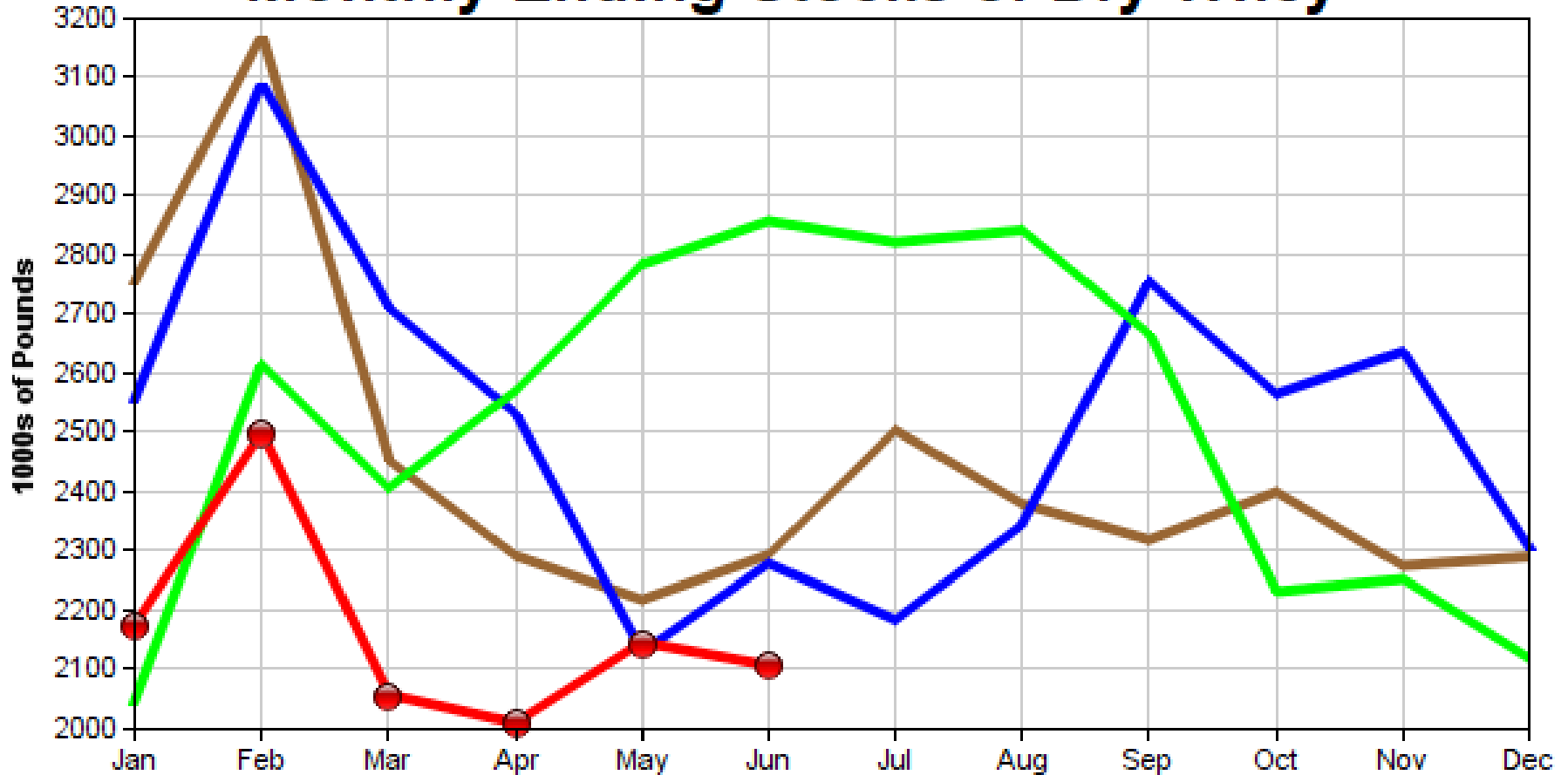


■ 40 lb Blocks

■ 500 lb Barrels

*Updated 8/30/21*

# Monthly Ending Stocks of Dry Whey

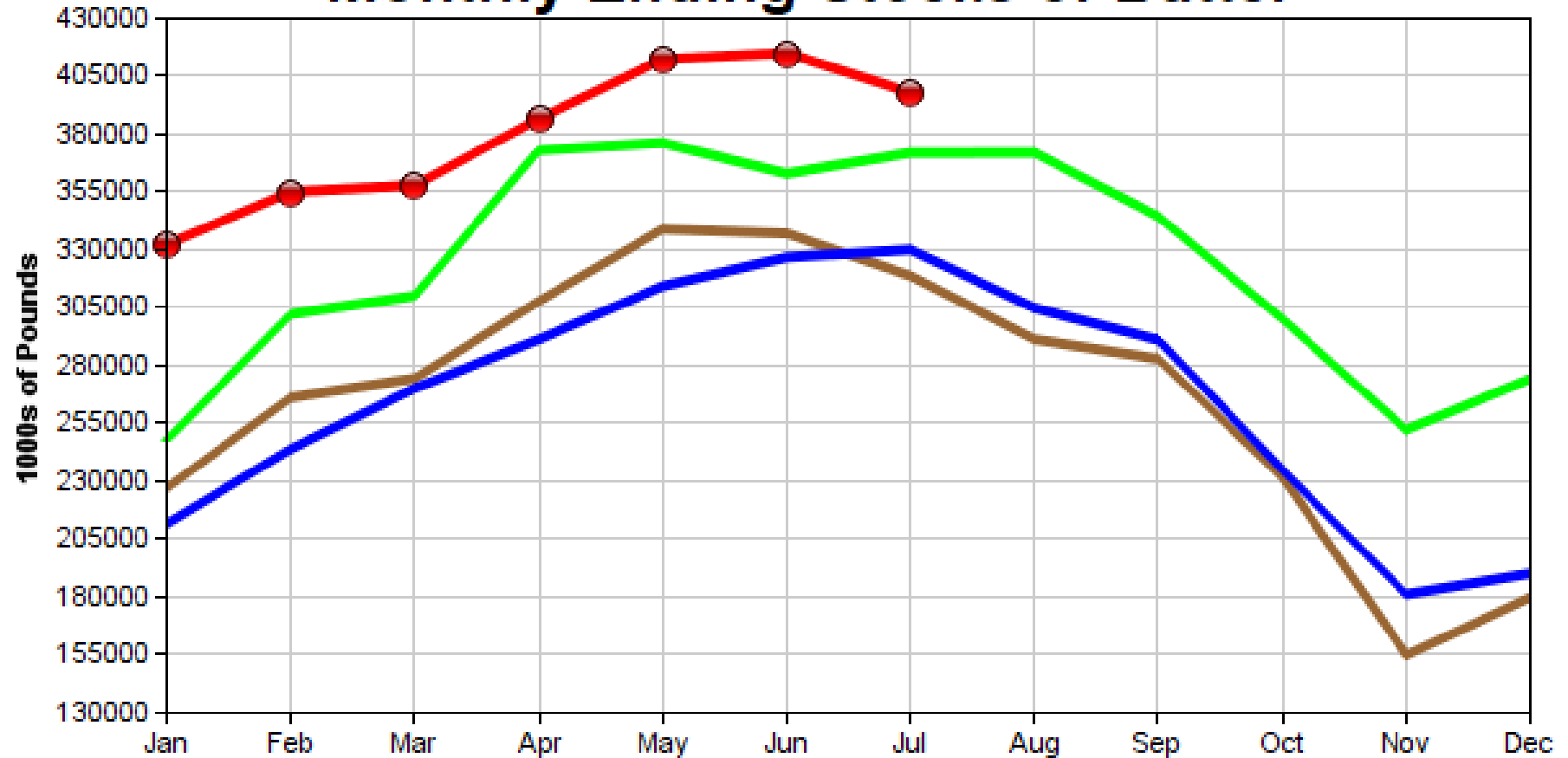


— 2018      — 2019      — 2020      ● 2021

Updated 8/4/21



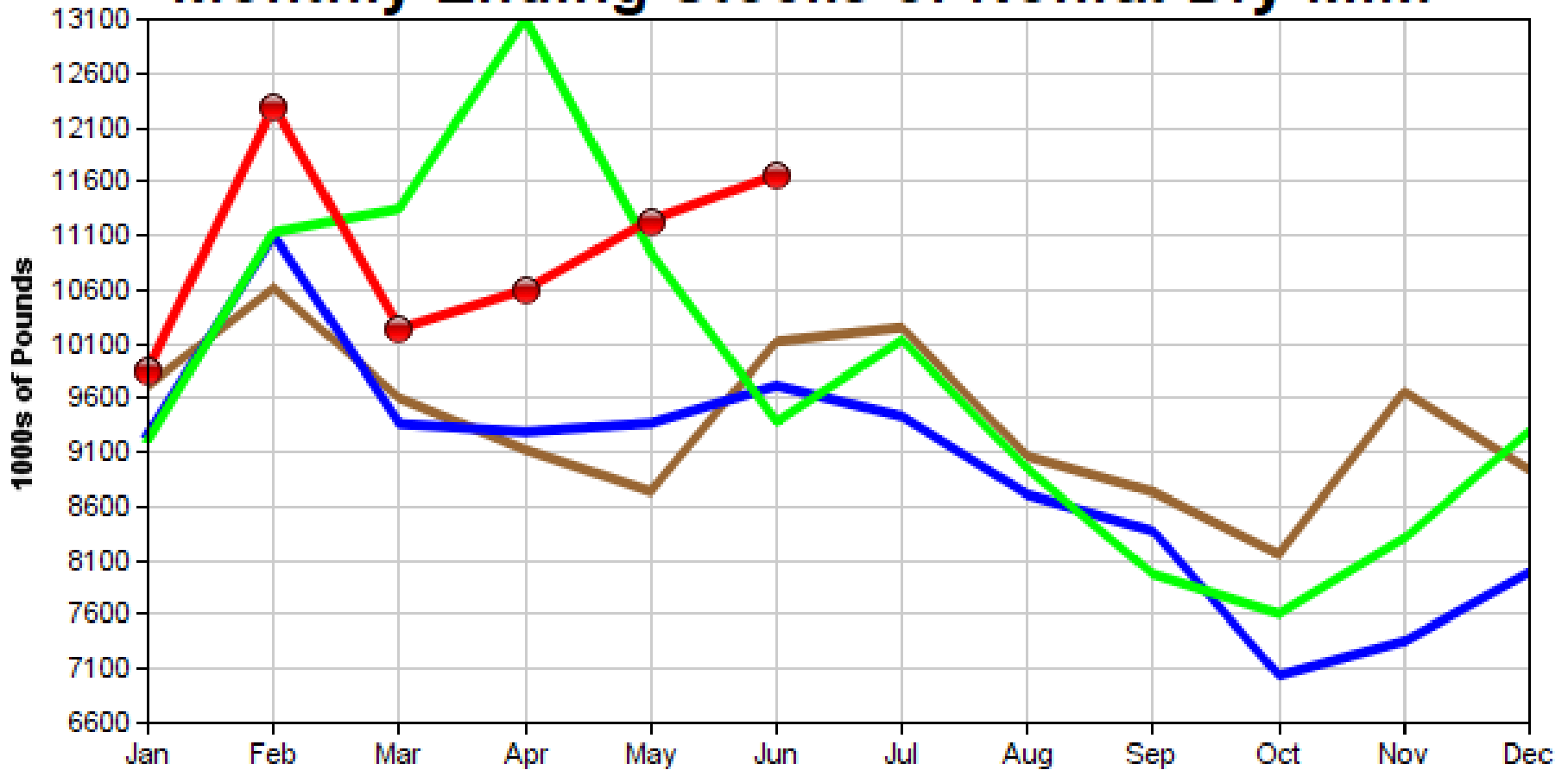
