EDITORIAL COMMENT

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Sustainability, Changing Milk Use May Alter U.S. Dairy herd

Let’s face it, the Holstein is a pretty cool symbol for the dairy industry. And it’s a pretty visible symbol, think California’s Happy Cows, just to cite one example.

But we can’t help but wonder if maybe the Holstein is more a symbol of the U.S dairy industry of the past than the U.S dairy industry of the present and the future. Put another way, we wonder if the U.S dairy industry needs fewer Holsteins and more of other breeds.

In addition to being known for its black and white appearance, the Holstein cow is also known for her productivity. Holsteins have been in the US for many years; indeed, Holstein Association USA, which bills the US for many years; indeed, Holstein Association USA, which bills itself as the world’s largest dairy breed association, is celebrating its 125th anniversary this year.

Today, Holsteins comprise more than 90 percent of the U.S dairy herd, followed by Jerseys, at about 7 percent, and then other breeds such as Gurneys and Brown Swiss.

As Holstein Association USA explains, Holsteins are most quickly recognized by their distinctive color markings and “outstanding milk production.” The 2009 average actual production for all U.S. Holstein herds that were enrolled in production-testing programs and eligible for genetic evaluations was 23,151 pounds of milk. Production per cow for all U.S dairy cows last year was 20,576 pounds.

So obviously the Holstein can produce significant volumes of milk. But we can’t help but wonder, is that really the most important feature of a dairy cow here in 2010?

Keep in mind that, for many decades, it was indeed milk volume that was being sought by the dairy industry. That’s in large part due to the fact that most milk was used for drinking purposes.

Just to cite one illustration of this point: as recently as 1970, over 60 percent of all milk pooled on federal orders was used in Class I, or fluid milk.

But that percentage has been steadily declining for many, many years. By 1980, the percentage of federal order milk used in Class I dipped below 50 percent; it fell below 40 percent in 2000, and with a couple of exceptions when significant volumes of milk were depooled, it has remained below 40 percent ever since. Last year, Class I utilization was 36.7 percent.

And that percentage will continue to decline, as will the percentage of milk used for fluid purposes nationwide. From 1975 through 2009, total beverage milk sales varied in a fairly narrow range from about 51.8 billion pounds (in 1982) to 55.1 billion pounds (in 1991).

Meanwhile, milk production continues to grow, at least a little and sometimes quite a bit, pretty much every year. Therefore, it’s safe to conclude that the percentage of U.S milk production being used for beverage use will continue to decline.

The flip side of that, of course, is that the percentage of milk production being used for other purposes will continue to increase. The largest use of milk currently is cheese, and that’s expected to continue to be the case in the future.

And at least to some extent, as dairy markets shift from fluid to other products, the importance of dairy milk volume from dairy cows declines and the importance of component production increases.

A gain just to cite one example: 20 years ago there was no component pricing at all in federal orders today, just four orders pay dairy producers on the butterfat and skim portions of milk, while the other six orders use multiple component pricing and pay producers based on pounds of protein, butterfat and other solids.

With these trends in mind, we have seen a very small fluid milk market (the country’s population is under 4.5 million), and it exports more than 90 percent of the U.S dairy herd despite the fact that milk fluid use keeps declining.

Maybe the U.S should take a cue from New Zealand, where Fonterra, that country’s dominant dairy cooperative, pays its farmers on the basis of kilograms of milk solids. Of course, it could be argued that New Zealand has a very small fluid milk market (the country’s population is under 4.5 million), and it exports more than 90 percent of its milk production, none (or very little) into fluid form.

From both sustainability and milk utilization perspectives, the U.S dairy industry might be better off slowly shifting away from the Holstein and towards other breeds that offer competitive advantages here in the 21st century.