

Overview

The U.S. average all-milk price, which spent seven months of 2015 hovering around \$16.70 per hundredweight, has moved up and will likely average about a dollar a hundredweight higher during the last four months of the year. In other developments, U.S. milk production was just a half a percent higher during August–October than a year earlier, while commercial use increased at a greater rate. The increase in commercial use came despite a reduction in exports due partly to increased competition from the domestic market for available supplies. The MPP margin for Sept.–Oct. was \$9.08 per hundredweight, the first time this year that the bimonthly MPP margin has been above \$8.

Commercial Use of Dairy Products

For the third quarter of 2015, domestic commercial use of butter rose by almost 8 percent over a year earlier, while use of other than American-type cheese was up 5 percent. This strong performance was a key contributor to a 3.6 percent rise in commercial use of milk in all products measured on a milkfat equivalent basis. Measured on a skim solids equivalent basis, milk use in all products was up just a half percent, reflecting drops in use of nonfat dry milk and other skim solids-based dairy ingredients. Total fluid milk sales were down 1 percent, but milkfat consumption in all fluid sales was up by half a percent over the period.

U.S. Dairy Trade

In its Global Dairy Trade Update this month, Fonterra Cooperative Group, Ltd. said that “dairy exports remain strong for Australia and Europe but the United States is down, largely due to increased domestic demand.” This is partly correct. U.S. butter exports during August–October were the lowest since June–August 2009. Due to strong domestic demand for milkfat in butter and other products and slow growth in milk and milkfat production, virtually all U.S. butter production has been needed to supply the domestic market. That has left little butter available to export. Similar factors may be at play with respect to cheese, but the large gap between domestic and world cheese prices

continued on page 2

Domestic Commercial Use	Jul–Sept 2015	Jul–Sept 2014	2014–2015 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	12,079	12,203	-124	-1.0%
Butter	468	434	34	7.9%
American-type Cheese	1,128	1,104	24	2.2%
All Other Cheese	1,719	1,637	82	5.0%
Nonfat Dry Milk / Skim Milk Powders	263	295	-32	-10.7%
All Products (milk equiv., milkfat basis)	52,394	50,578	1,816	3.6%
All Products (milk equiv., skim solids basis)	44,300	44,084	215	0.5%

U.S. Dairy Trade *from page 1*

plays an important role as well. Without export assistance through NMPF's Cooperatives Working Together (CWT) program, U.S. exports of American-type cheese would be diminished. However, domestic demand is not hindering exports of skim milk powder and whey protein concentrate, which are up compared with last year.

Dairy imports during August-October mirror the export picture, with the large U.S. – world price gaps drawing in additional butter and cheese imports. At the same time, small differences in domestic vs. world powder and whey prices are leaving imports of skim solids-based products flat to lower.

Milk Production

U.S. milk production grew by just 0.5 percent during the August–October quarter, slower than total commercial use, particularly

when measured on a milkfat equivalent basis. Data from USDA's National Agricultural Statistics Service (NASS) show that the production growth was due mostly to increased cow numbers, with modest annual growth in production per cow. USDA this month reduced its forecast of 2015 milk production to 208.3 billion pounds, 1.1 percent above 2014. The department maintained its projection that 2016 milk production will be 2 percent above 2015, at 212.4 billion pounds.

Dairy Product Production

Cheese production grew faster than total milk production during the August–October quarter, in part reflecting ample milk production in the Midwest and a continued shift from fluid milk processing to cheese. Production of American-type cheese outpaced that of other types, although rates of growth in commercial use for the two cheese types were the reverse

continued on page 3

U.S. Dairy Exports	Aug– Oct 2015	Aug– Oct 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	3,332	7,070	-3,738	-53%
Anhydrous Milk Fat/Butteroil	483	834	-351	-42%
Cheddar Cheese	6,755	13,530	-6,775	-50%
American-type Cheese	7,172	14,285	-7,113	-50%
Total Cheese	68,466	85,447	-16,980	-20%
Nonfat Dry Milk / Skim Milk Powder	140,174	116,262	23,912	21%
Whole Milk Powder	8,680	9,918	-1,238	-12%
Dry Whey	63,120	88,273	-25,154	-28%
Whey Protein Concentrate/Isolate	38,321	29,898	8,423	28%
Lactose	88,505	87,314	1,190	1%
Percent of Milk Solids Exported	13.8%	14.1%	-0.3%	-2%

U.S. Dairy Imports	Aug– Oct 2015	Aug– Oct 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	6,005	3,301	2,705	82%
Cheese	53,481	43,839	9,642	22%
Nonfat Dry Milk/Skim Milk Powder	907	912	-5	-1%
MPC (all protein levels)	9,918	14,006	-4,089	-29%
Casein	16,983	17,291	-307	-2%
Percent of Milk Solids Imported	3.6%	3.4%	0.2%	5%

Dairy Product Production *from page 2*

of the production growth rates. According to NASS, butter production growth remains well below the growth rate for butter use. Combined production of nonfat dry milk and skim milk powder has dropped compared with last year, but production of dry whey and whey protein concentrate has grown, along with cheese production.

Dairy Product Inventories

Butter and cheese stocks are up strongly from a year ago. That's understandable for American cheese, given the supply-demand fundamentals, but less so for other cheese and butter. Nonfat dry milk stocks were flat from last year and well down from the record levels of this summer.