# Monthly Ending Stocks of Butter



— 2018    — 2019    — 2020    ● 2021

**Updated 8/23/21**

# Monthly Ending Stocks of Nonfat Dry Milk

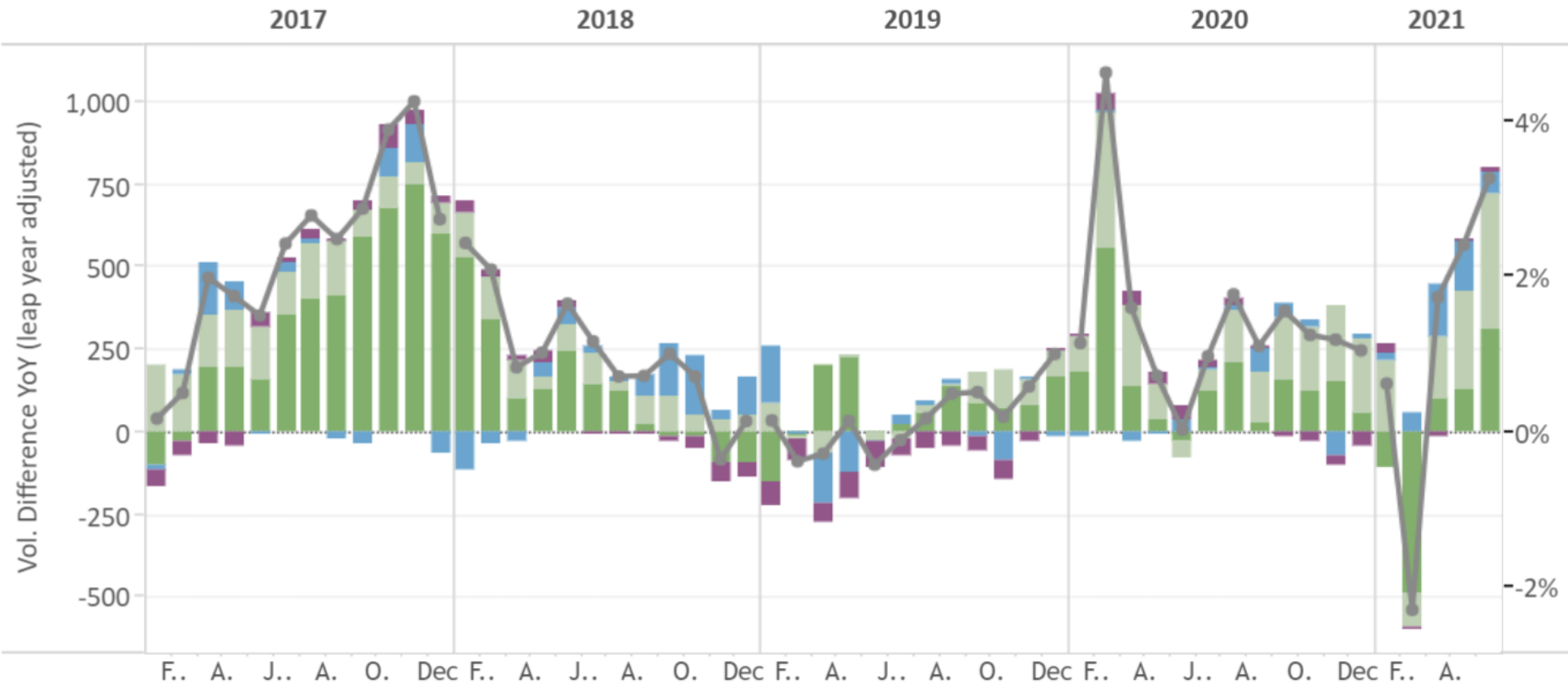


— 2018    — 2019    — 2020    —●— 2021

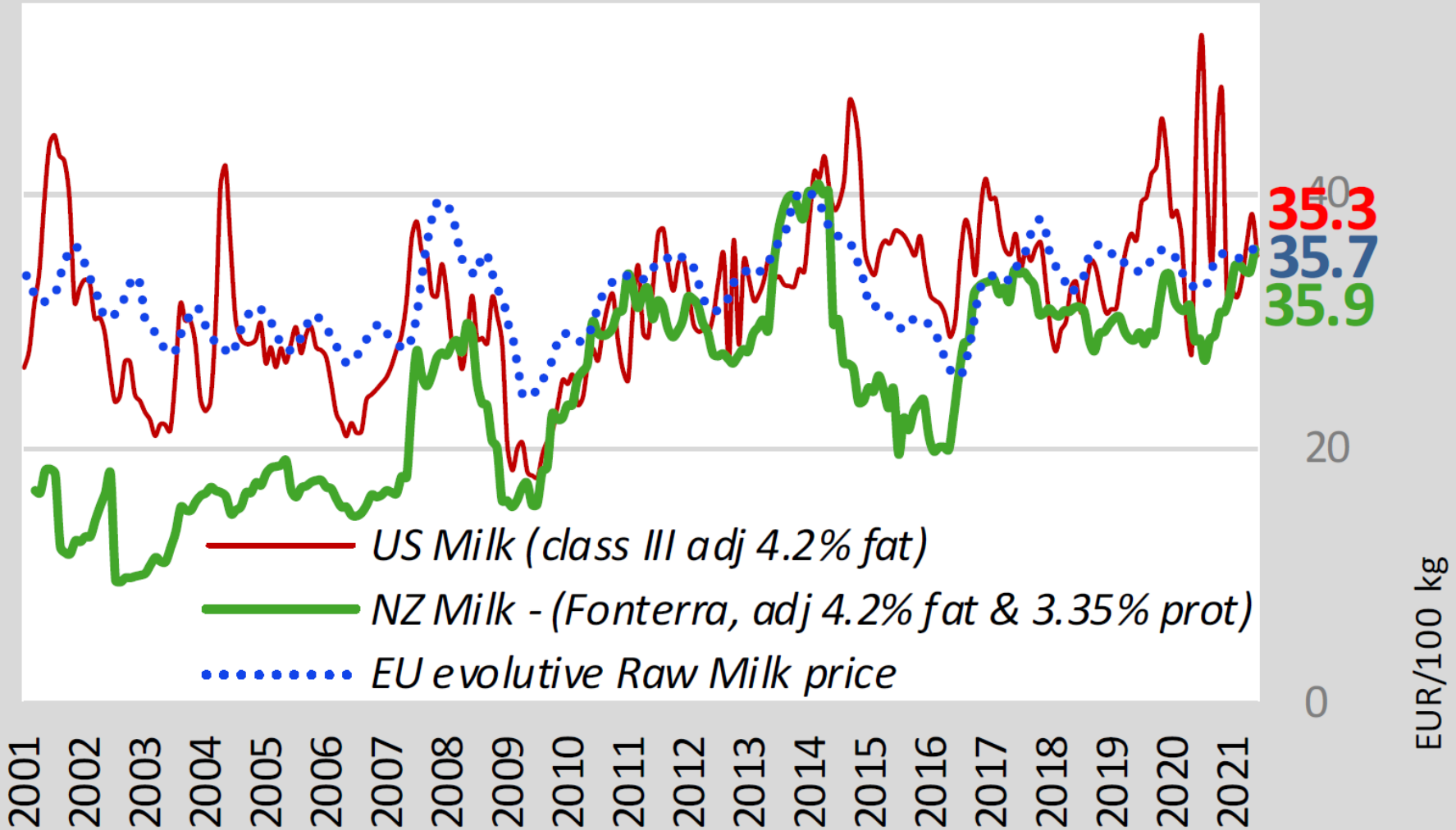
