High stocks and high milk supply lead the dairy industry into the New Year. According to the United States Dairy Export Council (USDEC), in 2015, stocks rose higher than the typical year in cheese, butter and powder. The outlook for 2016 anticipates continued supply growth, driving competitive markets.

Overall, global milk production is growing almost 2 percent per year; production increased almost 3.6 million tons in 2015. Leading increased production was New Zealand, Australia, Argentina, United States and the European Union. With the end of production quota in the EU, supply and competition increased across markets, especially in the cheese and powder markets from Ireland and the Netherlands. With Russia’s dairy import ban, the EU lost a significant cheese importer. According to the USDA, the ban resulted in the loss of an annual 200,000-250,000 tons to the EU export market, nearly one-third of the EU’s cheese exports. As a result, the EU grew, and continues to build, their inventory.

China remains a critical player in the global market. In 2015, China dairy imports dropped significantly. Factoring in both the Russian ban and China’s decrease in demand, almost 6.2 million tons, and a large gap formed between global supply and demand. Powder demand remains flat and anticipated to remain that way over the next year. Alternatively, Chinese imports of UHT milk (up almost 31% in 2015 according to the USDA) and other dairy products including butterfat remain strong. China’s dairy inventories are stabilizing, and will continue to do so into 2016.

With Russia and China’s decrease in demand, the loss of markets shifted the product mix. Cheese sales increased to Mexico, South Korea, Japan and the Middle East and Northern Africa (MENA), especially for the EU at about 25 percent gains. Even without the Chinese market, New Zealand still increased whey protein powders to Southeast Asia and MENA by 48 percent. Butterfat imports in MENA and China rose 27 percent in 2015.

Analysts anticipate a global oversupply and general market weakness in 2016. Building inventories will need to be depleted and production pulled back in order to close the gap between supply and demand. Without China and Russia’s demand, it is unlikely that the rest of the world markets will make up for their loss resulting in fierce global competition.
The Dairy Market Report

It is the beginning of a new year and the forecasts are in. The USDA lowered its 2016 milk production forecast by 600 million pounds this month, citing the impact of the “recent blizzard in Texas and New Mexico” in the World Agricultural Supply and Demand Estimates (WASDE). Despite the revision, milk production is still forecasted to grow at a faster rate in 2016 than 2015. USDA has pegged production up 1.6% over the next 12 months. Outside of the US, the European Union milk production is still increasing. Production was up 4.0% or more in November after being up 4.0% in October. With more milk, European supply is outpacing demand and inventories are growing. In New Zealand, milk production has also improved.

In the United States, the volatile butter market continues to be a tight butter market. The fallout from winter storm Goliath (the impact of which is still unknown and heavily debated), could pull down national butter production as much as 3.0% in January.

Foodservice sales are still supportive of dairy prices. Butter demand has continued to show strength with disappearance up 4.8% during the three months ending in November. Disappearance of nonfat dry milk, on the other hand, has been weak, down 4.7% for the three months ending November.

With increased supply and decreasing international demand, 2016 prices are forecasted to fall in line with 2015 prices: Cheese, $1.60; whey, $0.27; butter, $1.91; nonfat dry milk, $0.86; Class III, $14.62 and Class IV, $13.31.

The data and forecasts in this report are excerpts from the Dairy & Food Market Analyst by Jerry Dryer and Matt Gould. mgould@dairymarketanalyst.com

Trans Pacific Partnership to Effect the Future of Dairy Exports

In October 2015, negotiations ended regarding the Trans Pacific Partnership (TPP) agreement. The overall focus of the discussion, as it related to dairy products, was on reducing or eliminating tariffs between the participating countries. The major players involved included the US, Canada, New Zealand and Australia. Of the major decisions effecting the US, tariffs for Australia and New Zealand’s ice cream and milk powders will eventually cease. New quotas will be put in place for butter, cheese, evaporated and condensed milk. The National Milk Producers Federation (NMPF), an advocate for US dairy farms, is wary that New Zealand already exports 95% of its dairy production; however, it is unclear what effect the TPP will have on US milk prices at this time.

Another major decision of the TPP will increase dairy exports into Canada by 3.25%. At this time, details of what products will make up the increase are unknown. Canada previously offered limited tariff-free market access, especially in a supply-managed dairy industry. One of the concerns for Canada is fluid milk from the US. rBST milk is illegal in Canada for animal welfare reasons; at this time, there is no certification for screening milk to be imported into Canada. Overall, the US anticipates that the agreement will provide America’s dairy industry with export opportunities through increased quotas for US products. While final details from the agreement are yet to be released, the dairy industry overall is remaining positive regarding the TPP.

