

The Milkweed

Dairy's best information and insights

Issue No. 464 • March 2018



“Float like a butterfly,
sting like a bee.”

— Muhammad Ali

NZ Milk Production Nose-Diving: January '18 Milk Solids Drop 7%

by Pete Hardin

Severe drought in New Zealand sharply depressed farm milk production by 4%, compared to January 2017's total. In January, NZ farm milk output totaled 2.3 million metric tons, down from 2.4 million metric tons. But that's less than half of the story.

In January 2018, New Zealand's dairy farmers saw their total milk solids decline by a whopping 7%, compared to January 2017's total. January 2018 milk solids (butterfat and nonfat solids) in New Zealand totaled 194.1 million kilograms. That's a decline of 15.6 million kilograms fewer milk solids from the January 2017 total.

These two statistics for New Zealand in January 2018 – 4% less milk, but 7% less milk solids – graphically demonstrate the impact of serious drought that has deteriorated New Zealand's pastures since conditions turned dry last September and October. In summary, that January data from New Zealand shows significantly less milk, but *very significantly thinner milk*.

Milk solids are the key measure of milk output. New Zealand dairy farmers are paid strictly on the basis of their milk solids content. And yields for manufactured dairy products – cheese, butter and dairy protein powders – are all contingent upon the solids content of farm milk. Reports from New Zealand relate that numerous producers have shifted to once a day milking, or even dried off some animals earlier than normal in their current lactations, to try to stretch out scarce pasture resources.

That huge decline in New Zealand's farm milk solids content is a factor which should boost global dairy prices. New Zealand is a major dairy export-

ing factor in the global industry. A large percentage of New Zealand's dairy exports to go China and Southeast Asia, where demand has been building nicely in recent months.

These short-term, jaw-dropping January 2018 numbers from New Zealand must stand the test of a couple more months, before arriving at longer-term conclusions. However, New Zealand's dairy industry is pasture-based, with very little feeding of supplemental grain. So as that island nation's dairy herds head into the final few months of their current seasonal milk production period, prospects for a “bounce-back” of milk volumes and milk-solids content are small. (One source reports some Kiwis talking about a “second flush” in recent weeks, but let's believe that when the February 2018 data so demonstrate.)

What's the longer-term meaning? For the remainder of New Zealand's current milk production season, it's logical that no significant “bounce-back” will occur as the nation's dairy herd winds down its final few months of current lactations. The bigger question that arises should focus on the future – come August and September 2018. That's when the next milk production cycle historically starts up and then builds momentum, as Kiwi milk cows and heifers drop their calves and enter the rising phase of their new lactations.

The longer-term questions raised by New Zealand's drought-stressed, declining milk solids in early 2018 must be:

- What will the body conditions of the dairy livestock be at the start of the upcoming production season?



•What will the condition of New Zealand's pastures be, come August and September 2018, at the start of the new milk production season.

Curiously, New Zealand dairy producers stockpile a relatively small volume of stored forages. In these times of aberrant global weather and climate events, past supplies of plentiful precipitation offer no future guarantee of such.

It may take a month of two for the global dairy industry to become aware of and factor in the impact of New Zealand's drought that's hammering milk production and milk solids. These weather events in New Zealand represent opportunities for savvy marketers in the world dairy industry. The Milkweed sees significant upside potential for dairy commodity and farm milk prices ... based on the longer-term impact of drought upon New Zealand's milk production situation.

Mideast Milk Flooding Into Upper Midwest

by Pete Hardin

In 2017, an average of 105 milk tank trailers PER DAY (averaging 60,000 lbs. of milk each) entered dairy plants Wisconsin and other plants in the Upper Midwest federal milk order. Small wonder that Wisconsin dairy farmers have witnessed local plants' demand for Wisconsin milk decline, along with eroded premiums, service fees, and hauling subsidies.

Basically, Michigan's imbalance of farm milk is slopping over into Wisconsin.

At the request of *The Milkweed*, USDA's Agricultural Marketing Service (AMS) compiled data for the past three completed years for all forms of milk entering the Upper Midwest federal milk order (Order #30) from the Mid-East milk order (Order #33).

At issue: a virtual tidal wave of distressed milk coming into Wisconsin dairy processing plants from Michigan. (Most Michigan milk is pooled in the Mid-East order.) Michigan produces between six and seven million lbs. of milk per day above the processing capacity of dairy plants located in that state. Milk coming from Michigan has entered Wisconsin

at low-ball prices for the past few years.

Last spring, *The Milkweed* reported that farm milk from Michigan was being offered to Wisconsin dairy plants at prices as low as \$2.00/cwt. lower than the prevailing monthly Class III (cheese) milk price. When factoring at least \$2.00/cwt. in transportation costs for the haul from Michigan to Wisconsin, it's obvious that *some unnamed marketers of Michigan milk* would be losing upwards of \$4.00/cwt. on such a transaction.

According to AMS data, the table below the annual totals for milk entering the Upper Midwest region from the Mid-East region. The data includes: farm direct, all plant bulk milk, skim condensed, cream and packaged milk. *The Milkweed* takes the data one step further – translating into 60,000 milk tank trailers those annual poundage figures for milk shipments from Order 33 into Order 30.

In 2017, an average of 105 tank trailers per day entered the Upper Midwest federal milk order from the Mideast milk order. Logically, most of those loads of milk coming from the Mideast market found their homes in Wisconsin.

Mideast Milk Shipped to Upper Midwest Plants*

Year	Milk Lbs. Shipped	Trailer Loads**	Trailer Loads/Day
2015	1,292,702,562	21,546	59
2016	1,552,232,442	25,870	70
2017	2,292,883,164	38,214	105

* Includes pounds of farm direct milk, all plant bulk milk, skim condensed, cream and packaged milk.

** 60,000 lbs. estimated weight.

Data source: USDA Agricultural Marketing Service

This issue mailed on March 9, 2018

The Milkweed 03/18

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