**Updated 8/4/21**

# Milk Production - Change from Prior Year

■ Australia    ■ NZ    ■ US    ■ EU-28  
— % Change Top 4

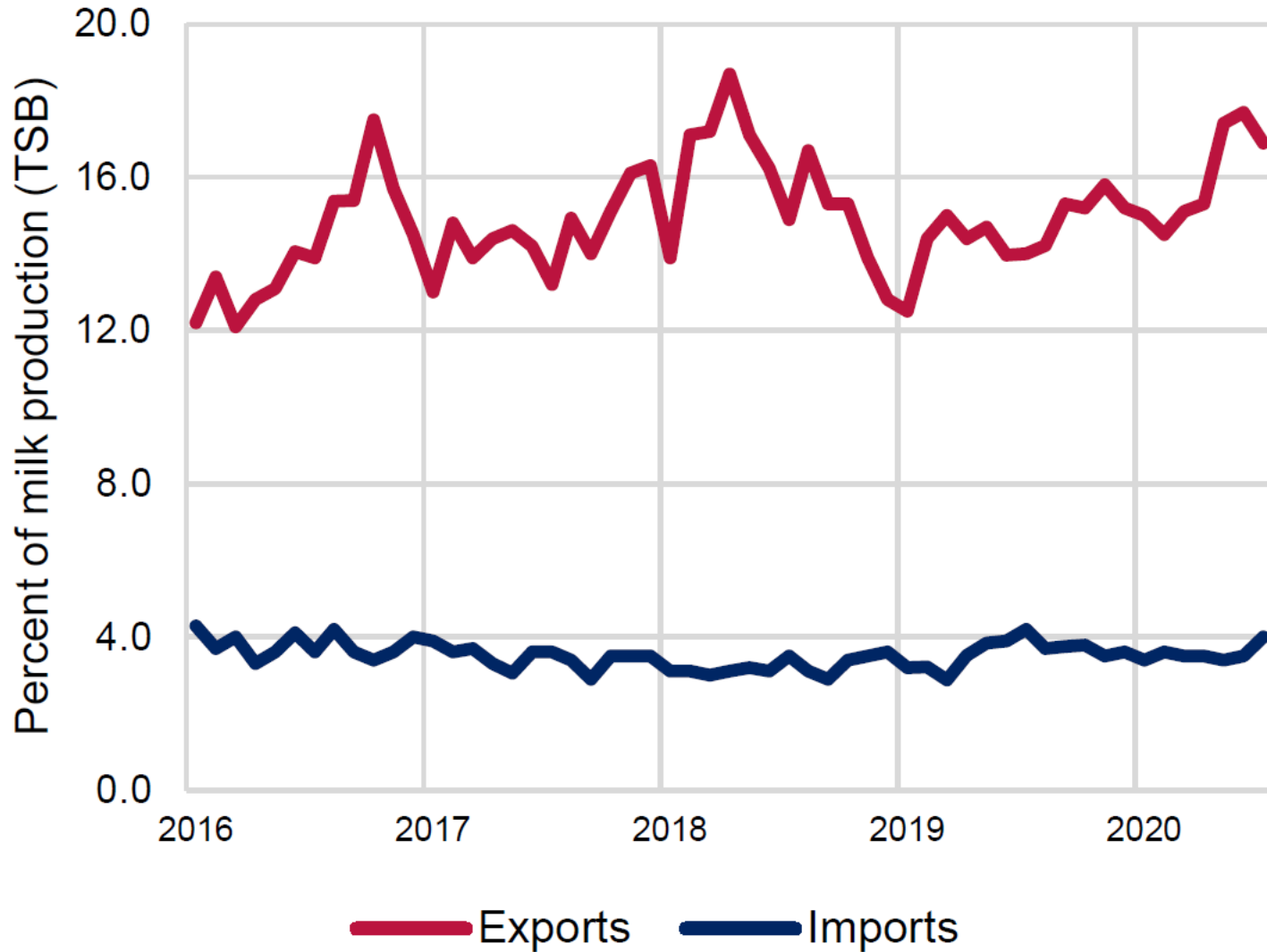


# US, NZ and EU milk prices up to June 2021



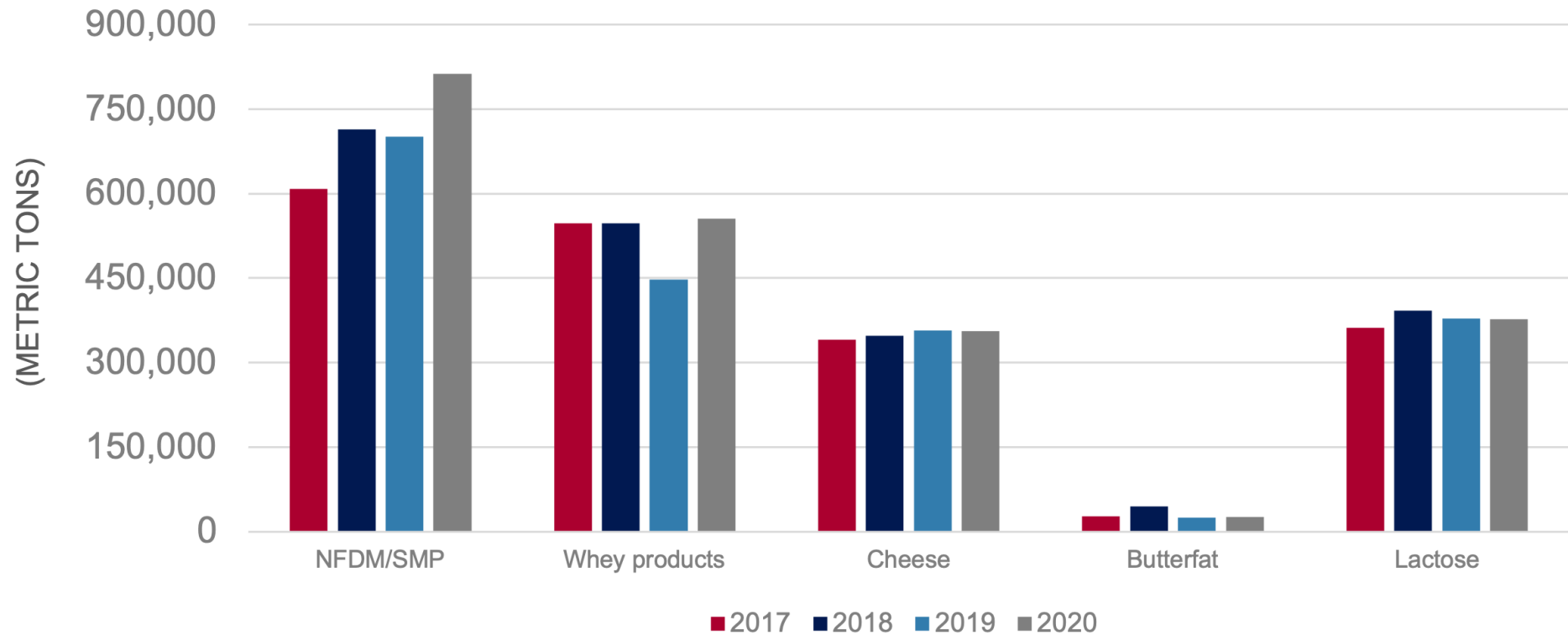
Source : DG AGRI, LTO Nederland