Information sourced from NMPF and USDEC reports.
Opportunity for Dairy in Sports Nutrition

In 2014, sports drinks accounted for the largest market share in sports nutrition, an industry valued at $5.9 billion in 2014. Despite sports beverages gaining market share, market reports predict that sports food will have the highest growth around 9.7% between 2015 and 2020.

According to P&S Market Research, the overall sports food market is expected to grow annually over the next couple of years. Sports nutrition no longer includes just athletes and bodybuilders; young, non-athlete consumers also contribute to the market. Growing urbanization and the increased number of health & fitness centers is creating a population of health-conscious consumers. The increasing demand for the health benefits and good-tasting products offered by companies like Pepsi Co., GNC, MaxiNutrition and Clif Bar & Company is driving the sports nutrition market. These products have shown to offer benefits of performance, endurance, strength and recovery.

Dairy proteins continue to be a key source of high-quality protein used in sports nutrition. Studies show that both milk and whey proteins help maintain muscle mass, stimulate protein muscle synthesis and provide essential amino acids. Studies from the Center for Dairy Research (CDR) indicate that dairy proteins applied to post-exercise recovery help refuel, recover and rehydrate. In addition to stimulating protein muscle synthesis, dairy protein inhibits muscle protein degradation.

In addition to nutritional benefits, dairy protein is also a versatile, flavorful ingredient. Milk and whey proteins go into a variety of applications such as smoothies, shakes, nutrition bars and other sports nutrition products. With the growing market for both sports beverages and foods, dairy protein has the opportunity to grow in the sports nutrition market over the next 5 years.
Positive Outlook for Dairy Ingredients

Market analysts anticipate dairy ingredients will grow to almost $60 billion by 2020. MarketsandMarkets report that dairy ingredients made up 61 percent of the ingredient market in 2014. Projections indicate that between 2015 and 2020, dairy ingredients will grow about 5.6 percent.

Demand for dairy continues to increase as consumers look for healthy, convenient and diversified foods. Dairy ingredients and powders are versatile in formulations. Milk powders are nutritional, functional and economical while providing flavor enhancement.

Consumer focus on healthy diets across all population segments is driving the dairy ingredient market. Millennials, athletes and the aging population demand healthy alternatives from food manufacturers. In addition, the global market has changed. The growing level of disposable income in the Middle East and Asia-Pacific is positively affecting the global demand for dairy products.

While dairy ingredients markets are expected to grow in the next few years, dairy is also challenged by emerging alternatives, such as soymilk, which are easily available and less expensive. Milk allergies and lactose intolerance will continue to prohibit consumers. However, with increasing production and increasing demand, dairy ingredients will be a dynamic influence for the dairy industry in domestic and global markets.

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Tortellini Primavera

**Ingredients:**
- 1 c. sliced mushrooms
- 1 clove garlic, minced
- 2 tbsp. Grassland butter
- 1/4 c. milk
- 1 tsp. Italian seasoning
- 9 oz. cheese-filled tortellini, cooked and drained
- 1/4 c. grated parmesan cheese
- 1/2 c. chopped onion
- 1 tomato
- 8 oz. cream cheese
- 1/4 tsp. salt
- 1/4 tsp. pepper
- 1 pkg. chopped spinach, thawed and drained

**Directions:**
Cook and stir mushrooms, onion and garlic in butter in large skillet. Add remaining ingredients, except tortellini; mix well. Cook until mixture just begins to boil, stirring occasionally. Stir in tortellini and heat through.
Grassland Dairy Products, Inc. maintains the Wuethrich family legacy with more than a century of churning cream into delicious butter in Greenwood, Wisconsin. Grassland applies product research and development and continuous technological improvements to maintain its reputation as a quality dairy products manufacturer. With a variety of product offerings, Grassland commits to exceeding the needs of their dairy retail, foodservice and industrial customers, both domestic and international. Each product is made with the same commitment to quality, service and value as established by John S. Wuethrich in 1904.

Grassland and West Point Dairy Products LLC continue to build on a fundamental commitment to delivering unsurpassed quality and value.

**Grassland Bakers Slab**

Grassland’s bakers slab unsalted butter is ideal for any pastry chef who is laminating dough. Bakers slabs with 10 slices per carton at 7x6 inches, provide even layers of butter between the dough. Grassland slabs are made with fresh cream to ensure quality flavor and provide flakiness to the dough.

Grassland bakers slabs are ideal for:
- Croissants
- Danishes
- Puff pastries

For more information, contact your sales representative.

**Grassland’s Story**

**Over a Century of Dairy Passion**

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