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Dairy picture clearer but volatility will continue

By CAROL RYAN DUMAS
Capital Press

Tighter global milk supplies, growing economies, a slow return to familiar consumer patterns and resolution of shipping disruptions are all positive factors for dairy markets moving through the year.

The view of the future for dairy markets is “clearer and more hopeful than it has been for months,” analysts at Rabobank said in their latest “Dairy Quarterly” report.

Rabobank is forecasting a 1.1% increase in milk production in the Big 7 dairy-producing regions in 2021, a decrease compared to the 1.6% year-over-year growth in 2020. It’s also forecasting a 4.5% year-over-year increase in global GDP, compared to a 3.8% decrease in 2020.

In the U.S., milk production increased 2.8% year over year in the fourth quarter of 2020 but slowed to a 1.6% increase in the first quarter of 2021.

The elevated milk supply late last year might have jumped the gun as consumer activity remained relatively subdued over the winter, the analysts said.

“But moving into the second half of 2021, we should see consumers shift into post-vaccine consumption patterns that boost demand,” they said.

Higher feed costs will pressure producers’ margins, with corn and soybean prices remaining elevated at least until the new crop comes in September.

“However, with risk-management programs, govern-



Matthew Weaver/Capital Press File

Analysts expect less volatility in dairy markets this year compared to 2020.

MILK PRICE FORECAST

Class III	
Q1 2021	— \$16.08
Q2 2021	— \$17.57
Q3 2021	— \$17.70
Q4 2021	— \$17.76
Q1 2022	— \$17.09
Q1 2022	— \$17.71
Class IV	
Q1 2021	— \$13.64
Q2 2021	— \$14.86
Q3 2021	— \$15.71
Q4 2021	— \$16.12
Q1 2022	— \$16.08
Q1 2022	— \$16.62
Source: Rabobank	

tories, however, remain 33% above a year ago.

“As dairy production begins to refill the food-service supply chains, we expect less surplus milk to head to butter churns, resulting in the eventual draw-down in butter stocks. Likewise, a market surprise to the upside exists for the butterfat market if the timing of the recovery occurs during the seasonal low period (third quarter) of butterfat production,” the analysts said.

Whey and nonfat dry milk have done well, but exports are currently challenged by container availability. But whey demand from China remains strong, and the shipping challenges should be resolved by the end of the second quarter, they said.

U.S. dairy exports in 2020 were up 12% year over year, with strong increases to China, Indonesia and the Philippines — up 81%, 41% and 34%, respectively.

“We can expect less dramatic gains in 2021 against strong 2020 results, but trade should continue to be robust,” the analysts said.

ment aid and relatively high milk prices in 2020, producers are entering this year in a strong enough position to be able to withstand these pressures,” the analysts said.

On the stocks side, cheese inventories were up 3.3% at the end of the year, which should be no challenge to work through. Butter inven-

National Milk backs labor reform legislation

By CAROL RYAN DUMAS
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National Milk Producers Federation is pushing hard to build bipartisan support for the Farm Workforce Modernization Act, which was reintroduced in the U.S. House.

The bill passed the House in 2019 but was stopped cold in the Senate by the COVID-19 pandemic when non-pandemic legislation was put to the side, Claudia Larson, National Milk’s senior director of government affairs, said during the latest “Dairy Defined” podcast.

Circumstances are different now than they were in 2019, with a couple of factors that could work in the bill’s favor, she said.

“We are in the middle of COVID, and we have seen COVID actually exacerbate the labor crisis that agriculture was already facing,” she said.

There are fewer domestic workers available to be referred to farms, so the labor crisis has been intensified, she said.

“So it’s especially significant now because there does seem to be an increased sense of urgency and need to address the crisis on American farms,” she said.

There is also a general sense of an appetite for immigration reform more



U.S. Capitol

broadly. President Biden put forth his proposal, both the Senate and House have taken up immigration reform as something they want addressed in a serious and meaningful way and different groups are more interested in reforming different parts of the immigration system, she said.

“That general broader appetite for immigration reform wasn’t as, sort of, pervasive in 2019 as it is now,” she said.

The reform that was passed in the House in 2019 was a bipartisan process with bipartisan support, and the current bill has the potential to be picked up and included in the broader immigration reform discussions, she said.

“We have this potential for a bipartisan ag labor reform bill to move through the House, make it over to the Senate and really seize this window of opportu-

nity that is being presented in the current reality of a broader appetite for immigration reform,” she said.

The bill doesn’t have universal support in the agriculture community, but it does address dairy’s two broad, general needs — the protection of current workers and meaningful access to guest workers through the H-2A visa program, she said.

“It is not a perfect bill, no piece of legislation is going to be perfect. But by addressing the needs in a way that would be workable for dairy, it is a vehicle that we feel like we can support in moving it forward through the process so that additional improvements can be made,” she said.

If the bill sits stagnant, the industry loses the opportunity for continued discussions on finding an actual solution, she said.

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