# U.S. Exports and Imports as % of Milk Production



# US Product Export Share

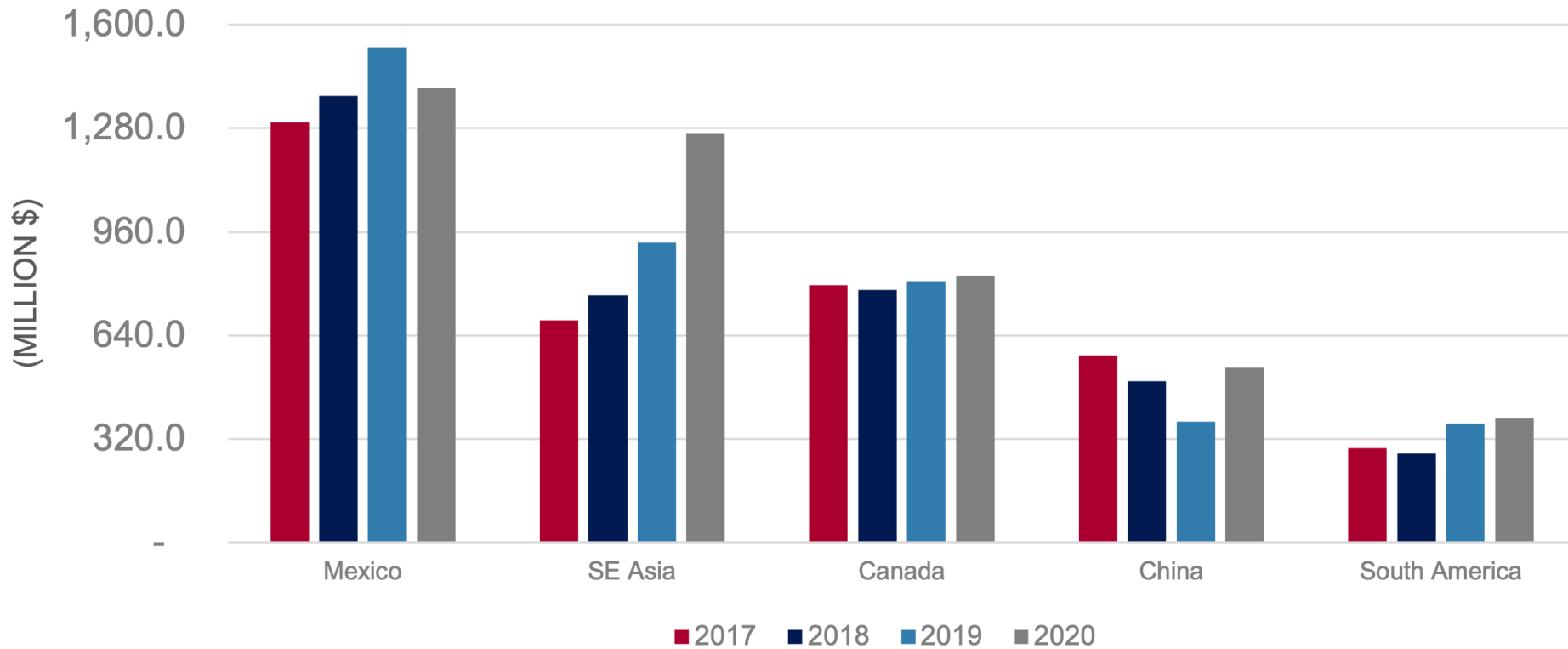
Product	Share of Production Exported (%)	US Share of World Trade (%)
Cheese	6	16
Butter	2	
NFD/SMP	71	37
Whey Products	50	36
Lactose	74	