Dairy Product and Federal Order Class Prices

In November, butter prices in USDA's Agricultural Marketing Service survey were more than 80 cents a pound above a year earlier, but the other three survey prices were from 40 to 55 cents a pound below a year ago. The November butter price was the second highest in at least 15 years, second only to September 2014 during that period. Nonfat dry milk prices are gradually coming off their 15-year low of last August, in a two-steps-forward, one-step-back fashion. In November, they were up approximately 9 cents a pound over the August low. Whey survey prices during October and November were the lowest

continued on page 4

Milk & Dairy Products Production	Aug–Oct 2015	Aug–Oct 2014	2014–2015 Change	Percent Change
Milk Production				
Cows (1000 head)	9,311	9,273	38	0.4%
Per Cow (pounds)	5,484	5,479	5	0.1%
Total Milk (million pounds)	51,064	50,809	255	0.5%
Dairy Products Production				
Cheese		(million pounds)		
American Types	1,152	1,130	23	2.0%
Cheddar	818	796	22	2.7%
Italian Types	1,230	1,214	16	1.3%
Mozzarella	961	955	5	0.6%
Total Cheese	2,924	2,852	72	2.5%
Butter	411	413	-2	-0.5%
Dry Milk Products				
Nonfat Dry Milk	363	364	-1	0%
Skim Milk Powder	106	138	-32	-23%
Dry Whey	238	209	29	14.1%
Whey Protein Concentrate	118	132	-14	-10.6%

Dairy Product Inventories	Oct 2015	Sept 2015	Oct 2014	2014–2015 Change
		(million pounds)		
Butter	179	188	148	21%
American Cheese	696	699	623	12%
Other Cheese	453	454	372	22%
Nonfat Dry Milk	184	212	186	-1%

Dairy Product and Federal Order Class Prices *from page 3*

since May 2009. Of the four price survey products, only cheese has failed to reach some type of extreme during 2015.

Class III prices declined from October to November, to \$6.64 per hundredweight below November 2014. By contrast, the Class IV price moved up significantly, to \$1.32 per hundredweight below a year earlier. The Class IV price was almost \$1.60 per hundredweight above the Class III price in November. Since the milkfat portion of the two prices is the same, the difference is due entirely to differences in the November Class III and Class IV skim milk prices. The Class IV skim price is calculated based on the nonfat dry milk price, and is thus low by historical standards. But the Class III skim price was \$1.65 per hundredweight below the

Class IV skim price, and was the third lowest price in the 15-year history of the current Class III skim milk price formula. This was the result of an average cheese price, a very high butterfat price (a deduction in the protein price formula), and very low whey (and hence other solids) price.

Milk and Feed Prices

The October all-milk price reported by NASS added another 20 cents a hundredweight to September's price. The price, \$17.70, was also 20 cents more than Federal order class prices for October had indicated prior to its announcement. The November Federal order class prices indicate the November all-milk price will average \$18.00 per hundredweight. The Margin Protection Program

continued on page 5

Dairy Product and Federal Order Prices	Nov 2015	Oct 2015	Nov 2014	2014–2015 Change
AMS Commodity Prices		(per pound)		
Butter	\$2.800	\$2.573	\$1.989	\$0.811
Cheese	\$1.650	\$1.679	\$2.131	-\$0.480
Nonfat Dry Milk	\$0.837	\$0.895	\$1.390	-\$0.553
Dry Whey	\$0.234	\$0.231	\$0.637	-\$0.402
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$16.48	\$15.84	\$24.06	-\$7.58
Class III	\$15.30	\$15.46	\$21.94	-\$6.64
Class IV	\$16.89	\$16.43	\$18.21	-\$1.32

Milk and Feed Prices	Oct 2015	Sept 2015	Oct 2014	2014–2015 Change
Producer Prices				
All Milk (per cwt.)	\$17.70	\$17.50	\$24.90	-\$7.20
Feed Prices				
Corn (per bushel)	\$3.67	\$3.68	\$3.57	\$0.10
Soybean Meal (per ton)	\$328	\$334	\$382	-\$54
Alfalfa Hay (per ton)	\$156	\$157	\$193	-\$37
2014 Farm Bill Feed Cost (per cwt.)	\$8.48	\$8.55	\$9.28	-\$0.79
2014 Farm Bill Margin (per cwt.)	\$9.22	\$8.95	\$15.62	-\$6.41
Retail Dairy Product Prices				
Fluid Milk (per gallon)	\$3.338	\$3.392	\$3.766	-\$0.428
Cheddar Cheese (per pound)	\$5.478	\$5.382	\$5.568	-\$0.090

Milk and Feed Prices *from page 4*

monthly feed cost formula dropped by 7 cents from September to October on small reductions in all three formula cost components. As a result, the monthly MPP margin calculation rose by 27 cents from September, to \$9.22 per hundredweight. Averaged together with the September monthly MPP margin of \$8.95, the MPP margin for Sept.–Oct. was \$9.08 per hundredweight, the first time this year that the bimonthly MPP margin has been above \$8.00 per hundredweight.

The Bureau of Labor Statistics reported that the U.S. average retail price for whole milk dropped in October from a month earlier by more than 5 cents a gallon and was nearly 43 cents a gallon below October 2014. By contrast, the BLS-reported average retail price for cheddar cheese continued to rise, by almost 10 cents a pound from a month earlier and by 22 cents a pound from its low last June.

Peter Vitaliano
National Milk
Producers Federation
pvitaliano@nmpf.org
www.nmpf.org



Dairy Management Inc.TM and state, regional, and international organizations work together to drive demand for dairy products on behalf of America's dairy farmers, through the programs of the American Dairy Association[®], the National Dairy Council[®], and the U.S. Dairy Export Council[®].

The **National Milk Producers Federation (NMPF)** is a farm commodity organization representing most of the dairy marketing cooperatives serving the U.S.