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Western superstition has made 13 an unlucky number.

From Judas being 13th on the guest list for the Last Supper to the problems of the Apollo 13 space mission, dealing with 13 of anything has long been recognized as an omen steeped in misfortune.

Just do a Google search if you want to see how many people consider this past year – 2013 – to be an ‘unlucky’ one. From my perspective, however, it’s been a great year - especially for dairy producers.

Now any given year will come with its own set of challenges for the nation’s dairy producers – that is just a fact of this business. And this year had some special ones in store for producers. Continued poor profit margins for many earlier in the year, exceedingly hot weather in August and September, a lack of immigration reform, forest fires and overall weaker milk production than we would like to see all contributed to a gut-pummelling sense of uncertainty in 2013.

But as the year ends, it is time to focus some attention on the positives. It’s the “good things” going on in the dairy industry that can quell even the most primal natural urge to look at the downside of the business. Here are a few of the good things I see:

The leader of the “pro” column is the strong export demand the U.S. dairy industry has enjoyed in 2013. Demand for quality dairy products from the Middle East and China continue to impress the U.S. dairy industry. According to the U.S. Dairy Export Council, “the value of U.S. dairy exports already topped the full-year total for 2012 and established a new high. January-October exports were valued at \$5.54 billion, compared with \$5.12 billion in all of 2012. At the current pace, U.S. exports

## 2013 hardly ‘unlucky’ for dairy producers



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will top \$6.6 billion this year, up close to 30% from the 2012 total.”

Export business doesn't happen on a whim. Once a need is recognized, the conscious effort of both producers and processors is needed to create quality, reliability, and value, which leads to an excellent reputation for U.S. dairy products. It is this export business that has largely been responsible for increased dairy farm profitability in the second half of 2013.

Next in the pro column is to remember the benefits that come along with more reasonable feed prices. Short crops are said to have long tails because: *“Men think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one.”* While bean meal prices and related feeds remain high and forage prices look to remain high heading into 2014, corn prices have dropped more than \$3/bu. in 2013 taking a huge chunk out of the cost profile. Corn prices have taken a long time to drop to more palatable levels, but corn price weakness has provided a margin edge to producers - especially during such dramatic export growth.

Growing dairy demand, a milk supply trading water, and cheaper feed together signal producers to make more milk. And more milk means lower prices, right? At some point – the answer is yes. But the final stop on my admittedly short list of pros to dairying in 2013 is that the chasm between global opportunity and on-farm economics is coming to a head. To help illustrate my point, I'd like to reiterate something I wrote 18 months ago – in July of 2012.

*When we merge a dwindling milk supply with a growing hunger for dairy products globally, the risk for dairy prices is not down – but up. And while we've seen a significant increase in prices already due to weather, the stage is fundamentally set for even higher prices almost regardless of what happens to corn prices as we roll into 2013. But don't let that stop you from bringing profit home by hedging.*

Those leaning on cheaper feed prices to automatically equate to more milk production must not lean too hard. The past year seems to follow 2012 in that producer and lending communities remain largely concerned with repair and stabilization rather than growth. There continues to be little in the way of widespread capital investment in new dairy farm construction or expansion. Moreover – and just as significant - inexpensive heifers have kept heifer programs off the books of most dairies, pitting dairy producers, particularly in the West, against the beef ranchers bidding for new animals. *How is that going to work at \$2,000 a head?*

So the main takeaway is that dairies nationwide are getting signals to make more milk – and they're ignoring them. That could change in the first half of 2014, but for

now it looks like just another reason to be thankful for the good things that came out of dairy in 2013.



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