Source: U.S. Dairy Export Council, U.S. Bureau of Census.

# U.S. Exports, Top 5 Markets

2017-2020

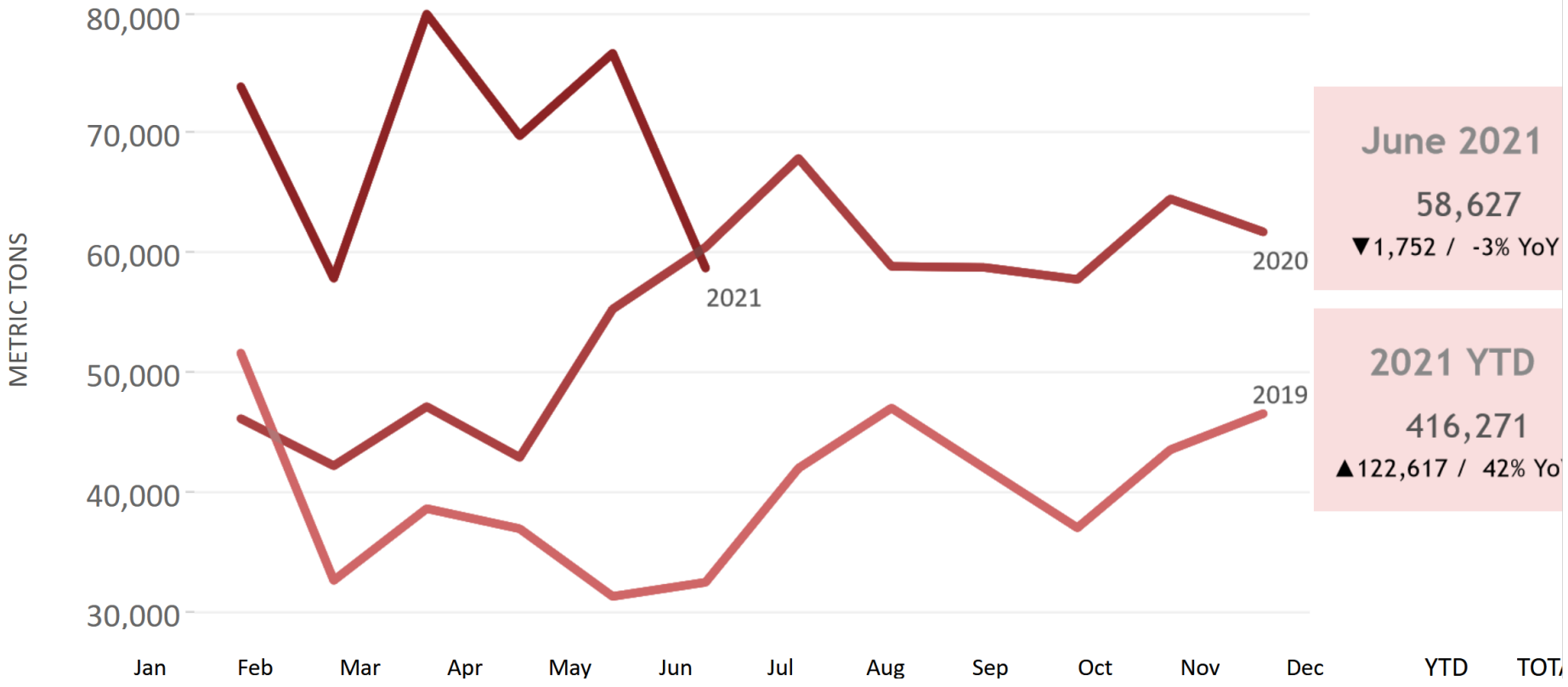


Source: U.S. Dairy Export Council, U.S. Bureau of Census.



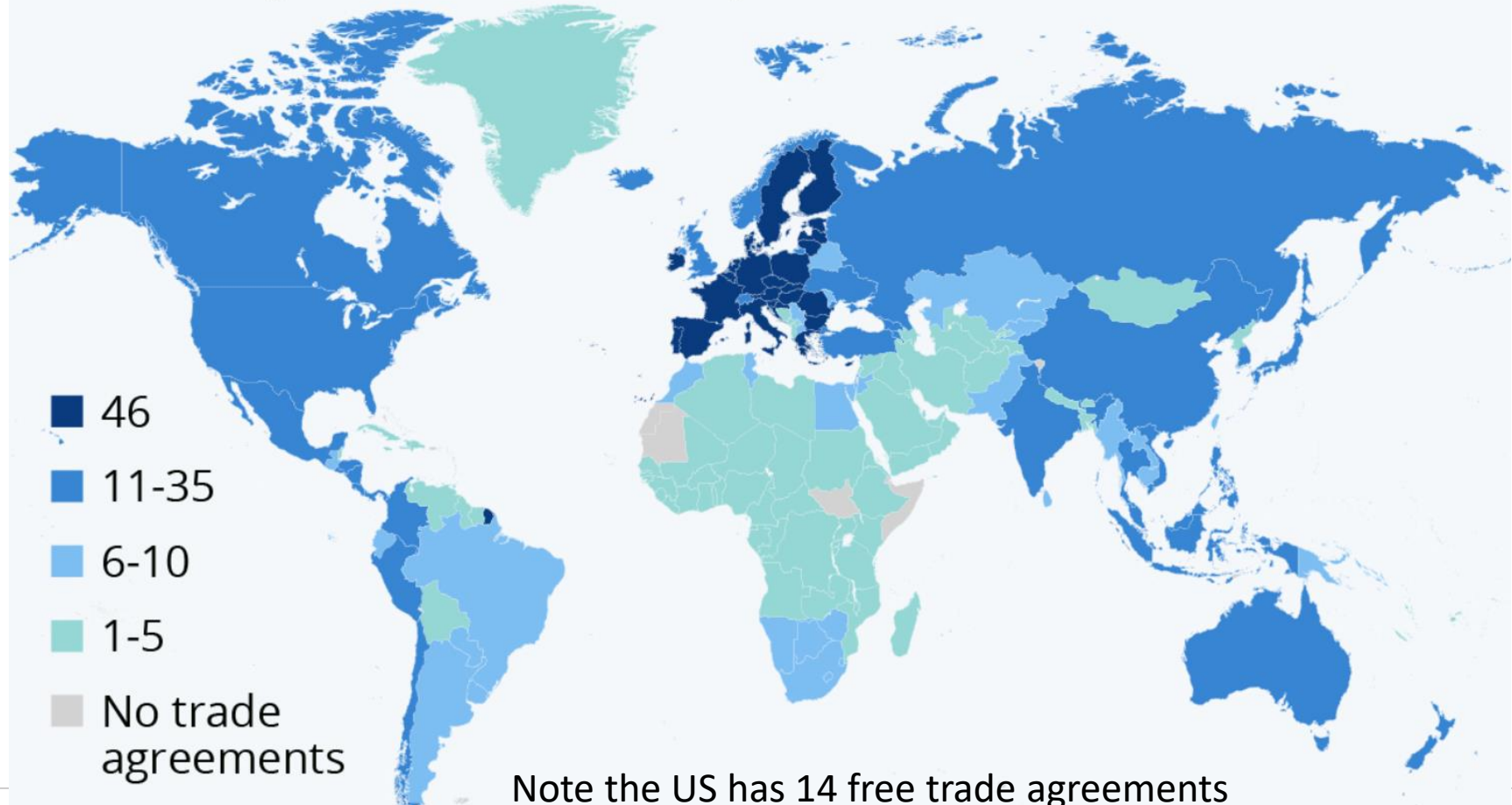
# China Whey Products Imports *Click country in above map.*

