

Overview

The average all-milk price was \$16.80 per hundredweight in February, 80 cents below the January price. Federal order class prices for March indicate that the steep slide in milk prices during the last quarter of 2014 and early 2015 may have come to an end. USDA has announced that the two-month average margin under the Margin Protection Program for Dairy during January and February was \$7.99554 per hundredweight. Payments therefore should be made at the rate of \$0.0046 to producers who signed up for margin coverage at the maximum level of eight dollars per hundredweight. U.S. dairy exports will likely remain below year-ago levels until the second half of 2015. Moderating increases in U.S. milk production, coupled with domestic consumption growth, are counterbalancing declining exports and keeping domestic markets relatively balanced for cheese and milkfat in all products.

Commercial Use of Dairy Products

Fluid milk sales dropped 2.7 percent during November 2014 – January 2015 compared with the same months a year earlier. The drop was equivalent to losing nearly one million pounds of sales per day during the intervening year. However, there has been a marked shift in consumption among fluid product categories. Over the same period, conventional whole milk sales were flat and organic whole milk sales rose 16 percent, while conventional and organic fat-free skim milk sales were each down between 11 and 12 percent. Total milkfat consumption in all fluid milk products dropped by an estimated 1.3 percent,

just half the rate by which total fluid milk volume declined over the same period. Commercial disappearance of the other major dairy product categories, including American-type cheese, was up by significant amounts during these three months. The same was true for milkfat and skim milk solids in all products, which both rose faster than milk production during the period.

U.S. Dairy Trade

U.S. dairy exports again fell below year-ago levels for all major products during December 2014 – February 2015, particularly for milkfat products and cheese. Exports of nonfat dry milk,

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Domestic Commercial Disappearance	Nov 2014–Jan 2015	Nov 2013–Jan 2014	2013–2014 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	12,946	13,299	-353	-2.7%
Butter	485	472	13	2.7%
American-type Cheese	1,120	1,060	60	5.7%
All Other Cheese	1,684	1,664	20	1.2%
Nonfat Dry Milk/Skim Milk Powders	307	218	89	41%
All Products (milk equiv., milkfat basis)	50,190	48,081	2,108	4.4%
All Products (milk equiv., skim solids basis)	43,319	41,837	1,483	3.5%

U.S. Dairy Trade *from page 1*

skim milk powder and dry whey are also down significantly on a volume basis but less so on a percentage basis. Import demand remains well below the high levels of 2013 – early 2014, and world prices are falling again after a tentative recovery earlier this year. Total dairy exports were equivalent to 12.5 percent of U.S. milk solids production during the period, down from 15 percent a year earlier. This pattern will likely continue until the second half of the year.

U.S. dairy imports increased during the period, from the equivalent of 3.1 percent of total milk solids production a year earlier, to 3.5 percent during December 2014 – February 2015. Imports were up for milkfat products and cheese and flat or down for the major skim solids products.

Milk Production

Agriculture Department data continues to show a slowdown in the growth of U.S. milk production. Total production was 2.4 percent above a year earlier during December 2014 – February 2015. Preliminary numbers for February show production up 1.7 percent over February 2014, the fifth consecutive monthly drop in the rate of growth over a year ago. Average cow numbers were 1.1 percent higher than a year ago, for both the three-month period and for February. This is normally an indication of growing milk production. Cow numbers have grown at this rate or higher only about 10 percent of the time since 2000, and when they have increased at that rate, total milk production has increased at an average rate of 1.6 percent during those months. That's just about February's rate of growth. USDA is continuing to reduce its forecast of milk production growth for 2015. The department's April forecast projects a 1.9 percent increase in

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U.S. Dairy Exports	Dec 2014–Feb 2015	Dec 2013–Feb 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	5,377	24,588	-19,211	-78%
Anhydrous Milk Fat/Butteroil	3,396	4,380	-984	-22%
Cheddar Cheese	10,603	21,873	-11,269	-52%
American-type Cheese	11,214	24,867	-13,654	-55%
Total Cheese	80,852	94,554	-13,702	-14%
Nonfat Dry Milk / Skim Milk Powder	104,693	119,169	-14,476	-12%
Whole Milk Powder	12,040	13,784	-1,744	-13%
Dry Whey	72,604	82,656	-10,052	-12%
Whey Protein Concentrate/Isolate	32,092	32,831	-739	-2%
Lactose	78,051	81,626	-3,575	-4%
Percent of Milk Solids Exported	12.5%	15.0%	-2.4%	-16%
U.S. Dairy Imports	Dec 2014–Feb 2015	Dec 2013–Feb 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	4,061	1,418	2,643	186%
Cheese	44,475	33,537	10,938	33%
Nonfat Dry Milk/Skim Milk Powder	410	491	-81	-16%
MPC (all protein levels)	14,785	14,622	162	1%
Casein	15,828	24,518	-8,690	-35%
Percent of Milk Solids Imported	3.5%	3.1%	0.4%	12%

Milk Production *from page 2*

milk production for 2015 compared with last year. But the USDA forecast of growth for this year has dropped steadily each month from October's forecast of 3.3 percent.

