

# Happenings in Dairy – Around the Country and Around the World

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# Topics

- New California Federal Order
- Prospects For US Cheese Industry
- Global Cheese and Dairy Trade



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# New California Federal Order

- Started Nov. 1, 2018 (Co-ops petitioned USDA in Feb. 2015)
- Class 4b cheesemilk price replaced by Class III price
  - 30 years of 4b price advantages: California could go to East Coast and have competitive advantage (1989 talk by Bill Blakeslee of Mid-Am)
  - Growth Of California cheese production: 608 million pounds in 1989 to 2.5 billion pounds in 2017
  - California's Milk Production: 19.4 billion pounds to 40.4 billion pounds



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# First Three Months Of California Federal Order

- Over 1 Billion pounds of milk depooled in Nov., Dec. 2018, Jan. 2019
  - California federal order was supposed to be the largest; instead, it has ranked third, behind Upper Midwest and Northeast
  - Repooling percentages waived for the first 3 months of the order



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# New California Federal Order

Bottom line: It's probably too early to tell what the long-term impact will be.



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# Prospects For US Cheese Industry

**I'm very optimistic, for several reasons:**

Cheese production hasn't declined since 1991

It has more than doubled in that time, from just under 6.1 billion pounds to around 12.9 billion pounds



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# Per Capita Consumption Keeps Growing

Reached a record 37.23 pounds in 2017:

- \*More than triple 1970's per capita consumption (11.4 pounds)
  - \*More than 10 pounds higher than in 1995 (26.9 pounds)
  - \*Increased 4.3 pounds from 2010 through 2017
- Still trails some EU countries by 10 pounds or more



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# Number Of Cheese Plants Keeps Rising

- Was over 2,100 back in 1950; Wisconsin alone had over 2,800 in late 1920s
- Bottomed out at 398 plants in both 1998 and 1999
- Reached 563 plants in 2017
- In New York, number of cheese plants has more than doubled since 1992: 30 plants to 63 plants (in 2017)



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# More Cheese Production Diversity

- US Championship Cheese Contest has grown from 27 cheese classes in 2001 to 91 cheese classes in 2019; more goat, sheep, mixed milks; and Demonstration Classes including snacks, slices, shreds
- Number of contest entries has grown from 663 products (including entries in 2 butter classes) in 2001 to 2,555 In 2019 (including other dairy products)
- Wisconsin's specialty cheese production has grown from 83 million pounds in 1993 to almost 800 million pounds in 2017
- Several US Championship Cheese Contest winners and American Cheese Society Best Of Show winners didn't exist 20 or 25 years ago; this includes both products (Pepper BellaVitano) and companies (Holland's Family Cheese, LaClare Farms)



# Cheese Imports Aren't Growing

- US Cheese imports peaked in 2002 at 475 million pounds  
Probably under 400 million pounds in 2018
- Import % of US cheese market keeps falling
  - In 2002, it was 5.4%
  - In 2017, it was 3.4%



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## Cheese Exports Are Growing (at times)

- Reached a record 810 million pounds in 2014
- Around 750 million pounds in both 2017 and 2018
- US has gone from cheese trade **deficits** of almost 300 million pounds 20 years ago to cheese trade **surpluses** of over 300 million pounds today



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# A Couple Of Potential Problems



PLANT-BASED 'CHEESE'



PERFECT DAY'S ANIMAL-FREE DAIRY PRODUCTS



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# Cheese Industry Survived Fat-Phobia

- For over 40 years, the government and many other so-called experts told consumers to reduce their intake of fat, especially saturated fat, as well as sodium. But cheese consumption kept growing
- Today, the saturated fat issue is far more complicated, thanks in part to books like *The Big Fat Surprise*, by Nina Teicholz
- Sodium, too, has become a more controversial issue
- Bottom line: if the cheese industry can thrive despite dietary recommendations of the past 40-plus years, imagine what the future might hold



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## Trade: Cautious Optimism

- US has gone from consistently running dairy trade deficits to consistently running dairy trade surpluses

**2000: Exports just under \$1.0 billion, Imports \$1.6 billion**

**2018: Exports around \$5.5 billion, Imports \$2.9 billion**

**The US cheese trade balance has gone from a deficit of 310 million pounds in 2000 to a surplus of somewhere around 370 million pounds in 2018**



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## But In the Short Term...

- Tariff wars with China and Mexico are negatively affecting exports
- According to US Dairy Export Council:
  - In the five months since retaliatory tariffs were put in place (July-November 2018), U.S. exports to China were off 34 percent overall, with whey sales down 36 percent and sales of cheese and milk powder dwindling to negligible volumes.
  - In Mexico, U.S. cheese export volume grew 2 percent in the first half of 2018 (compared to January-June 2017), but fell 4 percent July-November after the implementation of retaliatory tariffs.

Those tariffs remain in place.



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## Long-Term Concerns

- Lack of new trade agreements
- US market access isn't going to improve
- US competitors are gaining more market access in markets ranging from Mexico to Japan
  - New Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP without US) went into effect Dec. 30, 2018; New Zealand, Australia gain greater access to markets such as Japan, Mexico and Canada
  - EU-Japan Strategic Partnership Agreement went into effect Feb. 1, 2019; EU market access for cheese, other dairy products improves





Time Will Tell

- Exports are increasing to some countries
  - Jan.-Nov. 2018: cheese exports up 7% to South Korea, 1% to Japan, 14% to Chile
- US has trade agreements with South Korea, Chile, Vietnam, other countries
- Trade is highly volatile; ups and downs are to be expected:
  - Cheese Exports increased more than 110 million pounds from 2013 to 2014, fell more than 110 million pounds from 2014 to 2015, rose 120 million pounds from 2016 to 2017.



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# Questions?

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