Single Country

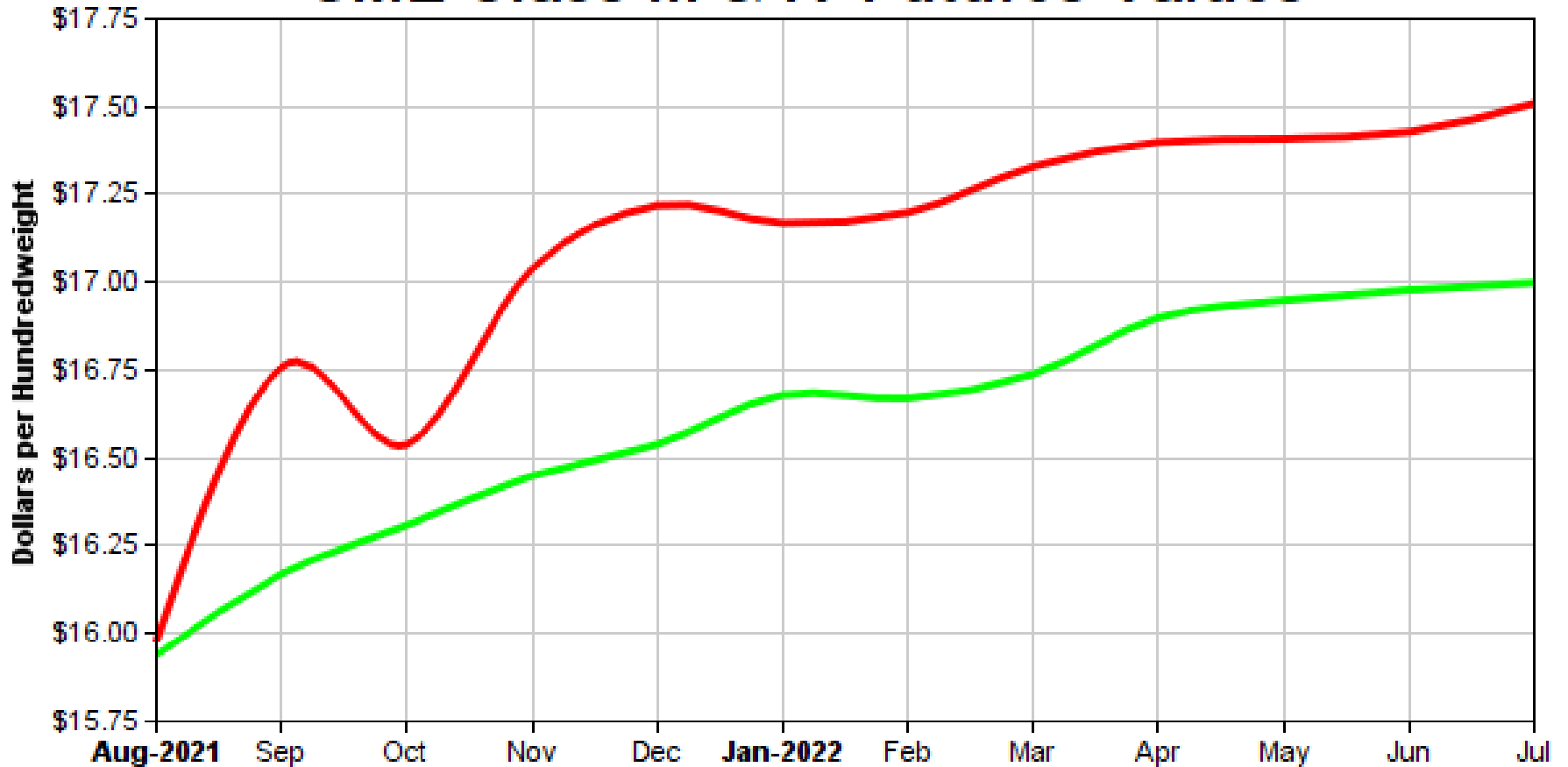


# Which Countries Have the Most Trade Agreements?

Active regional trade agreements as listed by the WTO (as of May 12, 2021)