Dairy Product Production

U.S. production of American and Italian-type cheeses both grew at an annual rate of three percent during the three-month period December 2014 – February 2015, while total cheese production was up 2.8 percent. Comparing these rates with increases in both commercial disappearance and stocks of these broad cheese categories suggests that the supply-demand

situation for cheese remains basically in balance, especially for American-type cheese. As a result, prices for Cheddar cheese are holding near average levels for recent years. The same is true for whey products and butter. Combined production of nonfat dry milk and skim milk powder, however, continues to grow, adding to stocks and pressuring prices.

Dairy Product Inventories

Inventories of butter and American-type cheese were both just a few percentage points above year-ago levels at the end of February. This indicates that domestic consumption of cheese and milkfat is keeping up with both increased production and

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Milk & Dairy Products Production	Dec 2014–Feb 2015	Dec 2013–Feb 2014	2014–2015 Change	Percent Change
Milk Production				
Cows (1000 head)	9,307	9,210	97	1.1%
Per Cow (pounds)	5,497	5,425	72	1.3%
Total Milk (million pounds)	51,162	49,963	1,199	2.4%
Dairy Products Production				
		(million pounds)		
Cheese				
American Types	1,136	1,103	33	3.0%
Cheddar	833	800	33	4.1%
Italian Types	1,258	1,221	37	3.0%
Mozzarella	989	968	21	2.2%
Total Cheese	2,861	2,783	78	2.8%
Butter	503	508	-5	-0.9%
Dry Milk Products				
Nonfat Dry Milk	476	405	71	18%
Skim Milk Powder	119	152	-33	-22%
Dry Whey	229	216	12	6%
Whey Protein Concentrate	133	136	-3	-2%

Dairy Product Inventories	Feb 2015	Jan 2015	Feb 2014	Percent Change 2014–2015
		(million pounds)		
Butter	178	149	172	3.7%
American Cheese	643	634	629	2.3%
Other Cheese	421	411	381	10.4%
Nonfat Dry Milk	241	240	181	33%

Dairy Product Inventories *from page 3*

reduced exports of cheese and milkfat. Stocks of other than American-type cheese grew by a bit more than 10 percent. Nonfat dry milk stocks were up by one-third from a year earlier at the end of February.

Dairy Product and Federal Order Class Prices

Dairy product prices reported to USDA's Agricultural Marketing Service, and the Federal order Class III and Class IV prices calculated from them, were little changed in March from their values a month earlier. This strongly suggests that the steep

slide in milk prices during the last quarter of 2014 and the early part of 2015 has come to an end. Futures markets suggest the same thing. In addition, the advance-announced Class I price mover for April has halted its decline. Since USDA's National Agricultural Statistics Service discontinued reporting preliminary prices this year, the AMS class prices have become the best indicator of the direction of milk prices in the most recent month.

Milk and Feed Prices

The U.S. average all-milk price for February was \$16.80 per hundredweight, down 80 cents from January and \$8.10 below February 2014. February feed prices were well down from a year ago but little changed from January. As a result, the monthly

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Dairy Product and Federal Order Prices	Mar 2015	Feb 2015	Mar 2014	2014–2015 Change
AMS Commodity Prices		(per pound)		
Butter	\$1.695	\$1.682	\$1.856	-\$0.162
Cheese	\$1.575	\$1.545	\$2.269	-\$0.694
Nonfat Dry Milk	\$1.022	\$1.031	\$2.090	-\$1.068
Dry Whey	\$0.482	\$0.517	\$0.655	-\$0.173
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$15.56	\$16.24	\$23.64	-\$8.08
Class III	\$15.56	\$15.46	\$23.33	-\$7.77
Class IV	\$13.80	\$13.82	\$23.66	-\$9.86

Milk and Feed Prices	Feb 2015	Jan 2015	Feb 2014	2014–2015 Change
Producer Prices				
All Milk (per cwt.)	\$16.80	\$17.60	\$24.90	-\$8.10
Feed Prices				
Corn (per bushel)	\$3.79	\$3.81	\$4.35	-\$0.56
Soybean Meal (per ton)	\$370	\$380	\$509	-\$139
Alfalfa Hay (per ton)	\$172	\$174	\$190	-\$18
2014 Farm Bill Feed Cost (per cwt.)	\$9.14	\$9.26	\$11.01	-\$1.87
2014 Farm Bill Margin (per cwt.)	\$7.66	\$8.34	\$13.89	-\$6.23
Retail Dairy Product Prices				
Fluid Milk (per gallon)	\$3.496	\$3.758	\$3.561	-\$0.065
Cheddar Cheese (per pound)	\$5.480	\$5.401	\$5.543	-\$0.063

Milk and Feed Prices *from page 4*

farm bill feed cost formula under the Margin Protection Program dropped by just 12 cents per hundredweight from January to February. The monthly margin was down by 68 cents, mostly due to the lower milk price. USDA calculated the average margin for January/February, on which potential payments under the Margin Protection Program would be paid, as \$7.99554 per hundredweight. The department has not formally announced the number of decimal places it will use in calculating payments

under the program, but it is anticipated that payments will be made at the rate of \$0.0046 to producers who signed up for margin coverage at the maximum \$8.00 per hundredweight level.

Average retail prices for whole milk declined by 26 cents per gallon from January to February, according to Bureau of Labor Statistics data, while cheddar cheese prices rose by eight cents per pound. Both prices were down by more than six cents from a year earlier.

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



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