# CME Class III & IV Futures Values

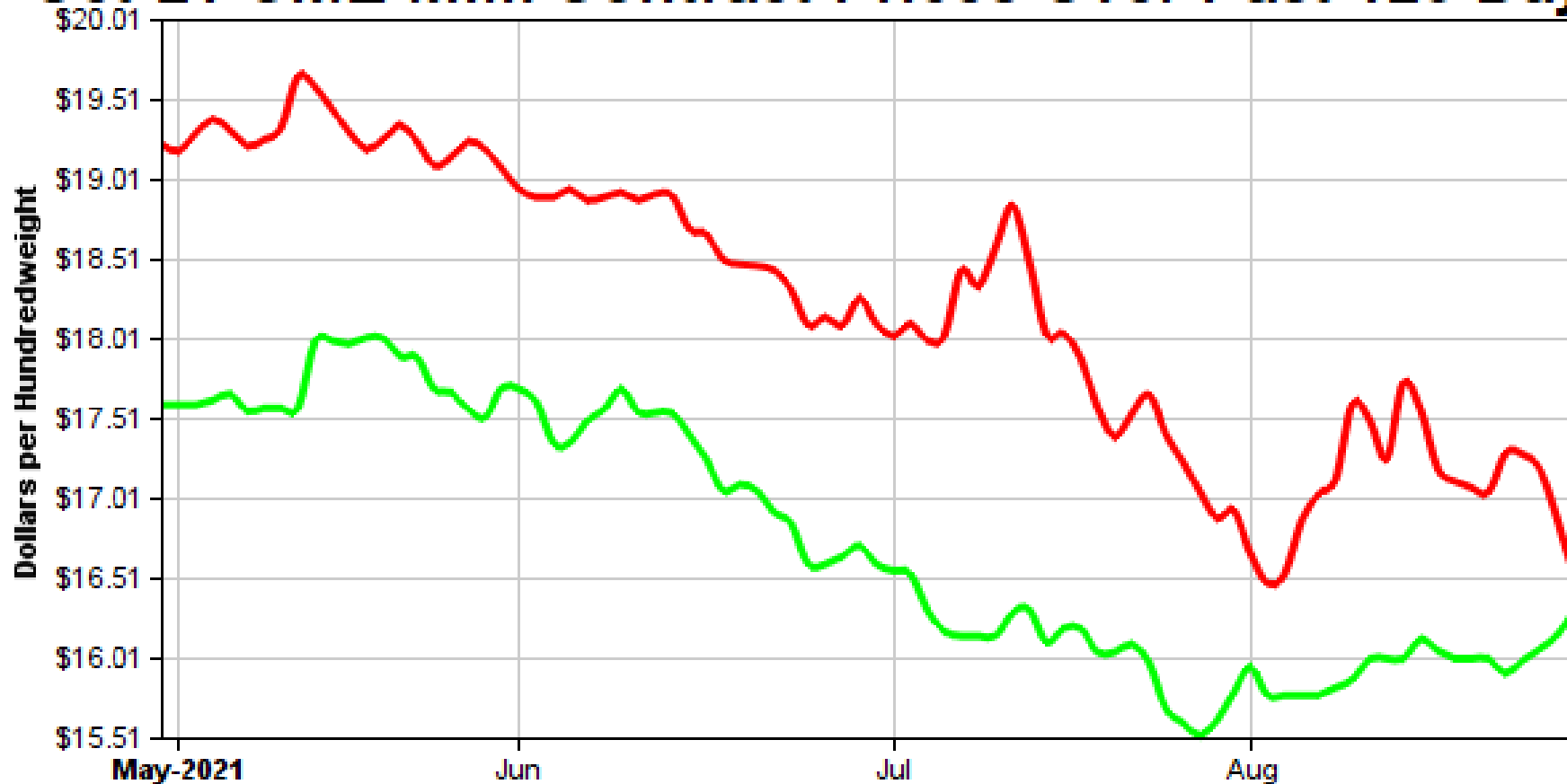


■ Class III Futures

■ Class IV Futures

*Updated 8/27/21*

# Oct-21 CME Milk Contract Prices Over Past 120 Days

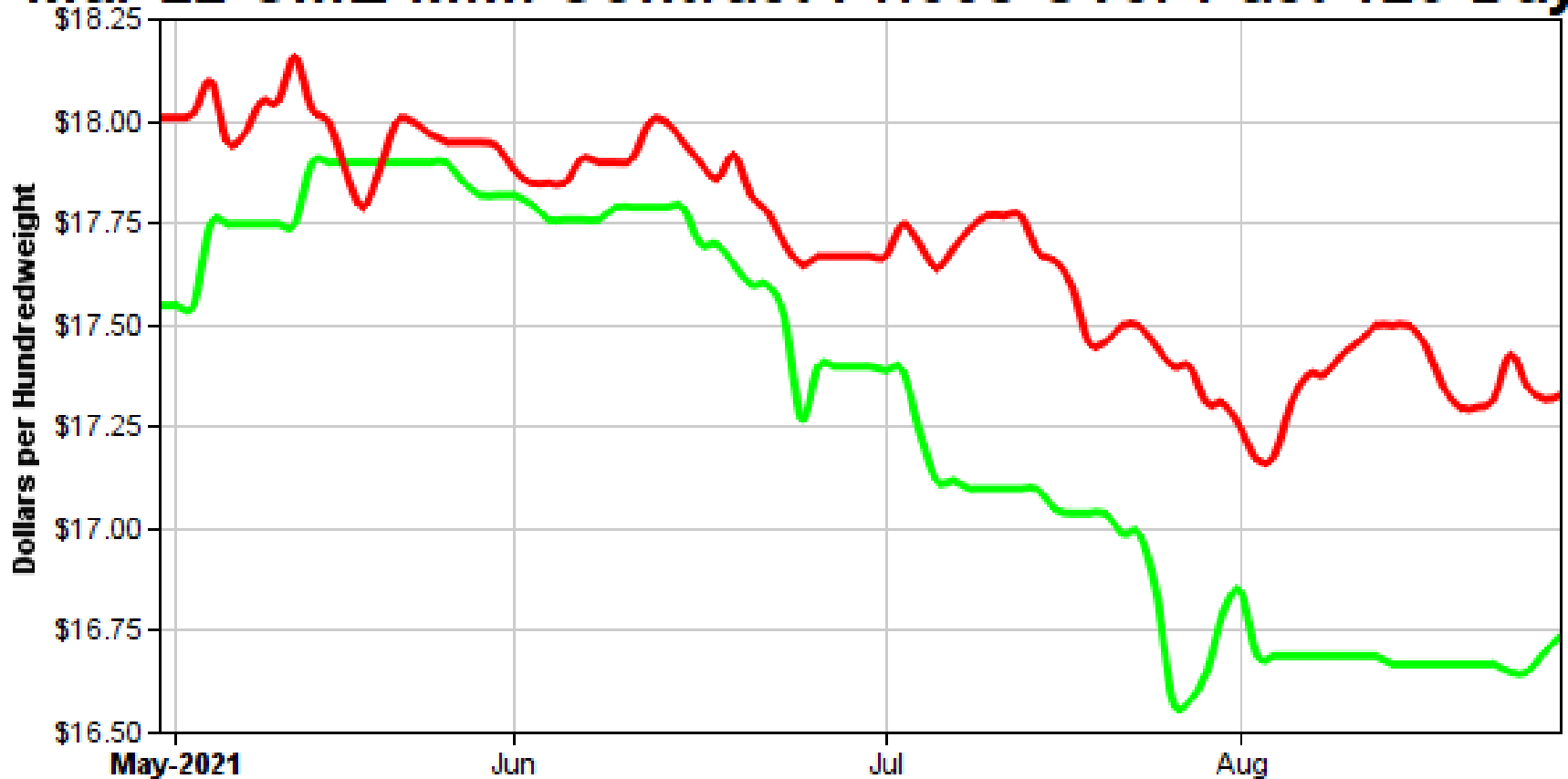


■ Class III Futures

■ Class IV Futures

**Updated 8/27/21**

# Mar-22 CME Milk Contract Prices Over Past 120 Days



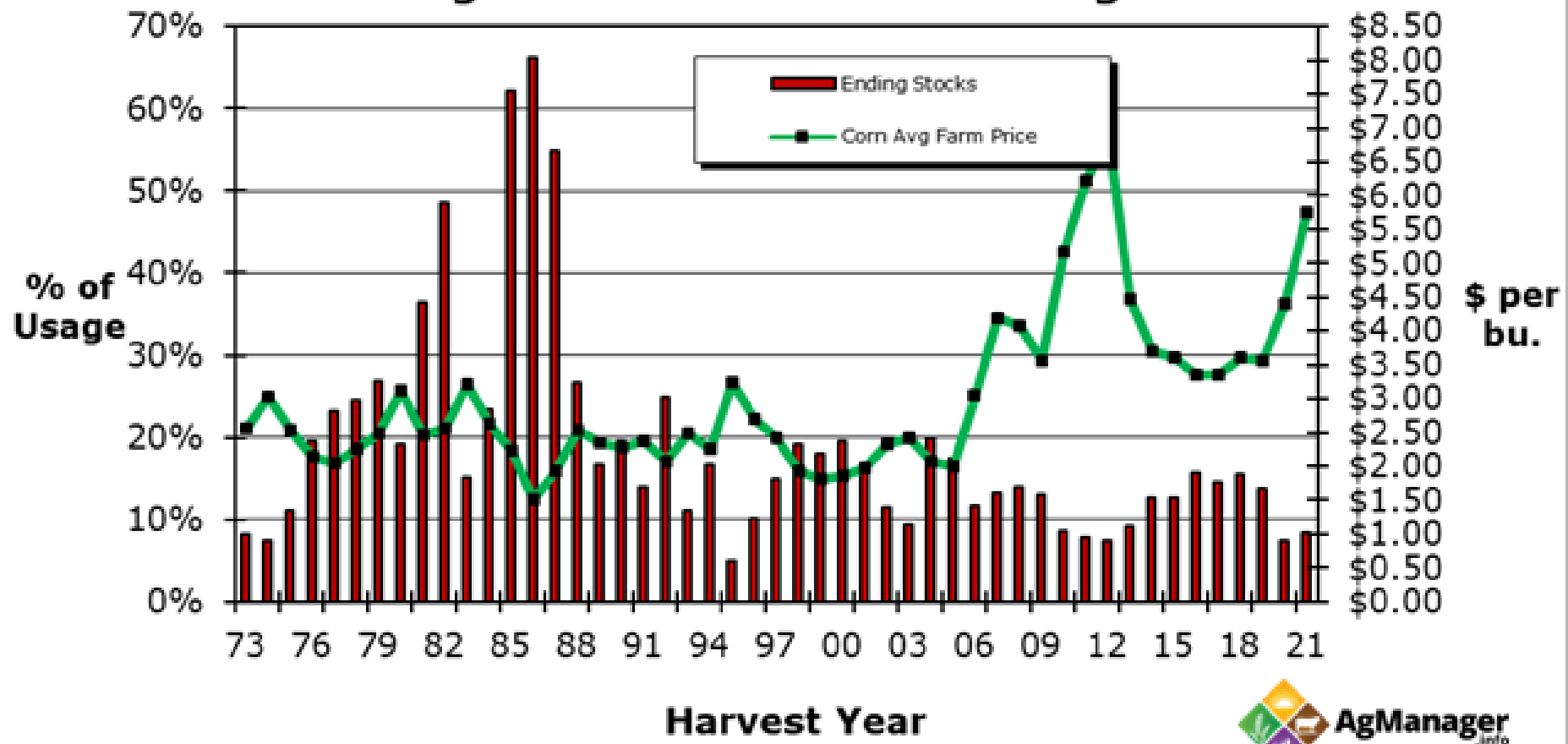
■ Class III Futures

■ Class IV Futures

**Updated 8/27/21**

# Corn Price vs. Ending Stocks

## Ending Stocks as % of Total Usage



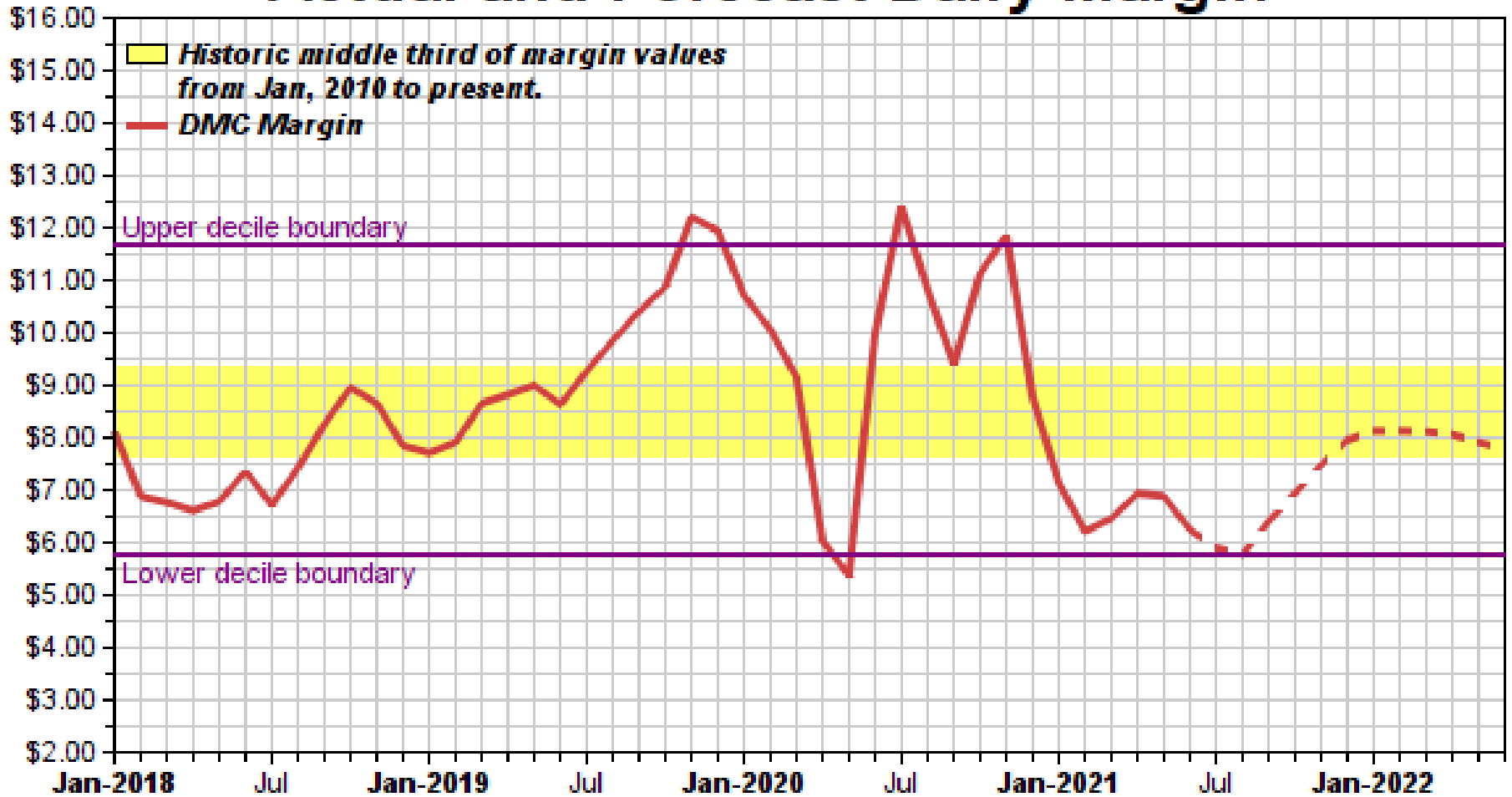
Source: USDA WASDE Report 8.12.21

KSU Dept. of Ag Econ  [www.AgManager.info](http://www.AgManager.info)

# Corn and Soybean Prices, August 30

Month	Corn	Month	Soybeans
September	5.40	September	13.02
December	5.43	November	13.03
March	5.50	January	13.10
May	5.55	March	13.14
July	5.55	May	13.19
		July	13.22

# Actual and Forecast Dairy Margin



Updated 8/27/21



# Dairy Policy Update

- Changes to Dairy Margin Coverage Program
  - Premium alfalfa price used – will lower margin by about \$0.20/cwt on average
- Dairy Product Donation Program
  - Reimburse donations of dairy products to food banks
- 2018 Farm Bill expires end of 2023

# Thank You

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